

# News Release

**For Immediate Release  
October 30, 2002**

## **Pioneer Announces Second-Quarter and Semiannual Results for Fiscal 2003**

TOKYO — Pioneer Corporation today announced its consolidated second-quarter and semiannual business results, and parent-only semiannual results, for the period ended September 30, 2002.

### **Consolidated Financial Highlights**

(In millions of yen except per share information)

	Second quarter ended September 30			Six months ended September 30		
	2002	2001	% to prior year	2002	2001	% to prior year
Operating revenue .....	¥167,350	¥163,169	102.6	¥333,294	¥303,552	109.8
Operating income.....	¥6,355	¥5,408	117.5	¥13,989	¥10,569	132.4
Income before income taxes .....	¥5,710	¥3,635	157.1	¥11,008	¥8,977	122.6
Net income.....	¥2,970	¥1,818	163.4	¥5,664	¥4,823	117.4
Net income per share:						
Basic.....	¥16.57	¥10.10		¥31.53	¥26.79	
Diluted .....	¥16.57	¥10.10		¥31.53	¥26.79	

Note: Effective this fiscal 2003, the Company adopted the EITF (Emerging Issues Task Force) 01-9 "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)". The adoption results in a reduction in net sales and a corresponding decrease in selling, general and administrative expenses, with no effect on operating income. Previous figures for the corresponding period have been reclassified to conform to this presentation.

### **Consolidated Business Results**

The second quarter of fiscal 2003, ended September 30, 2002, saw operating revenue at ¥167,350 million (US\$1,360.6 million), up 2.6% from the same period in the previous year. The average value of the yen was up 2.1% against the U.S. dollar and down 7.7% against the euro from the same period in the previous year.

**Home Electronics** sales increased 1.1% to ¥51,288 million (US\$417.0 million). In Japan, sales jumped 28.8% to ¥14,062 million (US\$114.3 million) mainly because of strong sales of plasma displays for home use, and an increase of home telephone sales. Overseas, sales decreased 6.5% to ¥37,226 million (US\$302.7 million) due to substantial decrease in sales of DVD players in North America and compact stereo systems and digital broadcast set-top boxes in Europe, which more than offset increased sales of plasma displays for home use worldwide and digital cable-TV set-top boxes in North America.

**Car Electronics** sales increased 11.6% to ¥68,530 million (US\$557.2 million). In Japan, sales rose 14.5% to ¥24,682 million (US\$200.7 million) on the strength of continued sales in the consumer market of our car navigation systems, both hard disk drive (HDD) and DVD models. Overseas, sales also increased 9.9% to ¥43,848 million (US\$356.5 million), mainly in car audio products – especially car CD players – to consumer markets, and in North America, to automobile manufacturers.

Royalty revenue from **Patent Licensing** decreased 48.8% to ¥2,926 million (US\$23.8 million). This is because in the corresponding period last year there was a lump-sum royalty revenue from a royalty settlement with a licensee. In addition, the Company's optical disc-related patents expired in certain regions.

**Others** sales amounted to ¥44,606 million (US\$362.6 million), almost the same as the corresponding period last year. In Japan, sales increased 8.8% to ¥22,968 million (US\$186.7 million), largely as a result of substantial growth in sales of DVD-R/RW drives to personal computer (PC) makers and devices for optical disc-related products, offsetting the large decrease in sales of factory automation systems. Overseas sales decreased 10.6% to ¥21,638 million (US\$175.9 million), as sales of optical disc-manufacturing systems in Asia declined to a great extent.

Operating income increased 17.5% from the same period in the previous year to ¥6,355 million (US\$51.7 million). The increase is mainly attributable to increased overall sales as well as decreased advertising and other selling expenses, despite a decrease of profit from Patent Licensing as a result of a decline in royalty revenue. Net income came to ¥2,970 million (US\$24.1 million), up 63.4% from ¥1,818 million posted the same period last year. This mainly resulted from, in addition to increased operating income, foreign exchange gains and a lower ratio of income taxes to pre-tax income, despite increased equity in losses of affiliated companies.

Both basic and diluted net income per share of common stock were ¥16.57 (US\$0.13), compared with ¥10.10 for the same period in the previous year.

Semiannual results — Consolidated operating revenue for the six-month period ended September 30, 2002, was ¥333,294 million (US\$2,709.7 million), up 9.8% from the same period last year. Net income for the period was ¥5,664 million (US\$46.0 million), up 17.4% from ¥4,823 million posted the corresponding period last year.

