Pioneer

Annual Report 2016

For the Year Ended March 31, 2016

Group Philosophy

“Move the Heart and Touch the Soul”

Business Strategies and Direction

A leading company in “Comprehensive Infotainment”

Contents

Business Profile

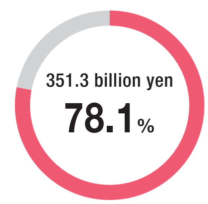
Fiscal 2016, Ended March 31, 2016
Consolidated Net Sales

449.6 billion yen

Sales by Business Segment

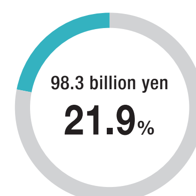
■ Car Electronics

We develop, manufacture, and sell cutting-edge car electronics products and provide information services for cars. We also supply such products and services to major automakers around the world.



■ Others

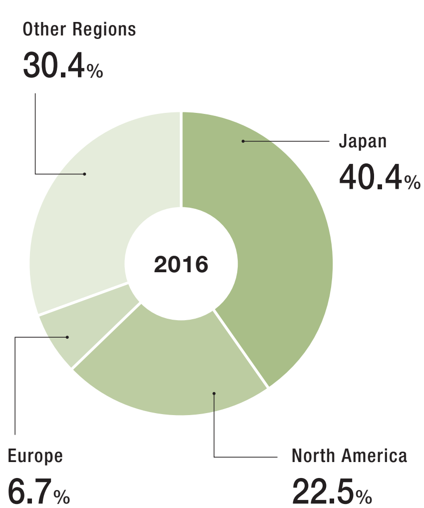
In addition to products such as factory automation systems and map software, we are utilizing our unique optical, sound, and imaging technologies to develop new businesses in fields such as medical and health care-related devices and organic light-emitting diode (OLED) lighting.



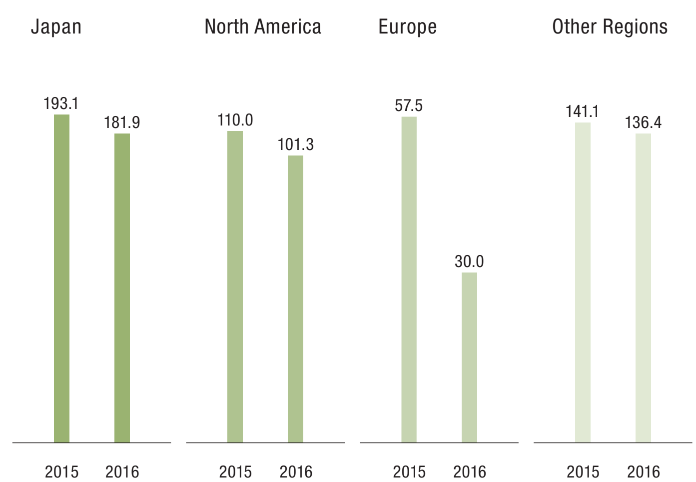
Sales by Geographic Market

The Pioneer Group is proactively developing businesses in emerging markets where growth is expected. For fiscal 2016, sales outside Japan accounted for 59.6% of consolidated net sales.

Composition of Sales by Geographic Market



Sales by Geographic Market (Billion yen)



Note: In fiscal 2015, the home AV, telephone, headphone-related, and DJ equipment businesses were transferred.

To Our Stakeholders

During fiscal 2016, ended March 31, 2016, we concentrated management resources in the Car Electronics business, which continues to grow around the world, as our first step toward the building of a new Pioneer.

Going forward, we will work toward the solid achievement of the goals set in our newly formulated Medium-Term Plan, while making every effort to become a leading company in "Comprehensive Infotainment" that creates comfort, excitement, reliability and safety in vehicles.

Financial Highlights

Pioneer Corporation and Its Subsidiaries
Years Ended March 31

In millions of yen and thousands of U.S. dollars	2015	2016	2016
Net sales	¥501,676	**¥449,630**	**$3,979,027**
Operating income	7,778	**7,304**	**64,637**
Net income attributable to owners of Pioneer Corporation	14,632	**731**	**6,469**
Net income per share (yen/U.S. dollars)	39.85	**1.99**	**0.02**
Total assets	328,277	**298,012**	**2,637,274**
Total equity	107,066	**90,486**	**800,761**
Free cash flows	71,444	**(791)**	**(7,000)**

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥113=US$1.00, the approximate rate prevailing on March 31, 2016.
2. Net income attributable to owners of Pioneer Corporation in the year ended March 31, 2015, includes the gain from the transfer of the DJ equipment business, etc.
3. Net income per share is calculated based on the number of shares outstanding, excluding treasury stock.
4. Free cash flows represent the sum of cash flows from operating activities and cash flows from investing activities.

Consolidated Results for Fiscal 2016

Net sales in fiscal 2016 declined 10.4%, to ¥449.6 billion, mainly due to the business transfers in fiscal 2015, and operating income declined 6.1%, to ¥7.3 billion, on factors including an increase in depreciation and amortization. Net income attributable to owners of Pioneer Corporation declined 95.0%, to ¥0.7 billion, reflecting the absence of the gain from business transfers recorded in fiscal 2015.

Formulation of Medium-Term Plan Covering Five Years Through Fiscal 2021

We have formulated a Medium-Term Plan covering the periods from fiscal 2017 through fiscal 2021, which lays out strategies to increase profit at the existing consumer market and OEM businesses and initiatives for the coming age of autonomous driving.

Amid great changes in the car electronics market, we are pursuing a strategy that is suited to the properties of the Company's two businesses; a consumer market business that constantly offers new values to the market; and an OEM business that grows together with automakers by making proposals that meet their expectations. We are also focusing on a map business and an autonomous driving field as one of our business pillars as we look ahead to the coming autonomous driving society.

The consumer market business will work to maintain high profitability through sustainable sales growth and to establish early "connected car life" related business, by strengthening its smartphone-linked product lineup, proposing new added value through advanced driving assist systems, and offering new forms of in-vehicle entertainment. In addition, we will expand our commercial-use businesses that utilize the cloud, and we will place a greater focus on products in the affordable price range in emerging markets.

In the OEM business, we will focus on strengthening competitiveness via improving profitability in existing businesses by promoting measures for ongoing improvements to our profitability, which includes the integrated development of car AV products and car navigation systems, increasing productivity through increased production scale at main plants and production efficiency made possible by automating production, and developing and designing products in anticipation of customer needs to make development more efficient. As ways to propose new value-added solutions, we will accelerate R&D in the autonomous driving field and proactively propose advanced technologies based on customer needs ascertained from the consumer market.

In the map business, we will expand business in the ASEAN market and attack the non-navigation corporate-use business market. We will also make efforts to develop high-precision map data in the autonomous driving field.

Furthermore, in the autonomous driving field, we will strive to become an "essential company toward the realization of autonomous driving" by making use of our ability to develop both "3D-LiDAR" (Light Detection and Ranging) driving space sensor and high-precision map data, which are necessary for autonomous driving, as well as by utilizing our alliances to create and commercialize a "data ecosystem" for advanced maps.

The initiatives we carry out in fiscal 2017, the first year under the Medium-Term Plan, will be very important for laying a foundation for the Plan. We will work to steadily improve profitability at the OEM business and support profits at the consumer market business to lay a foundation for growth from fiscal 2018 onward. For fiscal 2021, the Medium-Term Plan targets net sales of ¥510 billion with operating income of ¥31 billion.

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

June 2016

Susumu Kotani
President and CEO

Medium-Term Plan

We announced the Medium-Term Plan in May 2016, covering the five years through fiscal 2021, ending March 31, 2021. The following is an explanation of the growth strategies for the Car Electronics business, Pioneer's main business and the core component of the Medium-Term Plan.

Consolidated Numerical Targets for Medium-Term Plan

(Billion yen)

		Fiscal 2017 Forecasts	Fiscal 2018 Plan	Fiscal 2019 Plan	Fiscal 2021 Plan
Net Sales		420.0	430.0	450.0	510.0
Operating Income (Operating Income Margin)		8.0 (1.9%)	13.0 (3.0%)	20.0 (4.4%)	31.0 (6.1%)
Net Income*		1.0	4.0	13.0	22.0
Car Electronics	Net Sales	335.0	340.0	355.0	410.0
	Operating Income	8.0	13.0	17.0	25.0
Others	Net Sales	85.0	90.0	95.0	100.0
	Operating Income	0	0	3.0	6.0

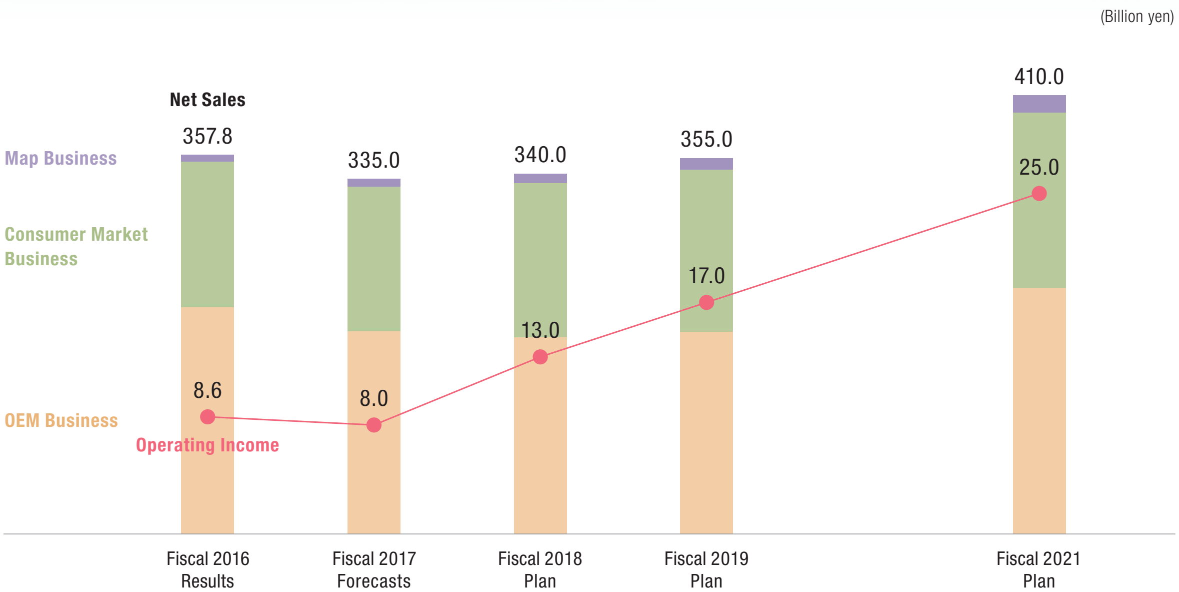
* Net income attributable to owners of Pioneer Corporation

Notes: 1. Operating income in each business segment represents operating income before elimination of intersegment transactions.
2. From fiscal 2017, map software, previously classified in "Others," is reclassified in "Car Electronics."
3. Exchange rate assumptions are ¥115 = 1 U.S. dollar and ¥125 = 1 euro.

Growth Strategies for the Car Electronics Business

With a new structure that concentrates management resources in the Car Electronics business, we will pursue growth strategies emphasizing the consumer market and OEM businesses, as well as the map business and autonomous driving field, to be a leading company in "Comprehensive Infotainment" that creates comfort, excitement, reliability and safety in vehicles.

Car Electronics: Numerical Targets



2016-2017: Advanced investment stage

Advanced investment for large-scale OEM orders and investments to improve profitability

➡ Consumer market business to be still a profit pillar

2018-2021: Investment recoupment stage

Large-scale OEM orders to bear fruit and effects of profitability improvement measures in OEM to ensure stable profit

➡ Both consumer market and OEM businesses to generate profit

Strengthening of cost control structure

- Establish production structure that will be less impacted by foreign exchange rates fluctuations
- Generate profits via utilizing high productivity at main plants
- Effectively place design resources that make use of external business partners

Notes: 1. Operating income represents operating income before elimination of intersegment transactions.
2. From fiscal 2017, map software, previously classified in "Others," is reclassified in "Car Electronics." Figures for fiscal 2016 have been reclassified in accordance with those for fiscal 2017 and beyond.

We designate fiscal 2016 to fiscal 2017 as a stage for advanced investment, and the periods from fiscal 2018 onward as a stage for recouping the investments. The numerical targets for the Car Electronics business are net sales of ¥410 billion, operating income of ¥25 billion, and an operating income margin of 6% and more for our overall business in fiscal 2021.

The plan calls for the consumer market business to be the source of profit during the advanced investment stage, as the OEM business invests in advance to build the full-scale capability for large-scale orders from fiscal 2018, and to improve profitability. During the investment recoupment stage, with a full flow of large-scale OEM orders and effects of the measures for improving profitability, earnings at the OEM business will improve and both the consumer market and OEM businesses will generate profit.

Consumer Market Business

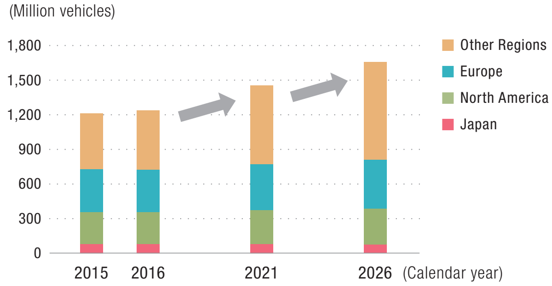
Basic Directions

- Sustain sales growth and maintain high profitability via strategies that respond properly to changes in the environment
- Establish early "connected car life" related business

Constantly offering new value to Pioneer's customers around the world

Global automobile ownership is expected to grow further, led by emerging markets. A survey we carried out in emerging markets indicates that roughly half of car owners would like to upgrade their hardware in vehicles. Further taking into account the growing popularity of smartphones, this shows that the needs for hardware are undergoing major changes, and we see this as a significant opportunity for our business expansion going forward.