Both basic and diluted net income per share of common stock were ¥31.53 (US\$0.26), compared with ¥26.79 for the same period in the previous year.

### **Cash Flows**

With regard to cash flows for this second quarter, ¥10,064 million (US\$81.8 million) in cash was used in investing activities such as capital expenditures, while ¥20,112 million (US\$163.5 million) in cash was generated from operating activities, due mainly to net income, depreciation and amortization as well as a decrease in trade receivables. The result was positive free cash flow of ¥10,048 million (US\$81.7 million).

### **Interim Dividend**

The Board of Directors has determined an interim dividend of ¥7.5 (US\$0.06) per share of common stock, the same amount as last year, for shareholders of record as of September 30, 2002 (Japan time).

### **Addressing Current Challenges**

We continue to face slow economies in major markets such as Japan, North America and Europe, as well as intense price competition for the Company's major products. Under these circumstances, Pioneer is implementing a "select and focus" policy to improve profitability and management efficiency. For example, we are restructuring the Pioneer group business by such measures as converting an optical disc production line to a plasma display line and transferring shares and business of our karaoke-related subsidiaries to a third party. This leads the Company to focus management resources on strategic businesses.

We are promoting our DVD business by emphasizing higher value-added products such as DVD recorders and DVD-R/RW drives for PCs. Starting this fall, we plan to introduce in Japan two types of DVD recorders — an affordably priced model and another model with an HDD having capacity to store up to 102 hours of recorded video. As for the DVD-R/RW drives for PCs currently popular in the market, we are continuing our efforts to expand our market share and gain a competitive edge by introducing new products capable of faster disc recording.

In the plasma display business, we started construction of a third production line to serve rapidly expanding demand. This should increase the total production capacity up to an estimated 250,000 units per year when the line is completed in fall 2003. Furthermore, we plan to expand this capacity to more than 500,000 units per year after production begins on our fourth line, which we will start constructing in spring 2003. Also, we are constantly developing new display panels that enhance our already-outstanding picture quality as well as reducing manufacturing costs, thereby differentiating our products from those of our

competitors in the plasma display market.

In our car electronics business, we continue to reinforce our leading position in the market. In the field of car navigation, our advanced HDD models and affordably priced, easy-to-operate DVD models are enjoying excellent reputations in the consumer market. In November 2002, we plan to introduce in the Japanese consumer market the world's first car navigation system that incorporates a data communication module for updating maps and traffic data using cellular phone networks. The navigation system also enables e-mail use, and makes shopping, restaurant, weather forecast and other convenient information readily accessible. In order to stimulate consumer demand, we continue to introduce innovative car electronics products that distinguish themselves from those of our competitors.

Pioneer is advancing other major initiatives. We are taking various cost-reduction measures, by expanding production in China, while reviewing and optimizing our overall production on a global scale, for example. Moreover, the Company is in the process of implementing a supply-chain management system designed to help control consolidated inventories across the Pioneer group worldwide. This should reduce overall inventories and improve consolidated cash flows.

### **Consolidated Business Forecasts for Fiscal 2003**

Assuming that the yen-U.S. dollar and the yen-euro exchange rates average ¥122 and ¥120, respectively, until the end of fiscal 2003, ending March 31, 2003, we have revised upward our consolidated business forecasts for fiscal 2003, from those announced in April 2002, as follows:

	Revised projections for fiscal 2003	Previous projections for fiscal 2003	Results for fiscal 2002
Operating revenue .....	¥720,000 million	¥720,000 million	¥662,125 million
Operating income .....	¥31,000 million	¥25,000 million	¥21,281 million
Income before income taxes .....	¥25,000 million	¥22,000 million	¥15,343 million
Net income .....	¥12,500 million	¥11,000 million	¥8,047 million
Net income per share ..	¥69.81	¥61.09	¥44.70

Note: Effective this fiscal 2003, the Company adopted the EITF (Emerging Issues Task Force) 01-9 "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)". The adoption results in a reduction in net sales and a corresponding decrease in selling, general and administrative expenses, with no effect on operating income. Operating revenue for fiscal 2002 has been reclassified to conform to this presentation.

As for operating revenue, we project the same figure as we did in April. Sales of our car navigation systems in Japan are increasing more than we initially anticipated, and our major products, plasma displays and DVD recorders are expected to do well, while sales of our DVD-ROM drives and, in Europe, digital broadcast set-top boxes will be lower than initially expected.

As for profit, we project an operating income increase of Car Electronics business

due to strong sales of car navigation systems in Japan. Also we expect to benefit from the increased efficiency at the second plasma display production line, reduced production costs at plants in China, and overall cost reductions throughout the Pioneer group, mainly in selling, general, and administrative expenses worldwide.

#### **Cautionary Statement with Respect to Forward-Looking Statements**

Statements made in this release with respect to our current plans, estimates, strategies and beliefs and other statements that are not historical facts are forward-looking statements about our future performance.

These statements are based on management's assumptions and beliefs in light of the information currently available to it. We caution that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. You also should not rely on the belief that it is 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; (ii) exchange rates, particularly between the yen and the U.S. dollar, euro, and other currencies in which we make significant sales or in which our assets and liabilities are denominated; (iii) our ability to continue to design and develop and win acceptance of our products and services, which are offered in highly competitive markets characterized by continual new product introductions, rapid developments in technology and subjective and changing consumer preferences; (iv) our ability to implement successfully our business strategies; (v) our ability to compete and develop and implement successful sales and distribution strategies in light of technological developments in and affecting our businesses; (vi) our continued ability to devote sufficient resources to research and development, and capital expenditure; (vii) our ability to continuously enhance our brand image; (viii) the success of our joint ventures and alliances; and (ix) the outcome of contingencies.

#### **Corporate Policy**

We regard customer satisfaction as the most important factor in our corporate policy. Based on this consideration, we develop and provide advanced, high-quality, and value-added electronics products that deliver pleasure, comfort and convenience. This keeps us faithful to our corporate philosophy, "Move the Heart and Touch the Soul."

In accordance with these values, we aim to achieve the following medium-term objectives.

- To become a leader in the DVD industry
- To establish a presence in the market for plasma and organic electroluminescent (OEL) displays
- To develop and strengthen a line of network-related products
- To expand our key device business and develop our key technologies

Today, the DVD-related products and plasma display sectors have grown to become our core businesses. The Pioneer group will continue implementing a range of measures to realize its goals.

#### **Dividend Policy**

Pioneer management regards distribution of profits — the dividend payment — as one of its important objectives. Pioneer expects to continue stable dividend payment and determine the most appropriate dividend according to comprehensive mid- and long-term consolidated business results, and financial conditions and other factors.

**The Process of Better Management**

The corporate executive officer system that we introduced in 1999 continues to speed up decision-making and improve management efficiency. In June 2002, at the Pioneer Ordinary General Meeting of Shareholders, we appointed a person from outside the Company to our Board of Directors. This new member's evaluation and advice should contribute to management reviews, enhance compliance, and improve corporate governance. In September 2002, the Pioneer board created the Group Executive Committee, to evaluate and determine Pioneer group business strategies.

**Other Important Remarks**

Pioneer Corporation purchased a total of 1,610,000 of its own shares in August 2002. Of this purchase, 518,400 shares will be utilized for a share exchange in November 2002, when Pioneer makes Towada Electronic Corporation (currently a consolidated subsidiary) a wholly owned subsidiary, as part of the group's restructuring initiatives.

Pioneer Corporation is one of the leading manufacturers of consumer- and business-use electronics products such as audio, video and car electronics on a global scale. Its shares are traded on the New York Stock Exchange (ticker symbol PIO), Euronext Amsterdam, Tokyo Stock Exchange, and Osaka Securities Exchange.

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The U.S. dollar amounts in this release represent translation of Japanese yen, for convenience only, at the rate of ¥123= US\$1.00, the approximate rate prevailing on September 30, 2002.

Attached are (I) consolidated financial statements for the second quarter and the six months ended September 30, 2002, and (II) financial statements of the parent company for the six months ended September 30, 2002.