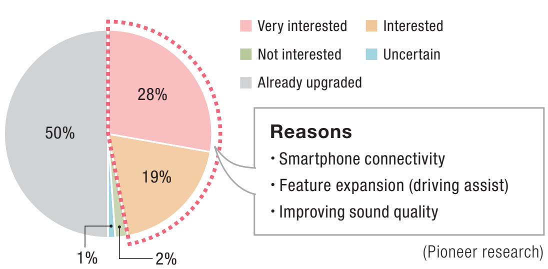
■ Projected trends in automobile ownership



(Source: FOURIN)

■ Survey on emerging markets

In emerging markets, roughly half of car owners seek upgrades of car audio/navigation products



(Pioneer research)

Areas to strengthen and regional strategies

To appropriately meet changing market needs, we will put a special focus on the areas of "connectivity," "reliability and safety," "entertainment," and "new fields," and pursuing strategies suited for individual regions.

In the "connectivity" area, we are enhancing our line of smartphone-linked products to stimulate market demand for upgrades of hardware, especially in emerging markets.

In the "reliability and safety" area, we will offer our own added value through our hardware featuring new advanced driving assist functions, which include warnings to the driver using Pioneer's proprietary image recognition technologies and probe information*1. *Multi-Drive Assist Unit*, which we plan to release within the Japanese consumer market in September 2016, works with *CYBER NAVI* car navigation systems to prevent rear-end accidents using screen-displayed images and sound, and also features an event data recorder function and the ability to alert the driver by email when unusual activity is detected while the car is parked, supporting the overall car-driving experience from driving to parking.

In the "entertainment" area where Pioneer specializes in through our experience in the speaker business since the foundation of the Company, we will offer new forms of in-vehicle entertainment that combines our products and services with music contents, and deploy new value-added products utilizing smartphones. *CYBER NAVI* features *Music Cruise Channel*, a music streaming function, and by combining this with music streaming service provided by RecoChoku Co., Ltd., the driver and passengers can easily enjoy a variety of music as they do with car radios.

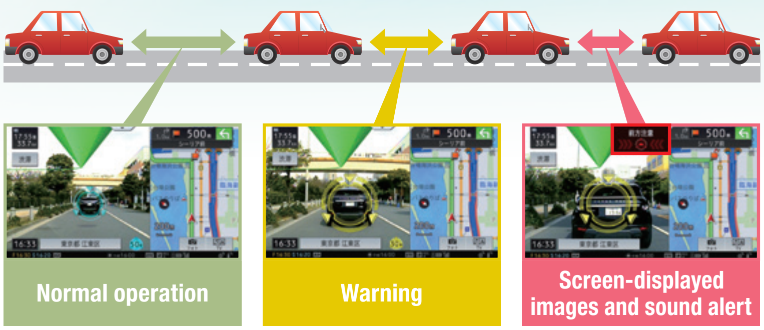
Integrating *CYBER NAVI* with RecoChoku's music streaming service

In the "new fields" area, in Japan we are proactively working with NTT DOCOMO, INC. in the field of automotive IoT (Internet of Things), and with Tokio Marine & Nichido Fire Insurance Co., Ltd., to develop services for automobile insurance, and also expanding our commercial-use businesses that utilize the cloud such as a *Vehicle Assist* telematics service for fleet vehicles. We will also introduce models adapted to specific automobiles in Europe and the United States that do not comply with DIN standards,*2 and in other regions, we will expand our business areas by placing a greater focus on products in the affordable price range.

*1 Probe information: Road traffic information generated mainly from vehicle's tracking data

*2 DIN: Deutsche Institute Norm. In this case, the standards for the external dimensions of hardware

■ **"Front Car Proximity Alert" function through *Multi-Drive Assist Unit***



Through sophisticated image recognition using cameras, the unit constantly measures the distance to and speed of the car in front, and alerts the driver of possible risks of collisions through screen-displayed images and sounds.

▲ *Multi-Drive Assist Unit*

■ **Sustain sales growth and maintain high profitability via strategies that respond properly to changes in the environment**

	Japan	North America and Europe	Other Regions
Connectivity	Promote changing of media in vehicles (strengthen smartphone connectivity)		
Reliability and Safety	Propose added value with Pioneer's strength (advanced driving assist systems)		
Entertainment	Provide audio entertainment		
New Fields	■ Active promotion of IoT business ・Service for automobile insurance ・Fleet service for commercial use ・Expansion of dedicated device and cloud system	■ Correspond to increase of non-DIN-sized products ・Introduce models adapted to specific automobiles	■ Strengthen lineups of affordably priced models ■ Expand business areas (ASEAN, Central and South America ➡ Middle East ➡ Africa)

OEM Business

Basic Directions

- Strengthen competitiveness via improving profitability in existing businesses
- Propose new value-added solutions for future growth to OEM customers

Aiming to grow together with automakers while realizing stable profitability

With cars spreading globally, automakers' projects are becoming more large-scale and long-term. At the same time, as automakers move forward with efforts to create more advanced and sophisticated vehicles, the expectations for suppliers capable of value-added proposals are also increasing.

Though Pioneer's OEM business has faced continued challenges in terms of earnings, we are working to realize stable profitability by seizing changes to this business environment as an opportunity to improve profitability and expand the business.

Specifically, we are implementing ongoing measures to strengthen our competitiveness via improving profitability in existing businesses by reducing costs through initiatives such as the integrated development of car AV products and car navigation systems, and the application of modular design methods. We will also raise productivity through increased production scale at our main plants, and increase production efficiency through mass & custom production and increased use of information technology (IT) and automation in production, to be able to accommodate large-scale orders on a full-fledged basis from fiscal 2018. Furthermore, in order to acquire new orders, we will also improve the handling of automakers' various larger-scale and longer-term projects by developing and designing products in anticipation of the needs of automakers, thereby making development more efficient and improving profitability.

■ **Integrated development of car AV products and car navigation systems**

Conventional development	Function	Car AV products	Car navigation systems
	AV and basic functions	Individual development	Individual development
	Navigation function	—	

Current development	Function	Car AV products	Car navigation systems
	AV and basic functions	Integrated development	
	Navigation function	—	Application

Realize navigation function using application based on car AV products

Significantly reduce technological development costs

■ **Modular design**

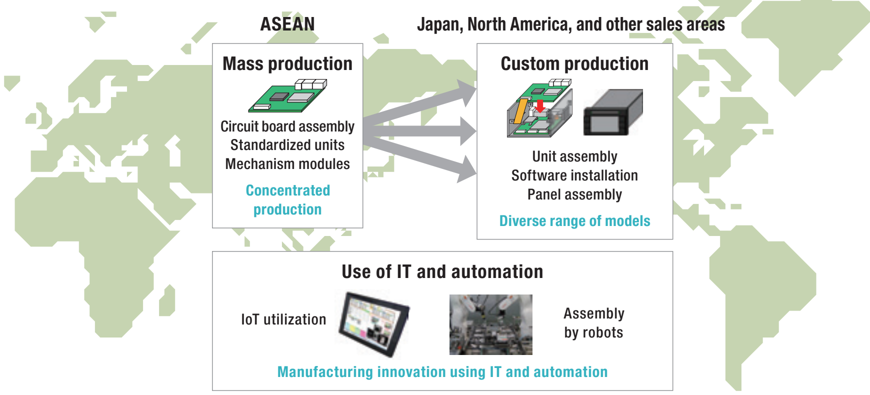
Consolidate a minimum number of required parts, assemble them to form diverse products

Reduce development man-hours

Reduce manufacturing man-hours

■ **Mass & custom production, use of IT and automation**

Concentrated production of products' standardized units at ASEAN production sites, with final assembly of products in or near the market of sale for commercialization
Seeking to improve productivity through manufacturing innovation using IT and automation



Improve production efficiency

Reduce inventory

Improve cash flows

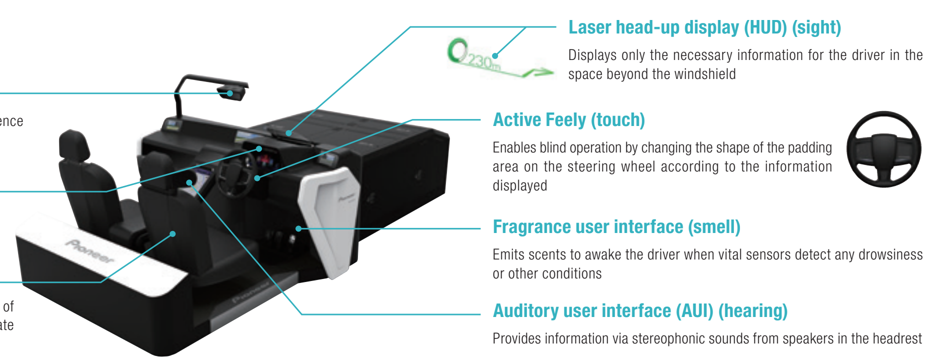
Reduce impact from foreign exchange rate fluctuations

As a medium-term strategy, based on the recognition that precise communication between the vehicle and driver will be essential in the age of autonomous driving, we are accelerating our R&D in autonomous driving and Human Machine Interface (HMI)*3, that will allow us to offer an "integrated cockpit," which we see as an area of future growth. We are also proactively offering advanced and reliable proposals based on customer needs ascertained from the consumer market.

Through these initiatives, we aim to realize stable profitability, while at the same time to meet the expectations of, and grow together with automakers.

*3 Human Machine Interface (HMI): Equipment and software needed for the exchange of information between humans and machines

■ **Integrated cockpit**



Onboard camera
Identifies the driver and detects the presence and attributes of passengers

Context-awareness engine
Provides information detected from various data on the display in front of the driver

Biological information sensing
Detects any drowsiness, fatigue or tension of the driver based on changes in the heart rate

Laser head-up display (HUD) (sight)
Displays only the necessary information for the driver in the space beyond the windshield

Active Feely (touch)
Enables blind operation by changing the shape of the padding area on the steering wheel according to the information displayed

Fragrance user interface (smell)
Emits scents to awake the driver when vital sensors detect any drowsiness or other conditions

Auditory user interface (AUI) (hearing)
Provides information via stereophonic sounds from speakers in the headrest

Map Business and Autonomous Driving Field

Basic Directions

- Grow stably via establishing and expanding the high-precision map business
- Enter and establish position in the autonomous driving field with 3D-LiDAR sensors
- Establish, develop, and begin operation of an advanced map “data ecosystem”

Further strengthen the map business and accelerate business expansion and development of high-precision maps

As the developer and manufacturer of the world’s first consumer market car navigation system, Pioneer owns a map software subsidiary and operates a map business. In addition to providing map data for car navigation systems, our map business sells map contents and develops other solutions, and maintains stable, high profitability. It is one of our strengths that Pioneer is the only car electronics manufacturer or developer of sensors for autonomous driving that owns a map business. Going forward, we will further solidify these strengths through the proactive use of alliances and participation in Japanese governmental projects, while also expanding the map business by making inroads in the ASEAN market, and in the corporate and GIS*4 market for providing map data to electricity, gas, and other lifeline operators, and regional public organizations. In addition, we will develop high-precision map data*5 in our initiatives in the field of autonomous driving.

*4 GIS (Geographic Information System): Technologies that enable advanced analysis and rapid judgment using geographical positioning, by comprehensively managing and processing geographically referenced information data, and visually displaying

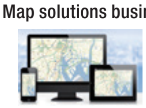
*5 High-precision map data: Map data with detailed three-dimensional information that is essential for the realization of autonomous driving

Existing businesses

Contents
- Map data sales
  Map database covering all of Japan, multilingual maps of Japan

Navigation
- Map database and software for car navigation systems in Japan and overseas

Solutions
- *MapFan* map service
- Map solutions business for business use



MapFan

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New initiatives

ASEAN market

MappointAsia

Enhance the accuracy of current map data and develop high-precision maps for autonomous driving

Corporate and GIS markets

NTT GEOSPACE

SIP*6 (Automated Driving for Universal Services)
Dynamic Map Planning Co., Ltd.

*6 SIP: Cross-ministerial Strategic Innovation Promotion Program organized by Japanese Cabinet Office

As the one and only company which also possesses the necessary technologies for autonomous driving, we aim to become an “essential company” for the age of autonomous driving

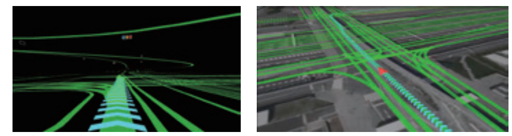
Pioneer is developing both 3D-LiDAR sensors and high-precision map data, both of which are essential to autonomous driving, using the optical technologies cultivated in our optical disc technologies, the highly precise vehicle location technologies developed in car navigation systems, and our probe information and a map software subsidiary. By combining our 3D-LiDAR sensors and high-precision map data, we will also build our “data ecosystem” for advanced maps, in which maps can be efficiently distributed, updated, and utilized in autonomous driving, through our alliances. We aim to develop highly efficient systems at low cost and establish a business that becomes a global standard through the creation of high-performance, compact and affordably-priced 3D-LiDAR sensors on a wide range of vehicles. We have reached an agreement with HERE, the location cloud company, to perform proof experiments toward building a “data ecosystem.”

[Sensors] 3D-LiDAR

Sensors use laser beams to capture information on the vehicle's surroundings with details in real time. The distance to and shape of objects several dozen meters in front of the vehicle can be measured accurately.

[Maps] High-precision map data

Map data with detailed three-dimensional information that is essential for the realization of autonomous driving



Alliance with HERE

Proof experiments toward realizing a "data ecosystem"

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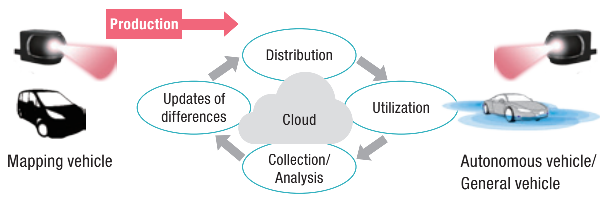
[Systems] Advanced map "data ecosystem"

Realize new map updating system utilizing 3D-LiDAR technology



In terms of our business model going forward, we envision the use of 3D-LiDAR sensors in consumer products such as robots and drones, in addition to autonomous driving and advanced driving assist systems. We also see high-precision map data being used in areas including industrial infrastructure, agriculture, and disaster-prevention and disaster-reduction, in addition to autonomous driving and advanced driving assist systems. Moreover, we see our "data ecosystem" for advanced maps expanding from cloud use to new businesses in a variety of fields, including modules, algorithms, applications, and data updates used in systems.

One development related to autonomous driving is that a portion of expressways in Japan are expected to be approved for use by autonomous vehicles by around 2020. On the other hand, autonomous vehicles are expected to be fully introduced on general roads by 2022 or later, which is beyond the scope of the Medium-Term Plan. With a view to this business contributing to earnings from 2022 and beyond, we plan to invest approximately ¥10 billion in autonomous driving-related research and development over the five years from fiscal 2017 to fiscal 2021.

In the age of autonomous driving which will come after the period covered by the Medium-Term Plan, Pioneer will lead the car electronics industry as an "essential company" for the realization of our "data ecosystem" for advanced maps with both 3D-LiDAR sensors and high-precision map data, which are essential for autonomous driving.

■ Expect expansion into various business models

3D-LiDAR sensor

■ Sensor units and systems

- Autonomous driving and driving assist systems
- Robots and drones

High-precision map data

■ Map contents

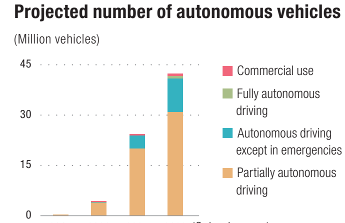
- Autonomous driving and driving assist systems
- Industrial infrastructure, IT-based agriculture, disaster-prevention and disaster-reduction

System: Advanced map "data ecosystem"

■ System solutions

- Updating system solutions
- Data analysis solutions

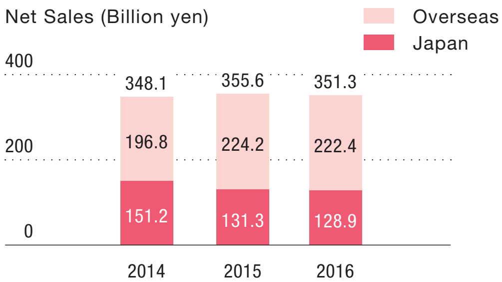
Projected number of autonomous vehicles

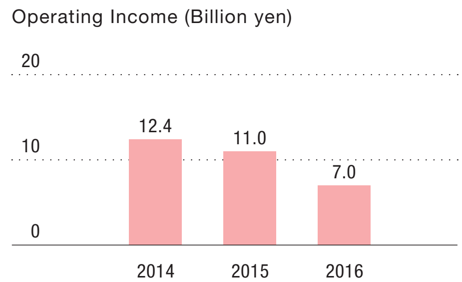


(Pioneer research)

Car Electronics

Composition of Sales by Business Segment **78.1%**





Car Electronics sales declined 1.2% year on year, to ¥351.3 billion.

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

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

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

By geographic region, sales in Japan declined 1.9%, to ¥128.9 billion, and overseas sales declined 0.8%, to ¥222.4 billion.

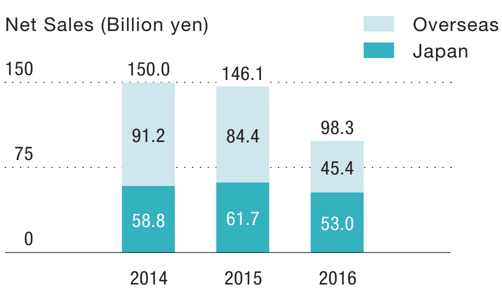
Operating income declined 36.0% year on year, to ¥7.0 billion, as a result of the deterioration in the cost of sales ratio mainly due to increased depreciation and amortization, and foreign exchange rate movements, as well as lower sales, despite a reduction in SG&A expenses.

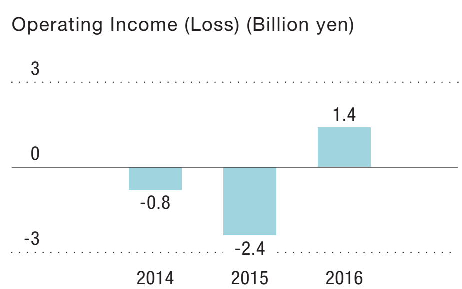
Main Products

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

Others

Composition of Sales by Business Segment **21.9%**





In the Others segment, sales declined 32.7% year on year, to ¥98.3 billion, primarily because of the transfers of businesses in fiscal 2015.

By geographic region, sales in Japan decreased 14.2%, to ¥53.0 billion, and overseas sales declined 46.2%, to ¥45.4 billion.

Operating income was ¥1.4 billion, compared with an operating loss of ¥2.4 billion in fiscal 2015, mainly reflecting a decline in SG&A expenses.

Main Products and Services

- Blue-ray Disc Drives
- DVD Drives
- Equipment for Cable-TV Systems
- Factory Automation Systems
- Map Software
- Electronic Devices and Parts
- Speaker Units
- Organic Light-emitting Diode Displays
- Electronic Manufacturing Services
- DJ Equipment (Subcontracted Manufacturing/Sales)
- Home AV Products (Subcontracted Manufacturing/Sales)

Notes: 1. Operating income (loss) in each business segment represents operating income (loss) before elimination of intersegment transactions.
2. In fiscal 2015, the home AV, telephone, headphone-related, and DJ equipment businesses were transferred. In accordance with these transfers, the business segments from fiscal 2016 are classified as "Car Electronics" and "Others." Figures shown for fiscal 2014 and fiscal 2015 have been reclassified accordingly.
3. Map software is classified in "Others" until fiscal 2016.

Pioneer's research and development mainly anticipates the future of the Car Electronics business. In addition to our traditional strengths in optics, signal processing, information processing, and systematization through applying such capabilities as device development, we are developing new hardware technologies for the future. These technologies cover areas including various sensing technologies, network services, enhancement of map data precision, driver monitoring, and human machine interface (HMI), to grow the business through the promotion and development of the coming age of autonomous driving.

We are also proactively conducting research and development in the areas of medical and health care-related devices and OLED lighting, which we are cultivating as potential new core businesses.

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

Driver Monitoring

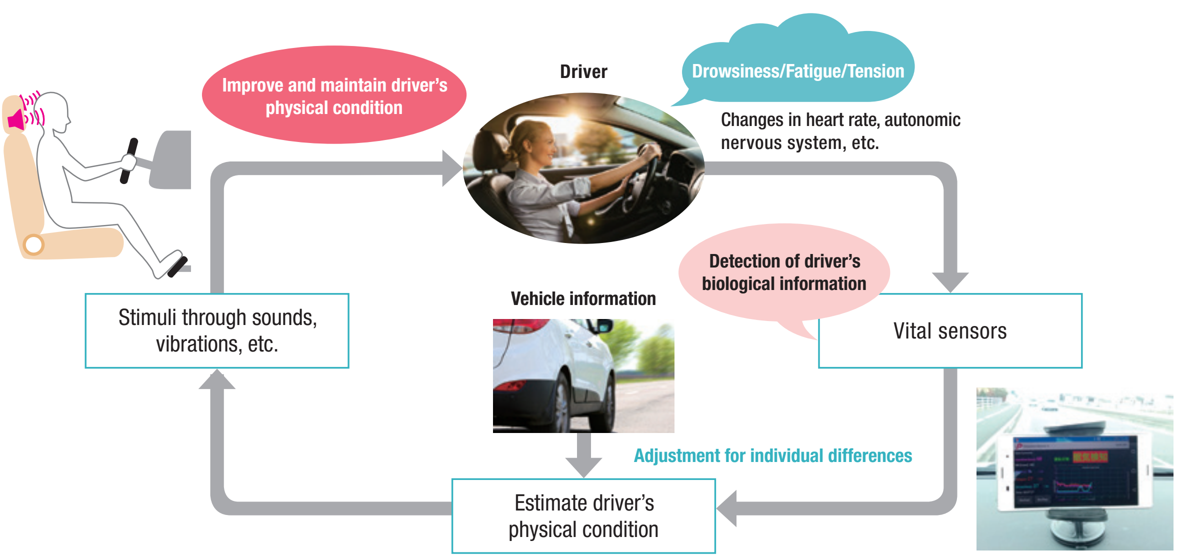
Driver monitoring is a technology that uses a variety of vital sensors to detect the driver's biological information to estimate the driver's physical condition. This is an indispensable technology for the realization of autonomous driving, and has been a focus of much attention in recent years. Pioneer's research and development aims to provide a full line of technologies needed for driver monitoring, from sensors to applications.

Autonomous cars will start from partially autonomous driving to realize fully autonomous driving. In partially autonomous driving, it is essential to have a function that determines in advance whether the driver is in adequate condition to drive when switching from autonomous driving to manual driving. Autonomous driving is being developed for the purpose of reducing traffic accidents caused by human errors. For this reason driver monitoring is one of the essential core technologies toward the realization of autonomous driving.

Driver monitoring is also expected to make the environment in vehicles more comfortable. This will make it easier for on-board systems to anticipate the driver's interest, making it possible to provide contents with more optimal timing and by more optimal means.

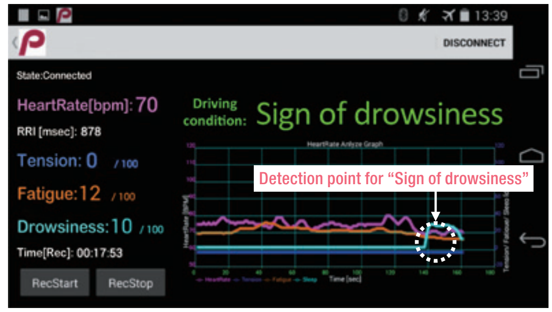
Pioneer's development of vital sensors include camera sensors that detect the driver's eye gaze, facial direction, and posture; steering wheel sensors to track the driver's heart rate; and seat sensors to monitor the driver's pulse rate.

Algorithm for improving and maintaining driver's physical condition



The technologies we are developing to monitor the driver's physical condition are primarily intended to detect drowsiness, fatigue, and tension while driving. To detect drowsiness, we are focusing on the autonomic nervous system as we develop technologies that detect signs of drowsiness with a high degree of precision based on changes in the heart rate and pulse rate. We are also developing technologies that improve and maintain the physical condition of drivers by utilizing sounds and vibrational stimuli.

A detection of "Sign of drowsiness"



Driving condition: Normal ➡ Sign of Drowsiness ➡ Drowsiness detected

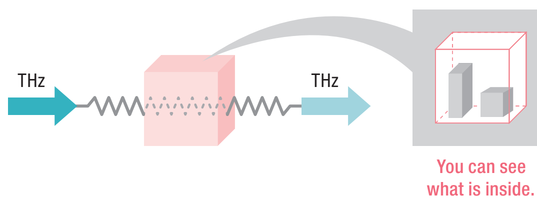
Terahertz Imaging

Pioneer is proactively engaged in the research and development of imaging equipment that uses terahertz waves to visualize the internal composition of an object. Terahertz waves are electromagnetic waves that travel in straight lines, like light, and are also transparent, like radio waves, and have the special feature of being able to penetrate materials like cloth, paper, wood, plastic, and ceramics, but not metals or water. Imaging technologies that utilize these features show promise for a wide range of applications, including quality control in industrial products, nondestructive evaluation of cultural assets and structures of infrastructure, detection of dangerous materials and other security inspection, and medicine.

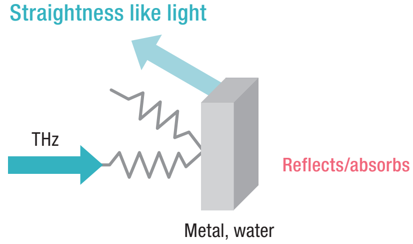
In addition to having superior analytical functionality, the terahertz imaging equipment that we are developing is compact and easy to carry, and is also easy to use. Recognizing these qualities, the National Institutes for Cultural Heritage Nara National Research Institute for Cultural Properties in Japan used our equipment in February-March 2016 to evaluate the condition of the wall paintings in the Takamatsuzuka Tomb in Nara Prefecture, which is a national treasure in Japan. This was the first time the research institute used terahertz imaging equipment made by a Japanese manufacturer.

We will continue to pursue our research and development of terahertz imaging technologies going forward, focusing on the applications of nondestructive evaluation of structures of infrastructure and security detection of dangerous materials and objects.

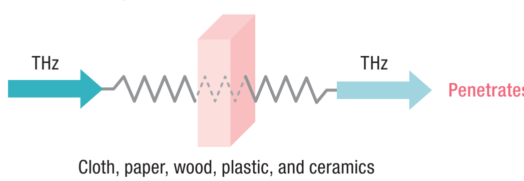
Visualizing the internal composition of an object

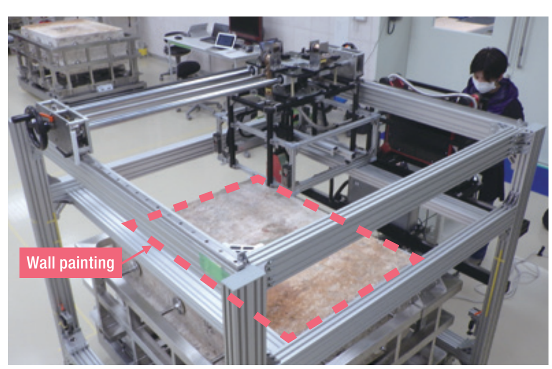


Straightness like light



Transparency like radio waves





Evaluating the condition of the Takamatsuzuka Tomb wall paintings
(Photo: Nara National Research Institute for Cultural Properties in Japan)

The Company considers the realization of a transparent and fair corporate governance system as the most important issue in corporate management. As the fundamental framework for the corporate governance of the Company, we have formulated the “Basic Policy for Pioneer Group Corporate Governance” for the purpose of achieving sustainable growth and increased corporate value over the mid- to long-term through the realization of effective corporate governance.

Based on this basic policy, the Board of Directors enhances the effectiveness of the board itself and other bodies that comprise corporate governance of the Company, through such measures as conducting a self-evaluation of each director on the operation of the Board of Directors, enriching the information provided to outside directors, and strengthening to cooperate between outside directors and outside corporate auditors. Furthermore, by continuously and periodically reviewing and revising this basic policy, Pioneer will creatively develop corporate governance.