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I. CONSOLIDATED FINANCIAL STATEMENTS OF PIONEER CORPORATION  
FOR THE SECOND QUARTER AND THE SIX MONTHS ENDED SEPTEMBER 30, 2002

## (1) OPERATING REVENUE BY SEGMENT

(In millions of yen)

	Second quarter ended September 30				% to prior year
	2002		2001		
	Amount	% to Total	Amount	% to Total	
Domestic.....	¥ 14,062	8.4	¥ 10,919	6.7	128.8
Overseas.....	37,226	22.2	39,794	24.4	93.5
Home Electronics.....	51,288	30.6	50,713	31.1	101.1
Domestic.....	24,682	14.7	21,549	13.2	114.5
Overseas.....	43,848	26.3	39,881	24.4	109.9
Car Electronics.....	68,530	41.0	61,430	37.6	111.6
Domestic.....	-	-	-	-	-
Overseas.....	2,926	1.7	5,715	3.5	51.2
Patent Licensing.....	2,926	1.7	5,715	3.5	51.2
Domestic.....	22,968	13.8	21,102	12.9	108.8
Overseas.....	21,638	12.9	24,209	14.9	89.4
Others.....	44,606	26.7	45,311	27.8	98.4
Domestic.....	61,712	36.9	53,570	32.8	115.2
Overseas.....	105,638	63.1	109,599	67.2	96.4
Total.....	¥167,350	100.0	¥163,169	100.0	102.6

	Six months ended September 30				% to prior year
	2002		2001		
	Amount	% to Total	Amount	% to Total	
Domestic.....	¥ 29,472	8.8	¥ 20,819	6.9	141.6
Overseas.....	67,303	20.2	69,208	22.8	97.2
Home Electronics.....	96,775	29.0	90,027	29.7	107.5
Domestic.....	52,785	15.8	47,858	15.8	110.3
Overseas.....	91,977	27.6	77,251	25.4	119.1
Car Electronics.....	144,762	43.4	125,109	41.2	115.7
Domestic.....	-	-	-	-	-
Overseas.....	6,044	1.8	10,467	3.4	57.7
Patent Licensing.....	6,044	1.8	10,467	3.4	57.7
Domestic.....	45,459	13.7	37,869	12.4	120.0
Overseas.....	40,254	12.1	40,080	13.3	100.4
Others.....	85,713	25.8	77,949	25.7	110.0
Domestic.....	127,716	38.3	106,546	35.1	119.9
Overseas.....	205,578	61.7	197,006	64.9	104.4
Total.....	¥333,294	100.0	¥303,552	100.0	109.8

## (2) CONSOLIDATED STATEMENTS OF INCOME

	(In millions of yen)			
	Second quarter ended September 30		Six months ended September 30	
	2002	2001	2002	2001
Operating revenue:				
Net sales .....	¥164,424	¥157,454	¥327,250	¥293,085
Royalty revenue .....	2,926	5,715	6,044	10,467
	<u>167,350</u>	<u>163,169</u>	<u>333,294</u>	<u>303,552</u>
Operating costs and expenses:				
Cost of sales .....	119,403	112,750	233,737	208,023
Selling, general and administrative .....	41,592	45,011	85,568	84,960
	<u>160,995</u>	<u>157,761</u>	<u>319,305</u>	<u>292,983</u>
Operating income .....	6,355	5,408	13,989	10,569
Other income (expenses):				
Interest income .....	491	887	1,007	2,002
Foreign exchange gain (loss) .....	392	(967)	(1,457)	(834)
Interest expense .....	(831)	(867)	(1,379)	(1,752)
Others, net .....	(697)	(826)	(1,152)	(1,008)
	<u>(645)</u>	<u>(1,773)</u>	<u>(2,981)</u>	<u>(1,592)</u>
Income before income taxes .....	5,710	3,635	11,008	8,977
Income taxes .....	1,467	1,644	3,453	3,689
Minority interest in income of subsidiaries .....	90	(163)	867	(395)
Equity in losses of affiliated companies .....	(1,363)	(10)	(2,758)	(70)
Net income .....	<u>¥ 2,970</u>	<u>¥ 1,818</u>	<u>¥ 5,664</u>	<u>¥ 4,823</u>

Pioneer Corporation and Subsidiaries

(3) CONSOLIDATED BALANCE SHEETS

(In millions of yen)