Board of Directors, Board of Corporate Auditors and Executive Officers

Pioneer has adopted a Board of Corporate Auditors 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 by the Board of Directors to expedite business execution and clarify the responsibilities for each business. Additionally, a Group Executive Committee under the supervision of the Board of Directors has been established and charged with decision-making regarding important issues that arise in the course of business promotion.

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 regards 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 2016, the Board of Directors held nine meetings, while the Board of Corporate Auditors held 14 meetings.

Group Executive Committee

Established under the supervision of the Board of Directors, the Group Executive Committee is a body charged primarily with decision-making or reporting to the board regarding important issues that emerge in the course of business promotion or pertain to overall Group management strategy. In this capacity, the committee serves to enhance both the speed and effectiveness of business execution by the directors, as well as to strengthen the decision-making and oversight functions of the board itself. The Group Executive Committee membership comprises executive officers elected by the Board of Directors and, in principle, meets on a bimonthly basis. In fiscal 2016, the Group Executive Committee held 19 meetings and deliberated approximately 30 issues.

Voluntary Advisory Committees

To realize effective corporate governance, Pioneer has established a Nominating Committee, a Compensation Committee, and a Special Committee, each chaired by an outside director, as advisory committees designed to heighten management transparency and strengthen the oversight function of 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. The respective outside directors who chair 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 related decision-making.

Ensuring Appropriate Execution of Business

In order for the Company to 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, and the "Rules of the Pioneer Group," a collection of rules outlining the scope of authority and responsibilities for each Group company, and other rules related to compliance.

Under this basic policy, to ensure appropriate disclosure of corporate information and 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.

Regarding internal audits, 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.

Additionally, to safeguard the effectiveness of audits performed by the corporate auditors, the Board of Corporate Auditors meets regularly with the representative directors, and ensures opportunities exist to periodically receive explanations and reports from the Audit Division and the Independent Auditor.

Business Ethics Committee

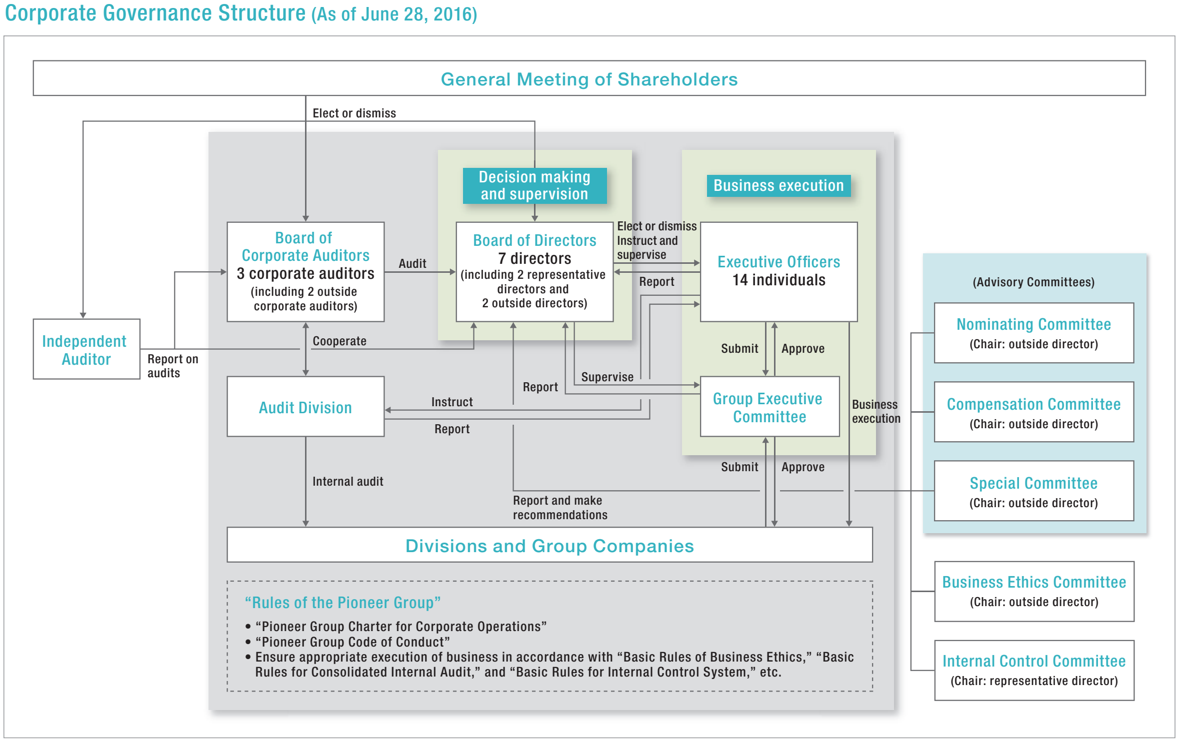
The Company has established a Business Ethics Committee, chaired by an outside director, to ensure legal compliance as well as thorough observance of the "Pioneer Group Charter for Corporate Operations" and the "Pioneer Group Code of Conduct." The committee met twice in fiscal 2016.

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 corporate auditors, making it possible to respond to that information resolutely and in good faith.

Internal Control Committee

The Company has established an Internal Control Committee, chaired by an executive officer who is concurrently a representative director, to identify possible risks associated with business activities and to prevent such risks from occurring. The committee met twice in fiscal 2016.

Corporate Governance Structure (As of June 28, 2016)



Corporate governance website:
http://pioneer.jp/en/info/governance/

Corporate Citizenship Activities

Carrying on our founder Nozomu Matsumoto's vision of "better sound for more people," Pioneer uses proprietary sound-related technologies and expertise for corporate citizenship activities, with the aim of living in harmony with local communities and creating a rich society.

Corporate citizenship focusing on audio & video, environmental protection, and educational support

In the area of audio & video, we hold "Listen through the Body" concerts that allow people with hearing difficulties to enjoy music. In terms of environmental protection, our cultivation of bright, green Pioneer Forests began as an effort to preserve forests in recognition of the wood we use as a material in our speakers. For educational support, we pass on the enjoyment of Monozukuri (craft making) through a course on making paper speakers, where children learn the principles of sound and the structure of speakers.

With the help and cooperation of our employees and their families, we intend to continue carrying out these activities going forward.

The "Listen through the Body" program held various type of concerts using Pioneer's proprietary system for converting sound to vibrations that the body can feel

A course on making paper speakers for elementary school children

Environmental Preservation Activities

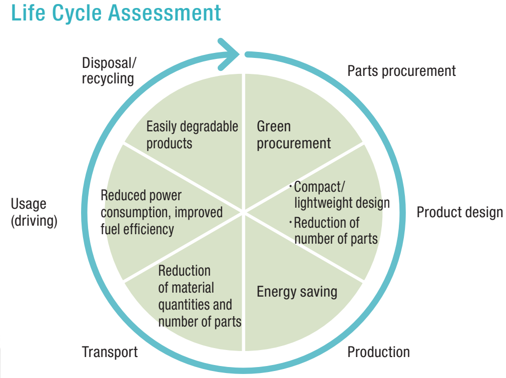
In recent years, environmental problems including global warming, environmental pollution, and the loss of resources and biodiversity are becoming more pronounced around the world, due to the growth of the world's population and the spread of economic activity accelerating. Recognizing our social responsibility as we carry out our businesses, we promote environmental preservation and proactive disclosure of information with the aim of realizing a sustainable society together with our stakeholders.

Improving the environmental performance of our products

Pioneer uses a life cycle assessment process to help prevent global warming. This is a method for quantifying and visualizing the environmental impact, measured as CO_2 emissions, over a product's entire life cycle: from the procurement of materials and parts to manufacturing, use, disposal and recycling. The results of these assessments are posted on our corporate website.

Going forward, we will continue to use life cycle assessments in pursuit of effective and efficient improvements to the environmental performance of our products.

Life Cycle Assessment



Pioneer's car navigation systems can significantly reduce CO_2 emissions that are emitted from driving

For more information regarding Pioneer's corporate citizenship and environmental preservation activities, please refer to the Pioneer Group CSR Report at: http://pioneer.jp/en/society/csr/report/

Management (As of June 28, 2016)

Board of Directors

Representative Directors

Susumu Kotani

Mikio Ono

Directors

Kunio Kawashiri

Masahiro Kawamura

Takashige Nakano

Masahiro Tanizeki

Shunichi Sato

Board of Corporate Auditors

Full Time Corporate Auditor

Mikio Shimoda

Corporate Auditors

Keiichi Nishikido

Hiroyuki Wakamatsu

Executive Officers

President and CEO

Susumu Kotani

Senior Managing Executive Officer

Mikio Ono

Senior Executive Officers

Kunio Kawashiri

Masahiro Kawamura

Takashige Nakano

Harumitsu Saito

Masao Kase

Koichi Moriya

Satoshi Ohdate

Ikuo Tsuritani

Executive Officers

Minoru Maruyama

Ichio Kitamura

Naoto Takashima

Shinsuke Nishimura

Notes: 1. Messrs. Masahiro Tanizeki and Shunichi Sato are outside directors pursuant to the Companies Act of Japan, and are independent directors satisfying the requirements of the Tokyo Stock Exchange.

2. Messrs. Keiichi Nishikido and Hiroyuki Wakamatsu are outside corporate auditors pursuant to the Companies Act of Japan, and are 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	2012	2013	2014	2015	**2016**	**2016**
Net sales	¥436,753	¥451,841	¥498,051	¥501,676	**¥449,630**	**$3,979,027**
Operating income	12,514	5,997	11,169	7,778	**7,304**	**64,637**
Net income (loss) attributable to owners of Pioneer Corporation	3,670	(19,552)	531	14,632	**731**	**6,469**
Total assets	322,012	311,325	327,913	328,277	**298,012**	**2,637,274**
Total equity	89,037	81,576	77,816	107,066	**90,486**	**800,761**
Equity ratio (%)	26.1	24.5	22.1	31.0	**28.7**	
Net income (loss) per share (yen/U.S. dollars)	11.43	(60.90)	1.49	39.85	**1.99**	**0.02**
Total equity per share (yen/U.S. dollars)	261.98	237.97	197.33	277.05	**233.32**	**2.06**
Inventories	66,871	76,466	70,371	63,295	**52,837**	**467,584**
Capital expenditures	24,769	34,965	26,053	25,046	**30,442**	**269,398**
Depreciation and amortization	24,568	25,413	24,883	23,543	**27,122**	**240,018**
R&D expenses	34,590	33,671	26,891	28,196	**24,804**	**219,504**
R&D expenses to net sales (%)	7.9	7.5	5.4	5.6	**5.5**	
Cash flows from operating activities	18,213	1,179	34,242	34,564	**19,292**	**170,726**
Cash flows from investing activities	(21,781)	(35,239)	(21,862)	36,880	**(20,083)**	**(177,726)**
Cash flows from financing activities	1,719	7,018	(887)	(55,424)	**3,408**	**30,159**
Cash and cash equivalents at end of year	45,953	20,967	33,904	51,676	**51,993**	**460,115**
Borrowings	89,511	96,212	87,448	34,238	**37,328**	**330,336**
D/E ratio (times)	1.1	1.3	1.2	0.3	**0.4**	
Return on assets (ROA) (%)	1.2	(6.2)	0.2	4.5	**0.2**	
Return on equity (ROE) (%)	4.3	(24.4)	0.7	16.8	**0.8**	
Return on sales (%)	0.8	(4.3)	0.1	2.9	**0.2**	
Total assets turnover ratio (times)	1.4	1.4	1.6	1.5	**1.4**	
Average foreign exchange rate (yen/U.S. dollars)	79.08	83.10	100.24	109.93	**120.14**	
Average foreign exchange rate (yen/euro)	108.98	107.14	134.37	138.77	**132.58**	
Number of employees	24,765	23,926	22,193	19,404	**17,046**	

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥113=U.S.$1.00, the approximate current rate prevailing on March 31, 2016.
2. Amounts less than presentation units are rounded.
3. Effective from fiscal 2016, the reference to “net income (loss)” was changed to “net income (loss) attributable to owners of Pioneer Corporation” by the application of the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No.21, issued on September 13, 2013), etc.
4. Net income (loss) per share and total equity per share are calculated by using the number of issued shares after deducting treasury stock.
5. Cash and cash equivalents at end of year exclude time deposits which become due over three months of the date of acquisition.
6. The amount of borrowings includes convertible bonds and excludes capital lease obligations.
7. Return on assets (ROA) is calculated by dividing net income (loss) attributable to owners of Pioneer Corporation 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) attributable to owners of Pioneer Corporation for the term by the average amount of equity (equity calculated as total equity minus non-controlling interests) during the term.
8. Total assets turnover ratio is calculated by dividing net sales for the term by the average amount of total assets during the term.
9. 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, 2016,
Compared with Year Ended March 31, 2015

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

Financial Position

Total assets as of March 31, 2016, were ¥298,012 million, a decrease of ¥30,265 million from March 31, 2015, due to decreases in property, plant and equipment, inventories, and trade receivables, despite an increase in software in progress. Software in progress grew ¥8,113 million, to ¥22,489 million, mainly from new purchases of software to be installed in products. On the other hand, property, plant and equipment decreased ¥14,935 million, to ¥42,694 million, mainly from the sale of land and buildings associated with the relocation of the head office. Inventories decreased ¥10,458 million, to ¥52,837 million, mainly from foreign exchange rate movements. Trade receivables decreased ¥4,562 million, to ¥74,596 million, mostly from foreign exchange rate movements.

Total liabilities were ¥207,526 million, a ¥13,685 million decline from March 31, 2015. Despite the issuance of ¥15,075 million of convertible bonds and a ¥6,906 million increase in accrued pension and severance costs mainly due to a change in the discount rate, accrued expenses decreased ¥13,927 million, mainly due to the payment of special retirement benefits associated with organizational streamlining carried out in fiscal 2015, and a ¥6,538 million decrease in trade payables, mostly from foreign exchange rate movements. In addition, a ¥5,614 million decrease in short-term borrowings and a ¥7,164 million decrease in current portion of long-term debt resulted in an overall decline of liabilities.

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

Results of Operations

• Net sales

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

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

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

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

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

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

In the Others segment, sales declined 32.7% year on year, to ¥98,337 million, primarily because of the transfers of businesses in fiscal 2015. By geographic region, sales in Japan decreased 14.2%, to ¥52,958 million, and overseas sales declined 46.2%, to ¥45,379 million.

• Operating income

Cost of sales decreased to ¥372,715 million from ¥403,072 million a year earlier. Cost of sales accounted for 82.9% of net sales, worsening by 2.5 percentage points from the 80.3% recorded in fiscal 2015, mainly resulting from an increase in depreciation and amortization and the negative effect of foreign exchange rate movements. On the other hand, selling, general and administrative (SG&A) expenses decreased to ¥69,611 million from ¥90,826 million in fiscal 2015, reflecting the business transfers and organizational streamlining. As a result, operating income decreased to ¥7,304 million in fiscal 2016, compared with ¥7,778 million in fiscal 2015. R&D expenses, which were included in cost of sales and SG&A expenses, decreased 12.0% to ¥24,804 million, representing 5.5% of net sales. R&D expenses were mostly incurred to developing activities on OEM business in Car Electronics.

• Other income (expenses)—net

In fiscal 2016, other income (expenses)—net deteriorated by ¥19,856 million, to other expenses—net of ¥2,404 million, compared with other income—net of ¥17,452 million in fiscal 2015. This mainly reflected a ¥48,415 million gain mainly from the transfer of the DJ equipment business in fiscal 2015, despite a turnaround to a foreign exchange gain from the previous year's foreign exchange loss, as well as the absence of a ¥13,250 million of restructuring costs in line with organizational streamlining in fiscal 2015.

• Income before income taxes

As a result of the foregoing, income before income taxes decreased to ¥4,900 million, from ¥25,230 million in fiscal 2015.

• Income taxes

Income taxes for fiscal 2016 decreased to ¥4,161 million, compared with ¥11,142 million for fiscal 2015, principally due to the increase of deferred income taxes by a reversal of deferred tax assets in fiscal 2015.

• Net income attributable to owners of Pioneer Corporation

As a result of the above, net income attributable to owners of Pioneer Corporation decreased to ¥731 million, from ¥14,632 million in fiscal 2015.

Cash Flows

During fiscal 2016, operating activities provided net cash in the amount of ¥19,292 million, a ¥15,272 million decrease from fiscal 2015. This reflected a ¥9,602 million decrease in accrued expenses, mainly due to the payment of special retirement benefits, compared with a ¥16,196 million increase in fiscal 2015, and a decrease in receivables of ¥912 million, compared with a ¥10,807 million decrease in fiscal 2015.

Investing activities used net cash in the amount of 20,083 million, compared with ¥36,880 million in net cash provided in fiscal 2015. This primarily reflected the absence of the ¥57,124 million of cash inflows from the business transfers recorded in fiscal 2015.

Financing activities provided net cash in the amount of ¥3,408 million, compared with ¥55,424 million in net cash used in fiscal 2015. This mainly reflected proceeds of ¥15,060 million from the issuance of convertible bonds in fiscal 2016.

Foreign currency translation adjustments on cash and cash equivalents were a negative ¥2,300 million, compared with a positive ¥1,752 million in fiscal 2015.

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

Consolidated Balance Sheet

Pioneer Corporation and Its Subsidiaries
March 31, 2016

ASSETS	Millions of Yen 2016	Millions of Yen 2015	Thousands of U.S. Dollars (Note 1) 2016
Current Assets:			
Cash and cash equivalents (Note 15)	**¥ 51,993**	¥ 51,676	**$ 460,115**
Time deposits (Note 15)	**–**	484	**–**
Receivables (Note 15):			
Trade receivables	**74,596**	79,158	**660,141**
Inventories (Note 4)	**52,837**	63,295	**467,584**
Deferred tax assets (Note 10)	**4,027**	4,563	**35,637**
Other current assets	**17,555**	20,666	**155,354**
Allowance for doubtful receivables	**(3,308)**	(2,195)	**(29,274)**
Total current assets	**197,700**	217,647	**1,749,557**
Property, Plant and Equipment (Notes 5, 6 and 7)**:**			
Land	**11,103**	16,053	**98,257**
Buildings and structures	**52,138**	64,524	**461,398**
Machinery, equipment and others	**66,185**	60,067	**585,708**
Lease assets	**6,975**	15,040	**61,726**
Construction in progress	**343**	484	**3,035**
Others	**64,478**	79,657	**570,602**
Total	**201,222**	235,825	**1,780,726**
Accumulated depreciation	**(158,528)**	(178,196)	**(1,402,903)**
Net property, plant and equipment	**42,694**	57,629	**377,823**
Investments and Other Assets:			
Investment securities (Notes 3, 7 and 15)	**4,164**	4,255	**36,850**
Investments in associated companies (Note 15)	**1,917**	2,094	**16,965**
Software	**23,134**	25,600	**204,725**
Software in progress	**22,489**	14,376	**199,018**
Goodwill	**480**	522	**4,248**
Deferred tax assets (Note 10)	**1,159**	2,049	**10,257**
Net defined benefit asset (Note 8)	**915**	1,118	**8,097**
Other assets	**3,360**	3,067	**29,734**
Allowance for doubtful accounts	**–**	(80)	**–**
Total investments and other assets	**57,618**	53,001	**509,894**
Total	**¥ 298,012**	¥ 328,277	**$ 2,637,274**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2016	2015	Thousands of U.S. Dollars (Note 1) 2016
Current Liabilities:			
Short-term borrowings (Notes 7 and 15)	**¥ 12,257**	¥ 17,871	**$ 108,469**
Current portion of long-term debt (Notes 7 and 15)	**971**	8,135	**8,593**
Trade payables (Note 15)	**69,821**	76,359	**617,885**
Income taxes payable (Note 15)	**2,031**	2,266	**17,973**
Accrued expenses	**30,907**	44,834	**273,513**
Warranty reserve	**2,112**	2,531	**18,690**
Other current liabilities	**21,044**	22,035	**186,231**
Total current liabilities	**139,143**	174,031	**1,231,354**
Long-term Liabilities:			
Long-term debt (Notes 7 and 15)	**10,697**	10,936	**94,664**
Accrued pension and severance costs (Note 8)	**39,108**	32,202	**346,088**
Convertible bonds (Notes 7 and 15)	**15,071**	–	**133,372**
Other long-term liabilities (Note 10)	**3,507**	4,042	**31,035**
Total long-term liabilities	**68,383**	47,180	**605,159**
Commitments and Contingent Liabilities (Notes 12 and 16)**:**			
Equity (Note 9)**:**			
Common stock, no par value			
Authorized: 800,000,000 shares;			
Issued: 372,223,436 shares in 2016 and 2015	**91,732**	91,732	**811,788**
Capital surplus	**56,016**	56,016	**495,717**
Retained earnings	**34,038**	33,277	**301,221**
Treasury stock—at cost, 5,029,993 shares in 2016 and 5,028,727 shares in 2015	**(11,051)**	(11,051)	**(97,796)**
Accumulated other comprehensive income (loss):			
Unrealized loss on available-for-sale securities	**(286)**	(105)	**(2,531)**
Deferred loss on derivatives under hedge accounting	**(88)**	–	**(779)**
Foreign currency translation adjustments	**(56,329)**	(47,369)	**(498,487)**
Defined retirement benefit plans (Note 8)	**(28,357)**	(20,767)	**(250,947)**
Total accumulated other comprehensive loss	**(85,060)**	(68,241)	**(752,744)**
Noncontrolling interests	**4,811**	5,333	**42,575**
Total equity	**90,486**	107,066	**800,761**
Total	**¥298,012**	¥328,277	**$2,637,274**

See notes to consolidated financial statements.

Consolidated Statement of Income

Pioneer Corporation and Its Subsidiaries
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
Net Sales	**¥449,630**	¥501,676	**$3,979,027**
Cost of Sales (Notes 8, 11 and 20)	**372,715**	403,072	**3,298,363**
Gross profit	**76,915**	98,604	**680,664**
Selling, General and Administrative Expenses (Notes 8, 11 and 20)	**69,611**	90,826	**616,027**
Operating income	**7,304**	7,778	**64,637**
Other Income (Expenses):			
Interest and dividend income	**340**	322	**3,009**
Interest expense	**(1,161)**	(2,431)	**(10,274)**
Maintenance expense for idle assets	**(278)**	(415)	**(2,460)**
(Loss) gain on sales and disposals of property, plant and equipment—net	**(607)**	327	**(5,372)**
Loss on impairment of property, plant and equipment (Note 5)	**(131)**	(1,331)	**(1,159)**
Foreign exchange gain (loss)	**1,560**	(6,450)	**13,805**
Gain on sales of investment securities—net (Note 3)	**702**	1,596	**6,212**
Gain on business transfer (Notes 14 and 19)	**351**	48,415	**3,106**
Restructuring costs (Note 13)	**(1,936)**	(13,250)	**(17,133)**
Others—net	**(1,244)**	(9,331)	**(11,008)**
Other (expenses) income—net	**(2,404)**	17,452	**(21,274)**
Income before income taxes	**4,900**	25,230	**43,363**
Income Taxes (Note 10)**:**			
Current	**3,642**	6,532	**32,230**
Deferred	**519**	4,610	**4,593**
Total income taxes	**4,161**	11,142	**36,823**
Net income	**739**	14,088	**6,540**
Net income (loss) attributable to noncontrolling interests	**8**	(544)	**71**
Net income attributable to owners of Pioneer Corporation	**¥ 731**	¥ 14,632	**$ 6,469**
	Yen		U.S. Dollars
Per Share of Common Stock (Note 18)**:**			
Basic net income	**¥1.99**	¥39.85	**$0.02**
Diluted net income	**1.93**	–	**0.02**
Cash dividends, applicable to the year	**–**	–	**–**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Pioneer Corporation and Its Subsidiaries
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
Net Income	**¥ 739**	¥14,088	**$ 6,540**
Other Comprehensive (Loss) Income (Note 17)**:**			
Unrealized loss on available-for-sale securities	**(181)**	(1,273)	**(1,602)**
Deferred loss on derivatives under hedge accounting	**(88)**	–	**(779)**
Foreign currency translation adjustments	**(9,454)**	12,622	**(83,663)**
Defined retirement benefit plans	**(7,590)**	2,800	**(67,168)**
Share of other comprehensive (loss) income in associates	**(35)**	207	**(310)**
Total other comprehensive (loss) income	**(17,348)**	14,356	**(153,522)**
Comprehensive (loss) income	**¥(16,609)**	¥28,444	**$(146,982)**
Total comprehensive (loss) income attributable to:			
Owners of Pioneer Corporation	**¥(16,088)**	¥28,478	**$(142,372)**
Noncontrolling interests	**¥ (521)**	¥ (34)	**$ (4,610)**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Pioneer Corporation and Its Subsidiaries
Year Ended March 31, 2016

		Millions of Yen										
		Shareholders' Equity				Accumulated Other Comprehensive Income (Loss)						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Loss on Derivatives Under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
Balance, April 1, 2014 (as previously reported)	**367,196,541**	**¥91,732**	**¥56,016**	**¥17,849**	**¥(11,051)**	**¥1,168**	**–**	**¥(59,688)**	**¥(23,567)**	**¥(82,087)**	**¥5,357**	**¥77,816**
Cumulative effect of changes in accounting policies (Note 2. l)	–	–	–	796	–	–	–	–	–	–	–	796
Balance, April 1, 2014 (as restated)	**367,196,541**	**91,732**	**56,016**	**18,645**	**(11,051)**	**1,168**	**–**	**(59,688)**	**(23,567)**	**(82,087)**	**5,357**	**78,612**
Net income attributable to owners of Pioneer Corporation	–	–	–	14,632	–	–	–	–	–	–	–	14,632
Purchase of treasury stock	(1,954)	–	–	–	–	–	–	–	–	–	–	–
Disposal of treasury stock	122	–	–	–	–	–	–	–	–	–	–	–
Net changes in the year	–	–	–	–	–	(1,273)	–	12,319	2,800	13,846	(24)	13,822
Balance, March 31, 2015	**367,194,709**	**91,732**	**56,016**	**33,277**	**(11,051)**	**(105)**	**–**	**(47,369)**	**(20,767)**	**(68,241)**	**5,333**	**107,066**
Net income attributable to owners of the parent	–	–	–	731	–	–	–	–	–	–	–	731
Purchase of treasury stock	(1,301)	–	–	–	–	–	–	–	–	–	–	–
Disposal of treasury stock	35	–	–	–	–	–	–	–	–	–	–	–
Change of scope of equity method	–	–	–	30	–	–	–	–	–	–	–	30
Net changes in the year	–	–	–	–	–	(181)	¥(88)	(8,960)	(7,590)	(16,819)	(522)	(17,341)
Balance, March 31, 2016	**367,193,443**	**¥91,732**	**¥56,016**	**¥34,038**	**¥(11,051)**	**¥ (286)**	**¥(88)**	**¥(56,329)**	**¥(28,357)**	**¥(85,060)**	**¥4,811**	**¥90,486**

	Thousands of U.S. Dollars (Note 1)										
	Shareholders' Equity				Accumulated Other Comprehensive Income (Loss)						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Loss on Available-for-Sale Securities	Deferred Loss on Derivatives Under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
Balance, April 1, 2015	**$811,788**	**$495,717**	**$294,487**	**$(97,796)**	**$ (929)**	**–**	**$(419,195)**	**$(183,779)**	**$(603,903)**	**$47,194**	**$947,487**
Net income attributable to owners of Pioneer Corporation	–	–	6,469	–	–	–	–	–	–	–	6,469
Purchase of treasury stock	–	–	–	–	–	–	–	–	–	–	–
Disposal of treasury stock	–	–	–	–	–	–	–	–	–	–	–
Change of scope of equity method	–	–	265	–	–	–	–	–	–	–	265
Net changes in the year	–	–	–	–	(1,602)	$(779)	(79,292)	(67,168)	(148,841)	(4,619)	(153,460)
Balance, March 31, 2016	**$811,788**	**$495,717**	**$301,221**	**$(97,796)**	**$(2,531)**	**$(779)**	**$(498,487)**	**$(250,947)**	**$(752,744)**	**$42,575**	**$800,761**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Pioneer Corporation and Its Subsidiaries
Year Ended March 31, 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	**2016**
Operating Activities:			
Income before income taxes	**¥ 4,900**	¥ 25,230	**$ 43,363**
Adjustments for:			
Income taxes—paid	**(4,548)**	(4,504)	**(40,248)**
Depreciation and amortization	**27,122**	23,543	**240,018**
Loss (gain) on sales and disposals of property, plant and equipment—net	**607**	(327)	**5,372**
Loss on impairment of property, plant and equipment	**131**	1,331	**1,159**
Gain on sales of investment securities—net	**(702)**	(1,596)	**(6,212)**
Gain on business transfer—net	**(130)**	(44,889)	**(1,150)**
Changes in assets and liabilities:			
Decrease in receivables	**912**	10,807	**8,071**
Decrease in inventories	**6,011**	3,917	**53,194**
Decrease in trade payables	**(533)**	(3,843)	**(4,717)**
(Decrease) increase in accrued expenses	**(9,602)**	16,196	**(84,974)**
Increase (decrease) in accrued pension and severance costs	**7,644**	(2,135)	**67,646**
(Decrease) increase in defined retirement benefit plans	**(7,449)**	3,102	**(65,920)**
Other—net	**(5,071)**	7,732	**(44,876)**
Net cash provided by operating activities	**19,292**	34,564	**170,726**
Investing Activities:			
Decrease in time deposits	**489**	1,093	**4,327**
Payment for purchase of property, plant and equipment	**(30,442)**	(25,046)	**(269,398)**
Proceeds from sales of property, plant and equipment	**11,379**	4,188	**100,699**
Payment for purchase of investment securities	**(277)**	(4,086)	**(2,451)**
Proceeds from sale of investment securities	**845**	4,609	**7,478**
Payment for business transfer (Note 19)	**(2,074)**	(1,122)	**(18,354)**
Proceeds from business transfer (Note 19)	**–**	57,124	**–**
Other—net	**(3)**	120	**(27)**
Net cash (used in) provided by investing activities	**(20,083)**	36,880	**(177,726)**
Financing Activities:			
Decrease in short-term borrowings—net	**(4,524)**	(5,481)	**(40,035)**
Increase in long-term debt	**–**	42,954	**–**
Repayments of long-term debt	**(6,367)**	(91,857)	**(56,345)**
Proceeds from issuance of convertible bonds	**15,060**	–	**133,274**
Proceeds from sale and lease back transactions	**1,023**	1,043	**9,053**
Repayments of lease obligations	**(1,784)**	(2,093)	**(15,788)**
Other—net	**–**	10	**–**
Net cash provided by (used in) financing activities	**3,408**	(55,424)	**30,159**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**(2,300)**	1,752	**(20,354)**
Net Increase in Cash and Cash Equivalents	**317**	17,772	**2,805**
Cash and Cash Equivalents, Beginning of Year	**51,676**	33,904	**457,310**
Cash and Cash Equivalents, End of Year	**¥ 51,993**	¥ 51,676	**$ 460,115**

See notes to consolidated financial statements.

Pioneer Corporation and its Subsidiaries
Year Ended March 31, 2016

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 2015 consolidated financial statements to conform to the classifications used in 2016.

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 ¥113 to $1.00, the approximate rate of exchange as of March 31, 2016. 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 car electronics products. 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, 2016 include the accounts of the Company and its 71 (73 in 2015) subsidiaries.

Under the control and influence concepts, 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 seven (seven in 2015) associated companies are accounted for by the equity method.

The excess of the 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" which was subsequently revised in February 2010 and March 2015 to reflect revisions of the relevant Japanese GAAP or accounting standards in other jurisdictions. 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 (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") 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 recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting.

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" which was subsequently revised in line with the revisions to PITF No. 18 above. The 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 recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting.

d. Business Combination

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."

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 costs (IPR&D) acquired in the business combination are 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.

In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements," and revised ASBJ Statement No. 7, "Accounting Standard for Business Divestitures."

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 noncontrolling 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 former accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. 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 former accounting standard shall be changed to "Noncontrolling interest" under the revised accounting standard.

(c) *Presentation of the consolidated statement of income* — In the consolidated statement of income, "Income before minority interest" under the former accounting standard shall be changed to "Net income" under the revised accounting standard, and "Net income" under the former accounting standard shall 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 former 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 former 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 (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs 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 (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) 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 shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income 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 (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

In the consolidated statement of cash flows for the year ended March 31, 2016, cash flows for purchases or sales of ownership interests in a subsidiary without a change in consolidation scope are presented under financing activities, and cash flows for acquisition-related costs are presented under operating activities. There was no effect from these accounting chenges.

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 noncontrolling interest 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 receivables 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 based on the estimated useful lives of the assets is applied to property, plant and equipment of foreign subsidiaries. The useful lives for lease assets are the terms of the respective leases.

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 salable 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 on the date of sales of the relevant products, based on 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 benefit formula basis. Prior service cost is amortized using the straight-line method over 10–14 years within the average of the estimated remaining service years. Actuarial gain or loss is primarily amortized using the straight-line method over 9–23 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.

Certain consolidated subsidiaries apply the simplified method in computing net defined benefit assets or accrued pension and severance costs and retirement benefit costs. Under this method, the severance payment amount to be required at the year-end for voluntary termination is deemed as projected benefit obligation.

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 ("Net defined benefit asset").

(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, and for (c) above, effective April 1, 2014.

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 the 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 for internal use 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

The 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.

The 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 financial lease transactions are capitalized based on the revised accounting standard. All other leases are accounted for as operating leases.

p. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. 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 income 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" and "Noncontrolling interest" 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 income 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.

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 foreign currency forward contracts, currency options and currency swaps qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

t. Per Share Information

Basic net income per share is computed by dividing net income attributable 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 per share for the year ended March 31, 2015, is not disclosed as there were no potentially dilutive securities for the year ended March 31, 2015.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income 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 income are dividends applicable to the respective fiscal years including dividends to be paid after the end of the year.

u. New Accounting Pronouncements

Tax Effect Accounting —

On December 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants. While the new guidance continues to follow the basic framework of the previous guidance, it provides new guidance for the application of judgment in assessing the recoverability of deferred tax assets.

The previous guidance provided a basic framework which included certain specific restrictions on recognizing deferred tax assets depending on the company's classification in respect of its profitability, taxable profit and temporary differences, etc.

The new guidance does not change such basic framework but, in limited cases, allows companies to recognize deferred tax assets even for a deductible temporary difference for which it was specifically prohibited to recognize a deferred tax asset under the previous guidance, if the company can justify, with reasonable grounds, that it is probable that the deductible temporary difference will be utilized against future taxable profit in some future period.

The new guidance is effective for the beginning of annual periods beginning on or after April 1, 2016. Earlier application is permitted for annual periods ending on or after March 31, 2016. The new guidance shall not be applied retrospectively and any adjustments from the application of the new guidance at the beginning of the reporting period shall be reflected within retained earnings or accumulated other comprehensive income at the beginning of the reporting period.

The Company expects to apply the revised guidance from the beginning of the annual period beginning on April 1, 2016, and there are no effects of applying the revised guidance on the income or loss for the fiscal year ending on or after March 31, 2017.

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.

w. Changes in the Method of Presentation

Consolidated Statement of Income

Prior to April 1, 2015, the "Borrowing fee" was disclosed separately. Considering the materiality, "Borrowing fee", is included in "Others—net" of "Other Income (Expenses)" from the year ended March 31, 2016. The amount included in "Others—net" of "Other Income (Expenses)" for the year ended March 31, 2015, was ¥415 million .

Prior to April 1 2015, "Maintenance expense for idle assets" was included in "Others—net" of "Other Income (Expenses)". Considering the materiality, "Maintenance expense for idle assets" is disclosed separately from the year ended March 31, 2016. The amount included in "Others—net" of "Other Income (Expenses)" for the year ended March 31, 2015, was ¥415 million.

Consolidated Statement of Cash Flows

Prior to April 1 2015, the "(Decrease) increase in defined retirement benefit plans", was included in "Other—net" of "Operating Activities". Considering the materiality "(Decrease) increase in defined retirement benefit plans", is disclosed separately from the year ended March 31, 2016. The amount included in "Other—net" of "Operating Activities" for the year ended March 31, 2015, was ¥3,102 million.

3. Investment Securities

Cost, unrealized gains and losses and aggregate fair values of investment securities as of March 31, 2016 and 2015, were as follows:

	Millions of Yen				Millions of Yen			
	2016				2015			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:								
Equity securities	**¥1,966**	**¥165**	**¥401**	**¥1,730**	¥1,966	¥46	¥130	¥1,882
Total	**¥1,966**	**¥165**	**¥401**	**¥1,730**	¥1,966	¥46	¥130	¥1,882

	Thousands of U.S. Dollars			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$17,398**	**$1,460**	**$3,548**	**$15,310**
Total	**$17,398**	**$1,460**	**$3,548**	**$15,310**

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 15.

Available-for-sale securities that the Group sold during the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Proceeds from sales:			
Equity securities	**¥539**	¥4,609	**$4,770**
Others	**–**	–	**–**
Total	**¥539**	¥4,609	**$4,770**
Gains on sales:			
Equity securities	**¥524**	¥1,596	**$4,637**
Others	**–**	–	**–**
Total	**¥524**	¥1,596	**$4,637**

4. Inventories

Inventories as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Finished products	**¥21,882**	¥29,039	**$193,646**
Work in process	**12,306**	11,065	**108,903**
Raw materials and supplies	**18,649**	23,191	**165,035**
Total	**¥52,837**	¥63,295	**$467,584**

5. Long-lived Assets

The Group reviewed its long-lived assets for impairment as of March 31, 2016 and 2015. As a result, the Group recognized an impairment loss as other expenses for certain processing machinery groups related to organic light-emitting diodes and idle assets whose disposal is planned due to a decline of the market value and the prospects for future profit.

In principle, business assets are grouped based on management classification. However, idle assets whose disposal is planned or whose future use is not forecasted are grouped individually in the smallest cash flow generating unit independent of each other.

Disclosure for the year ended March 31, 2016 is omitted due to immateriality in the amounts.

For the year ended March 31, 2015, the Group recognized an impairment loss of ¥1,331 million, as summarized in the table below:

			Millions of Yen
Application	Type	Location	Impairment Loss
Organic light-emitting diodes manufacturing facilities	Machinery and equipment, etc.	Yonezawa, Yamagata, Japan	¥ 4
Assets to be disposed of	Machinery and equipment, etc.	China	1,245
Assets to be disposed of	Software	Brazil	82
Total			¥1,331

In 2015, the group of business assets relating to organic light-emitting diodes was reduced to the value in use since the book value of the group exceeded the expected future cash flows. As for the group of assets to be disposed of, each individual asset group was reduced to the net selling price and the amount of decrease was recorded in other income (expenses) as loss on impairment of property, plant and equipment.

The value in use of the organic light-emitting diode business asset group was estimated based on the memorandum value. As for the group of assets to be disposed of, the projected selling price was used as the basis of recoverable values for machinery and equipment, etc., and the value in use of zero as the basis of values for software.

6. 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, 2016 and 2015, the Group held certain idle properties in Yamanashi and other areas in Japan.

Gain on sales of idle properties for the years ended March 31, 2016 and 2015, was ¥123 million ($1,088 thousand) and ¥1,473 million, respectively.

The carrying amounts, changes in such balances and fair value of such properties as of March 31, 2016 and 2015 were as follows:

				Millions of Yen
	Carrying Amount			Fair Value
	April 1, 2015	Increase/Decrease	**March 31, 2016**	**March 31, 2016**
Idle property	¥3,075	**¥(10)**	**¥3,065**	**¥5,271**
Total	¥3,075	**¥(10)**	**¥3,065**	**¥5,271**

			Millions of Yen	
			Carrying Amount	Fair Value
	April 1, 2014	Increase/Decrease	March 31, 2015	March 31, 2015
Idle property	¥5,259	¥(2,184)	¥3,075	¥5,398
Total	¥5,259	¥(2,184)	¥3,075	¥5,398

			Thousands of U.S. Dollars	
			Carrying Amount	Fair Value
	April 1, 2015	Increase/Decrease	**March 31, 2016**	**March 31, 2016**
Idle property	$27,212	**$(88)**	**$27,124**	**$46,646**
Total	$27,212	**$(88)**	**$27,124**	**$46,646**

Notes: 1. Carrying amount reported in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2. Decrease during the fiscal year ended March 31, 2016, principally represents the sales of idle property of ¥7 million ($62 thousand). Decrease during the fiscal year ended March 31, 2015, principally represents the sales of idle property of ¥2,182 million.
3. Fair value is principally based on the values provided by third-party real estate appraisers.

7. Short-term Borrowings and Long-term Debt

Short-term borrowings as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Short-term borrowings:			
Weighted-average interest rate of 3.50% as of March 31, 2016, and 3.88% as of March 31, 2015			
Collateralized	**¥ 2,909**	¥ 4,892	**$ 25,743**
Uncollateralized	**9,348**	12,979	**82,726**
Total	**¥12,257**	¥17,871	**$108,469**

Long-term debt as of March 31, 2016 and 2015, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Long-term debt:			
Collateralized	**–**	¥ 6,367	**–**
Uncollateralized	**¥10,000**	10,000	**$ 88,496**
Convertible bonds, due 2020	**15,071**	–	**133,372**
Long-term capital lease obligation, due principally in 2019	**1,668**	2,704	**14,761**
Total	**26,739**	19,071	**236,629**
Less—portion due within one year	**971**	8,135	**8,593**
Long-term debt, less current portion	**¥25,768**	¥10,936	**$228,036**

Annual maturities of long-term debt and long-term capital lease obligation as of March 31, 2016, and for the next five years and thereafter were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2017	¥ 971	$ 8,593
2018	10,475	92,699
2019	222	1,965
2020	–	–
2021	15,000	132,744
2022 and thereafter	–	–
Total	¥26,668	$236,001

Under specific conditions, the convertible bonds outstanding at March 31, 2016, are convertible into 32,895 thousand shares of common stock of the Company from December 25, 2015 to December 11, 2020 at ¥456 ($4.04) per share.

The conversion prices of the convertible bonds are subject to adjustments in certain circumstances.

As of March 31, 2016 and 2015, 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
	2016	2015	**2016**
Land	**¥ 4,614**	¥10,594	**$ 40,832**
Building and structures	**5,395**	13,184	**47,743**
Investment securities	**2,090**	2,090	**18,496**
Total	**¥12,099**	¥25,868	**$107,071**

Long-term debt amounting to ¥10,000 million ($88,496 thousand) as of March 31, 2016, was borrowed by the Company in accordance with the syndicated loan agreement entered into with the banks on September 25, 2014. This agreement includes certain financial covenants which require the Company to maintain certain levels of equity on a consolidated and nonconsolidated basis.

The current portion of long-term debt amounting to ¥6,367 million as of March 31, 2015, was borrowed by the Company in accordance with the syndicated loan agreement entered into with the banks on March 27, 2015. This agreement includes 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 on a consolidated basis.

In addition, long-term debt amounting to ¥10,000 million as of March 31, 2015, was borrowed by the Company in accordance with the syndicated loan agreement entered into with the banks on September 25, 2014. This agreement includes certain financial covenants which require the Company to maintain certain levels of equity on a consolidated and non-consolidated basis.

8. 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 retirement occurred. The cumulative points are accumulated based on years of service and job class. In some cases, additional retirement benefits are paid when an employee retires.

The Company and certain consolidated subsidiaries have joined multi-employer pension fund plans. Each company's portion of plan assets corresponding to its contributions has been reasonably computed and included in the tables below for defined benefit pension plans.

Certain consolidated subsidiaries apply the simplified method in computing accrued pension and severance costs and retirement benefit costs for their defined benefit pension plans and lump-sum severance payment plans.

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.

Defined benefit pension plans

(1) The changes in projected benefit obligation for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Balance at beginning of year (as previously reported)	**¥87,270**	¥85,628	**$772,301**
Cumulative effect of changes in accounting policies	**–**	(812)	**–**
Balance at beginning of year (as restated)	**87,270**	84,816	**772,301**
Service cost	**1,354**	2,318	**11,982**
Interest cost	**1,575**	1,617	**13,938**
Actuarial losses	**8,238**	3,132	**72,903**
Benefits paid	**(9,571)**	(4,122)	**(84,699)**
Others	**(1,506)**	(491)	**(13,328)**
Balance at end of year	**¥87,360**	¥87,270	**$773,097**

Note: Certain consolidated subsidiaries apply the simplified method in computing projected benefit obligation.

(2) The changes in plan assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Balance at beginning of year	**¥56,186**	¥51,637	**$497,221**
Expected return on plan assets	**2,140**	2,118	**18,938**
Actuarial losses	**(1,782)**	2,828	**(15,770)**
Contributions from the employer	**3,331**	3,823	**29,478**
Benefits paid	**(9,541)**	(4,122)	**(84,434)**
Others	**(1,167)**	(98)	**(10,327)**
Balance at end of year	**¥49,167**	¥56,186	**$435,106**

(3) The reconciliation between the liability recorded in the consolidated balance sheet and the balances of projected benefit obligation and plan assets at March 31, 2016 and 2015, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Funded projected benefit obligation	**¥ 86,578**	¥ 85,935	**$ 766,177**
Plan assets	**(49,167)**	(56,186)	**(435,106)**
	37,411	29,749	**331,071**
Unfunded projected benefit obligation	**782**	1,335	**6,920**
Net liability for projected benefit obligation	**¥ 38,193**	¥ 31,084	**$ 337,991**

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Accrued pension and severance costs	**¥39,108**	¥32,202	**$346,088**
Asset for retirement benefits	**(915)**	(1,118)	**(8,097)**
Net liability for projected benefit obligation	**¥38,193**	¥31,084	**$337,991**

Note: This table includes plans to which the simplified method is applied.

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Service cost	**¥ 1,354**	¥ 2,318	**$ 11,982**
Interest cost	**1,575**	1,617	**13,938**
Expected return on plan assets	**(2,140)**	(2,118)	**(18,938)**
Recognized actuarial losses	**3,227**	3,223	**28,558**
Amortization of prior service gain	**(867)**	(886)	**(7,673)**
Amortization of transitional obligations for retirement benefits	**–**	181	**–**
Others	**–**	(72)	**–**
Net periodic retirement benefit costs	**¥ 3,149**	¥ 4,263	**$ 27,867**

Notes: 1. Net periodic retirement benefit costs for consolidated subsidiaries which apply the simplified method are included in the service cost.
2. In addition to above, additional retirement benefit costs as an early retirement incentive plan was ¥1,067 million ($9,442 thousand) and ¥7,647 million, and these were recorded for the years ended March 31, 2016 and 2015, respectively.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Prior service cost	**¥ 883**	¥ 1,018	**$ 7,814**
Actuarial losses (gains)	**6,535**	(3,004)	**57,832**
Transitional obligation for retirement benefits	**–**	(182)	**–**
Total	**¥7,418**	¥(2,168)	**$65,646**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Unrecognized prior service gain	**¥ 4,520**	¥ 5,403	**$ 40,000**
Unrecognized actuarial losses	**(34,638)**	(28,103)	**(306,531)**
Total	**¥(30,118)**	¥(22,700)	**$(266,531)**

(7) Plan assets

(a) Components of plan assets
Plan assets as of March 31, 2016 and 2015, consisted of the following:

	2016	2015
Debt investments securities	**43%**	41%
Equity investments securities	**29**	32
Cash and cash equivalents	**4**	10
Others	**24**	17
Total	**100%**	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.

(8) Assumptions used for the years ended March 31, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	**0.3%–3.85%**	1.3%–4.3%
Expected rate of return on plan assets	**3.0%–7.25%**	3.0%–7.25%
Expected rate of salary increase	**3.0%–14.1%**	3.0%–14.1%

Notes: 1. The Company has changed the discount rate from 1.3% to 0.3% which applied to measurement of the defined benefit obligation at the year end since that factor affects the amount significantly.
2. Expected fluctuation on salary increase is calculated based on the guidance for corporate pension fund provided by the Japanese Society of Certified Pension Actuaries.

Defined contribution pension plan

The required contribution amount to the defined contribution plan of the Company and its consolidated subsidiaries is ¥475 million ($4,204 thousand) and ¥482 million as of March 31, 2016 and 2015, respectively.

9. 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 being 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 of 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.

10. 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 33% and 36% for the years ended March 31, 2016 and 2015, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Deferred tax assets:			
Write-down of inventories	**¥ 2,662**	¥ 2,961	**$ 23,558**
Accrued expenses	**3,949**	4,619	**34,947**
Excess depreciation	**2,539**	2,530	**22,469**
Loss on impairment of property, plant and equipment	**2,118**	3,044	**18,743**
Loss on impairment of investment securities	**332**	671	**2,938**
Accrued pension and severance costs	**12,083**	9,291	**106,929**
Tax loss carryforwards	**87,742**	85,843	**776,478**
Others	**3,279**	3,636	**29,018**
Valuation allowance	**(109,128)**	(105,883)	**(965,735)**
Total	**¥ 5,576**	¥ 6,712	**$ 49,345**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(51)**	(15)	**(451)**
Others	**(1,336)**	(866)	**(11,823)**
Total	**(1,387)**	(881)	**(12,274)**
Net deferred tax assets	**¥ 4,189**	¥ 5,831	**$ 37,071**

Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2016 and 2015, was as follows:

	2016	2015
Normal effective statutory tax rate	**33.0%**	36.0%
Expenses not deductible for income tax purposes	**7.7**	2.5
Revenue not taxable for income tax purposes	**(1.1)**	(0.6)
Difference in foreign and Japanese tax rates	**(37.4)**	(4.1)
Valuation allowance	**78.1**	3.4
Foreign tax credits	**13.7**	2.1
Per capita portion of inhabitant tax	**1.5**	0.3
Revision of net tax basis of investments relating to consolidated corporate tax system	**(15.0)**	2.6
Others—net	**4.4**	2.0
Actual effective tax rate	**84.9%**	44.2%

Net deferred tax assets as of March 31, 2016 and 2015, were included in the following accounts:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Current assets:			
Deferred tax assets	**¥4,027**	¥4,563	**$35,637**
Investments and other assets:			
Deferred tax assets	**1,159**	2,049	**10,257**
Long-term liabilities:			
Other long-term liabilities	**¥ (997)**	¥ (781)	**$ (8,823)**

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016, from approximately 33% to approximately 31%. The effect of these changes was immaterial.

11. Research and Development Costs

Research and development costs charged to income were ¥24,804 million ($219,504 thousand) and ¥28,196 million for the years ended March 31, 2016 and 2015, respectively.

12. Leases

The Group leases certain machinery and equipment, office space, warehouses and computer equipment.

The minimum rental commitments under noncancellable operating leases as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Operating leases:			
Due within one year	**¥1,453**	¥1,621	**$12,858**
Due over one year	**2,374**	3,050	**21,009**
Total	**¥3,827**	¥4,671	**$33,867**

13. Restructuring Costs

Restructuring costs for the years ended March 31, 2016 and 2015, were mainly for additional retirement benefits for an early retirement incentive plan.

14. Gain on Business Transfer

Gain on business transfer for the years ended March 31, 2016 and 2015, was due to the transfer of the Group's business relating to development, manufacturing and sale of DJ equipment.

15. 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 of a similar nature. The Group raises funds by bank loans and/or from capital markets through bonds. Derivatives are used, not for speculative purposes, but 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 alliances, 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 Tokyo Interbank Offered Rate.

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 16 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 stages. With respect to 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 16 for more details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2016 and 2015.

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 among the president, and directors who are responsible for finance and other related divisions, and then determined by the president. 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 16, the amount itself does not indicate the market risk in relation to derivative transactions.

(a) Fair values of financial instruments as of March 31, 2016 and 2015, were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
			2016			2016
	Carrying Amount	Fair Value	Unrealized Gain	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥ 51,993	¥ 51,993	–	$ 460,115	$ 460,115	–
Receivables:						
Trade receivables	74,596	74,596	–	660,141	660,141	–
Allowance for doubtful receivables (*1)	(3,308)	(3,308)	–	(29,274)	(29,274)	–
	123,281	123,281	–	1,090,982	1,090,982	–
Investment securities:						
Available-for-sale securities	1,730	1,730	–	15,310	15,310	–
Total	¥125,011	¥125,011	–	$1,106,292	$1,106,292	–
Short-term borrowings	¥ 12,257	¥ 12,257	–	$ 108,469	$ 108,469	–
Current portion of long-term debt	971	971	–	8,593	8,593	–
Trade payables	69,821	69,821	–	617,885	617,885	–
Income taxes payable	2,031	2,031	–	17,973	17,973	–
Convertible bonds	15,071	15,421	¥350	133,372	136,469	$3,097
Long-term debt	10,697	10,697	–	94,664	94,664	–
Total	¥110,848	¥111,198	¥350	$ 980,956	$ 984,053	$3,097
Derivative transactions (*2)	¥ (603)	¥ (603)	–	$ (5,336)	$ (5,336)	–

*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		
	2015		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 51,676	¥ 51,676	–
Time deposits	484	484	–
Receivables:			
Trade receivables	79,158	79,158	–
Allowance for doubtful receivables (*1)	(2,195)	(2,195)	–
	129,123	129,123	–
Investment securities:			
Available-for-sale securities	1,882	1,882	–
Total	¥131,005	¥131,005	–
Short-term borrowings	¥ 17,871	¥ 17,871	–
Current portion of long-term debt	8,135	8,135	–
Trade payables	76,359	76,359	–
Income taxes payable	2,266	2,266	–
Long-term debt	10,936	10,936	–
Total	¥115,567	¥115,567	–
Derivative transactions (*2)	¥ 141	¥ 141	–

*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. Fair value information 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.

Convertible bonds
The fair values of the convertible bonds are measured based on the present value of total amount of principals and interests discounted by the interest rate calculated with remaining period of this bond and the credit risk since there is no market value available.

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

Derivatives
Fair value information for derivatives is included in Note 16.

(b) Carrying amounts of financial instruments whose fair value cannot be reliably determined as of March 31, 2016 and 2015, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Investment in equity instruments that do not have a quoted market price in an active market:			
Unlisted securities	**¥2,434**	¥2,373	**$21,540**
Unlisted associated securities	**1,917**	2,094	**16,965**
Total	**¥4,351**	¥4,467	**$38,505**

(5) Maturity analysis for financial assets and securities with contractual maturities subsequent to March 31, 2016, were as follows:

	Millions of Yen			
March 31, 2016	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	**¥ 51,993**	**–**	**–**	**–**
Trade receivables	**74,596**	**–**	**–**	**–**
Total	**¥126,589**	**–**	**–**	**–**

	Thousands of U.S. Dollars			
March 31, 2016	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	**$ 460,115**	**–**	**–**	**–**
Trade receivables	**660,141**	**–**	**–**	**–**
Total	**$1,120,256**	**–**	**–**	**–**

Please see Note 7 for annual maturities of long-term debt.

16. 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 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, 2016 and 2015

	Millions of Yen				Thousands of U.S. Dollars			
	2016				**2016**			
	Contract Amount	Contract Amount Due After 1 Year	Fair Value	Unrealized Loss	Contract Amount	Contract Amount Due After 1 Year	Fair Value	Unrealized Loss
Foreign currency forward contracts:								
Buying U.S. dollars	**¥35,402**	**–**	**¥(507)**	**¥(507)**	**$313,292**	**–**	**$(4,487)**	**$(4,487)**
Buying sterling pounds	**4,649**	**–**	**(4)**	**(4)**	**41,142**	**–**	**(35)**	**(35)**
Currency swap contracts:								
Receiving Australian dollars, paying U.S. dollars	**765**	**–**	**(13)**	**(13)**	**6,770**	**–**	**(115)**	**(115)**
Total	**¥40,816**	**–**	**¥(524)**	**¥(524)**	**$361,204**	**–**	**$(4,637)**	**$(4,637)**

	Millions of Yen			
	2015			
	Contract Amount	Contract Amount Due After 1 Year	Fair Value	Unrealized (Loss) Gain
Foreign currency forward contracts:				
Buying sterling pounds	¥5,082	–	¥ 29	¥ 29
Selling U.S. dollars	1,518	–	11	11
Selling Australian dollars	270	–	(6)	(6)
Currency swap contracts:				
Receiving Australian dollars, paying U.S. dollars	938	–	107	107
Total	¥7,808	–	¥141	¥141

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.

17. Other Comprehensive (Loss) Income

The components of other comprehensive (loss) income for the years ended March 31, 2016 and 2015, were the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	**2016**
Unrealized loss on available-for-sale securities			
Losses arising during the year	**¥ (148)**	¥ (65)	**$ (1,310)**
Reclassification adjustments to profit or loss	**–**	(1,609)	**–**
Amount before income tax effect	**(148)**	(1,674)	**(1,310)**
Income tax effect	**(33)**	401	**(292)**
Total	**¥ (181)**	¥ (1,273)	**$ (1,602)**
Deferred loss on derivatives under hedge accounting			
Losses arising during the year	**¥ (88)**	–	**$ (779)**
Reclassification adjustments to profit or loss	**–**	–	**–**
Amount before income tax effect	**(88)**	–	**(779)**
Income tax effect	**–**	–	**–**
Total	**¥ (88)**	–	**$ (779)**
Foreign currency translation adjustments			
Adjustments arising during the year	**¥ (9,478)**	¥12,622	**$ (83,876)**
Reclassification adjustments to profit or loss	**24**	–	**213**
Amount before income tax effect	**(9,454)**	12,622	**(83,663)**
Income tax effect	**–**	–	**–**
Total	**¥ (9,454)**	¥12,622	**$ (83,663)**
Defined retirement benefit plans			
Adjustments arising during the year	**¥(10,020)**	¥ (304)	**$ (88,673)**
Reclassification adjustments to profit or loss	**2,602**	2,472	**23,027**
Amount before income tax effect	**(7,418)**	2,168	**(65,646)**
Income tax effect	**(172)**	632	**(1,522)**
Total	**¥ (7,590)**	¥ 2,800	**$ (67,168)**
Share of other comprehensive (loss) income in associates			
Gains (losses) arising during the year	**¥ (35)**	¥207	**$(310)**
Total other comprehensive (loss) income	**¥(17,348)**	¥14,356	**$(153,522)**

18. Net Income per Share

Net income per share ("EPS") for the years ended March 31, 2016 and 2015 was calculated as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2016	Net Income	Weighted-Average Number of Shares	EPS	EPS
Basic EPS:				
Net income attributable to owners of Pioneer Corporation	**¥731**	**367,194**	**¥1.99**	**$0.02**
Effect of dilutive securities				
Dilutive effect of convertible bonds	**(4)**	**9,373**		
Diluted EPS: Net income for computation	**¥727**	**376,567**	**¥1.93**	**$0.02**

	Millions of Yen	Thousands of Shares	Yen
Year ended March 31, 2015	Net Income	Weighted-Average Number of Shares	EPS
Basic EPS:			
Net income attributable to owners of Pioneer Corporation	¥14,632	367,196	¥39.85

Diluted net EPS for the year ended March 31, 2015, is not disclosed as there were no potentially dilutive securities for the year ended March 31, 2015.

19. Consolidated Statement of Cash Flows

For the year ended March 31, 2016

Payment for business transfer of ¥(2,074) million ($(18,354) thousand) is mainly the consulting fee, etc in the fiscal year ended in March 31, 2016 for the business transfer which was accrued in the fiscal year ended in March 31, 2015.

Amounts and details of the assets and liabilities, and reconciliations between proceeds from Business Transfer and payment for Business Transfer for the year ended March 31, 2015

(1) Amounts and details of the assets and liabilities, consideration and proceeds from Business Transfer in relation to transfer of the Group's business relating to development, manufacturing and sale of DJ equipment were as follows:

	Millions of Yen
Current assets	¥ 5,008
Non-current assets	448
Current liabilities	(268)
Non-current liabilities	(139)
Long-term unearned revenue	5,536
Gain on Business Transfer	48,415
Consideration	¥59,000
Cash and cash equivalents	(1,876)
Proceeds from Business Transfer	¥57,124

(2) Amounts and details of the assets and liabilities, consideration and payment for Business Transfer in relation to transfer of the Group's business relating to the home AV business, telephone business and headphone-related business were as follows:

	Millions of Yen
Current assets	¥ 9,380
Non-current assets	627
Current liabilities	(6,215)
Non-current liabilities	(174)
Accrued expenses	1,558
Loss on Business Transfer	(3,526)
Consideration	¥ 1,650
Cash and cash equivalents	(2,377)
Advisory fee	(395)
Payment for Business Transfer	¥(1,122)

20. 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 identifies its business divisions by product and service. Each business division plans its comprehensive Japanese and overseas strategy for its products and services, and operates its business activities according to such strategy.

Therefore, the Group's reportable segments consist of its business divisions, identified by product and service, which are two segments: "Car Electronics" and "Others."

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

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

The Group transferred its home AV, telephones, headphone-related and DJ equipment businesses during the year ended March 31, 2015. Accordingly, from the year ended March 31, 2016, the Group changed its reportable segments to "Car Electronics" and "Others." Information about sales, profit (loss), assets and other items for the year ended March 31, 2015 have been restated under the new classification.

(2) Methods of measurement for the amounts of sales, income (loss), assets 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 segment is adjusted to operating income disclosed in the accompanying consolidated statements of income.

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

	Millions of Yen				
	2016				
	Reportable Segment			Reconciliations	Consolidated
	Car Electronics	Others	Total		
Sales:					
Sales to external customers	¥351,293	¥ 98,337	¥449,630	–	¥449,630
Intersegment sales	526	3,616	4,142	¥ (4,142)	–
Total sales	351,819	101,953	453,772	(4,142)	449,630
Segment income	¥ 7,032	¥ 1,405	¥ 8,437	¥ (1,133)	¥ 7,304
Segment assets	¥ 87,678	¥ 29,193	¥116,871	¥181,141	¥298,012
Other items:					
Depreciation and amortization	¥ 22,579	¥ 3,783	¥ 26,362	¥ 760	¥ 27,122
Amortization of goodwill	–	–	–	42	42
Increase in property, plant and equipment and intangible assets	¥ 20,444	¥ 3,905	¥ 24,349	¥ 1,077	¥ 25,426

Notes: 1. Reconciliations of ¥(1,133) million recorded for segment income include elimination of intersegment transactions of ¥237 million and corporate expenses of ¥(1,370) million that are not allocated to any 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 ¥181,141 million recorded for segment assets are corporate assets which are not allocated to any reportable segment.

3. Reconciliations of ¥1,077 million recorded for increase in property, plant and equipment and intangible assets are capital investments principally related to relocation of head office.

4. Adjustments are made to reconcile segment income to operating income presented in the accompanying consolidated statement of income.

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

Notes: 1. Reconciliations of ¥(829) million recorded for segment income (loss) include elimination of intersegment transactions of ¥(399) million and corporate expenses of ¥(430) million that are not allocated to any 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 ¥196,175 million recorded for segment assets are corporate assets which are not allocated to any reportable segment.
3. Reconciliations of ¥659 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 income.

	Thousands of U.S. Dollars				
	2016				
	Reportable Segment			Reconciliations	Consolidated
	Car Electronics	Others	Total		
Sales:					
Sales to external customers	**$3,108,788**	**$870,239**	**$3,979,027**	**–**	**$3,979,027**
Intersegment sales	**4,655**	**32,000**	**36,655**	**$ (36,655)**	**–**
Total sales	**3,113,443**	**902,239**	**4,015,682**	**(36,655)**	**3,979,027**
Segment income	**$ 62,230**	**$ 12,434**	**$ 74,664**	**$ (10,027)**	**$ 64,637**
Segment assets	**$ 775,912**	**$258,345**	**$1,034,257**	**$1,603,017**	**$2,637,274**
Other items:					
Depreciation and amortization	**$ 199,814**	**$ 33,478**	**$ 233,292**	**$ 6,726**	**$ 240,018**
Amortization of goodwill	**–**	**–**	**–**	**372**	**372**
Increase in property, plant and equipment and intangible assets	**$ 180,920**	**$ 34,558**	**$ 215,478**	**$ 9,531**	**$ 225,009**

Notes: 1. Reconciliations of $(10,027) thousand recorded for segment income include elimination of intersegment transactions of $2,097 thousand and corporate expenses of $(12,124) 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 $1,603,017 thousand recorded for segment assets are corporate assets which are not allocated to any reportable segment.
3. Reconciliations of $9,531 thousand recorded for increase in property, plant and equipment and intangible assets are capital investments principally related to relocation of head office.
4. Adjustments are made to reconcile segment income to operating income presented in the accompanying consolidated statement of income.

(4) Information about geographical areas

(I) Sales

	Millions of Yen						Thousands of U.S. Dollars				
					2016						**2016**
Japan	North America	Europe	China	Others	Total	Japan	North America	Europe	China	Others	Total
¥181,870	**¥101,315**	**¥29,999**	**¥56,094**	**¥80,352**	**¥449,630**	**$1,609,469**	**$896,593**	**$265,478**	**$496,407**	**$711,080**	**$3,979,027**

Notes: 1. The amount of sales in the United States of America is ¥100,203 million ($886,752 thousand).
2. The classification by country or area is based on the location of customers.

					Millions of Yen
					2015
Japan	North America	Europe	China	Others	Total
¥193,080	¥110,027	¥57,454	¥51,537	¥89,578	¥501,676

Notes: 1. The amount of sales in the United States of America is ¥107,690 million.
2. The classification by country or area is based on the location of customers.

(II) Property, plant and equipment

				Millions of Yen					Thousands of U.S. Dollars
				2016					**2016**
Japan	Thailand	China	Others	Total	Japan	Thailand	China	Others	Total
¥22,927	**¥8,040**	**¥5,359**	**¥6,368**	**¥42,694**	**$202,894**	**$71,150**	**$47,425**	**$56,354**	**$377,823**

				Millions of Yen
				2015
Japan	Thailand	China	Others	Total
¥33,876	¥10,150	¥6,772	¥6,831	¥57,629

(5) Information about major customers

		2016
	Millions of Yen	
Name of Major Customer	Sales	Related Segment Name
Toyota Motor Corporation	**¥67,305**	Car Electronics

		2015
	Millions of Yen	
Name of Major Customer	Sales	Related Segment Name
Toyota Motor Corporation	¥68,132	Car Electronics

		2016
	Thousands of U.S. Dollars	
Name of Major Customer	Sales	Related Segment Name
Toyota Motor Corporation	**$595,619**	Car Electronics

(6) Impairment losses of assets by reportable segment

	Reportable Segment				
Millions of Yen 2016	Car Electronics	Others	Total	Corporate	Consolidated
Impairment losses of assets	**–**	**¥131**	**¥131**	**–**	**¥131**

	Reportable Segment				
Millions of Yen 2015	Car Electronics	Others	Total	Corporate	Consolidated
Impairment losses of assets	¥1,327	¥4	¥1,331	–	¥1,331

	Reportable Segment				
Thousands of U.S. Dollars 2016	Car Electronics	Others	Total	Corporate	Consolidated
Impairment losses of assets	**–**	**$1,159**	**$1,159**	**–**	**$1,159**

(7) Unamortized balance of goodwill by segment

	Reportable Segment				
Millions of Yen 2016	Car Electronics	Others	Total	Corporate	Consolidated
Unamortized balance of goodwill	**–**	**–**	**–**	**¥480**	**¥480**

	Reportable Segment				
Millions of Yen 2015	Car Electronics	Others	Total	Corporate	Consolidated
Unamortized balance of goodwill	–	–	–	¥522	¥522

	Reportable Segment				
Thousands of U.S. Dollars 2016	Car Electronics	Others	Total	Corporate	Consolidated
Unamortized balance of goodwill	**–**	**–**	**–**	**$4,248**	**$4,248**

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INDEPENDENT AUDITOR'S REPORT

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, 2016, and the related consolidated statements of income, comprehensive income, 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, 2016, 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 23, 2016

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, 2016)

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

Number of Shareholders **44,528 shareholders**

Composition of Shareholders

	Number of shareholders	Number of shares held (thousand)	Shareholdings (%)
Japanese financial institutions	33	90,910	24.42
Japanese securities companies	64	13,273	3.57
Other Japanese business corporations	281	59,866	16.08
Foreign corporations and individuals	340	125,767	33.79
Japanese individuals and others	43,810	82,405	22.14

Note: "Japanese individuals and others" include 5,029 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 (%)
Mitsubishi Electric Corporation	27,886	7.59
NTT DOCOMO, INC.	25,773	7.01
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,340	5.53
Japan Trustee Services Bank, Ltd. (Trust Account)	19,894	5.41
Oasis Investments II Master Fund Ltd.	18,150	4.94
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,649	2.35
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,490	1.76
State Street Bank and Trust Company 505001	6,395	1.74
The Bank of New York 133522	4,789	1.30
SIX SIS Ltd.	4,672	1.27

Notes: 1. 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.
2. The Company holds 5,029 thousand shares as treasury stock, which is not included in the above table.

For further information, please contact:

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Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this Annual Report with respect to our current plans, estimates, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about our future performance. These statements are based on management's assumptions and beliefs in light of the information currently available to it. We caution that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. It is not our obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We disclaim any such obligation. Risks and uncertainties that might affect us include, but are not limited to: (i) general economic conditions in our markets, particularly levels of consumer spending, and levels of demand in the major industrial sectors which we serve; (ii) exchange rates, particularly between the Japanese yen and the U.S. dollar, the euro, and other currencies in which we make significant sales or in which our assets and liabilities are denominated; (iii) our ability to continuously design and develop and win acceptance for our products in extremely competitive markets; (iv) our ability to successfully implement our business strategies; (v) the success of our joint ventures, alliances and other business relationships with third parties; (vi) our ability to access funding; (vii) our continued ability to devote sufficient resources to research and development, and capital expenditure; (viii) our ability to ensure the quality of our products; (ix) conditions in which we are able to continuously procure key parts essential to our manufacturing operations; and (x) the outcome of contingencies.

PIONEER CORPORATION

http://pioneer.jp/en/