	September 30		March 31
	2002	2001	2002
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	¥140,412	¥101,946	¥127,113
Available-for-sale securities	7	2,370	3,455
Trade receivables, less allowance	105,610	107,906	125,563
Inventories	106,801	120,832	96,910
Others	60,936	56,141	58,779
Total current assets	413,766	389,195	411,820
Investments and long-term receivables	30,269	29,562	33,004
Property, plant and equipment, less depreciation	149,870	147,533	150,760
Intangible assets	14,023	19,129	15,561
Other assets	33,673	26,490	33,984
	¥641,601	¥611,909	¥645,129
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities:			
Short-term borrowings and current portion of long-term debt	¥ 45,500	¥ 53,336	¥ 48,418
Trade payables	70,060	53,208	57,231
Others	90,776	85,502	88,661
Total current liabilities	206,336	192,046	194,310
Long-term debt	35,112	36,071	35,677
Other long-term liabilities	48,567	32,476	48,895
Minority interests	18,079	18,623	19,244
Shareholders' equity:			
Common stock	49,049	49,049	49,049
Additional paid-in capital	82,060	82,010	82,010
Retained earnings	245,018	238,818	240,692
Accumulated other comprehensive income (loss)	(39,101)	(37,184)	(24,736)
Treasury stock	(3,519)	-	(12)
Total shareholders' equity	333,507	332,693	347,003
	¥641,601	¥611,909	¥645,129
Breakdown of accumulated other comprehensive income (loss)			
Minimum pension liability adjustments	(¥20,015)	(¥11,379)	(¥20,487)
Net unrealized holding gain on securities	4,677	3,833	4,583
Cumulative translation adjustments	(23,763)	(29,638)	(8,832)
Total accumulated other comprehensive income (loss)	(¥39,101)	(¥37,184)	(¥24,736)

## (4) CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In millions of yen)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
Balance at March 31, 2001	¥48,843	¥81,458	¥235,345	(¥28,651)	-	¥336,995
Net income			8,047			8,047
Other comprehensive income				3,915		3,915
Exercise of warrants	206	206				412
Value ascribed to warrants and stock option		346				346
Cash dividends (¥15.00 per share)			(2,700)			(2,700)
Purchase and sale of treasury stock, net					(¥12)	(12)
Balance at March 31, 2002	¥49,049	¥82,010	¥240,692	(¥24,736)	(¥12)	¥347,003
Net income			5,664			5,664
Other comprehensive Income (loss)				(14,365)		(14,365)
Value ascribed to stock option		50				50
Cash dividends (¥7.50 per share)			(1,338)			(1,338)
Repurchase of common stock					(3,507)	(3,507)
Balance at September 30, 2002	¥49,049	¥82,060	¥245,018	(¥39,101)	(¥3,519)	¥333,507

Pioneer Corporation and Subsidiaries

(5) CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of yen)

	Second quarter ended September 30		Six months ended September 30	
	2002	2001	2002	2001
I . Operating activities:				
Net income .....	¥ 2,970	¥ 1,818	¥ 5,664	¥ 4,823
Depreciation and amortization .....	8,398	7,998	16,813	16,152
(Increase) decrease in trade receivables.....	5,170	(4,977)	17,445	9,052
Increase in inventories.....	(712)	(766)	(12,678)	(28,040)
Increase (decrease) in trade payables.....	(665)	(5,259)	14,244	7,786
Other.....	4,951	6,941	651	(4,812)
Net cash provided by operating activities	20,112	5,755	42,139	4,961
II . Investing activities:				
Payment for purchase of fixed assets .....	(11,982)	(15,833)	(20,379)	(29,573)
Other .....	1,918	1,591	4,948	2,005
Net cash used in investing activities	(10,064)	(14,242)	(15,431)	(27,568)
III . Financing activities:				
Increase (decrease) in short-term borrowings and long-term debt .....	10,007	6,913	(3,205)	6,016
Dividends paid.....	(156)	(73)	(1,350)	(1,349)
Repurchase of common stock .....	(3,503)	-	(3,507)	-
Other.....	20	117	(171)	331
Net cash provided by (used in) financing activities	6,368	6,957	(8,233)	4,998
Effect of exchange rate changes on cash and cash equivalents .....	1,450	(1,930)	(5,176)	(1,572)
Net increase (decrease) in cash and cash equivalents.....	17,866	(3,460)	13,299	(19,181)
Cash and cash equivalents at beginning of period .....	122,546	105,406	127,113	121,127
Cash and cash equivalents at end of period .....	¥140,412	¥101,946	¥140,412	¥101,946
I + II Free cash flow .....	¥ 10,048	(¥8,487)	¥ 26,708	(¥22,607)

## (6) SEGMENT INFORMATION

The following segment information is prepared pursuant to the regulations under the Securities and Exchange Law of Japan.

## &lt;Business Segments&gt;

(In millions of yen)

	Second quarter ended September 30				% to prior year	
	2002		2001			
	Operating revenue	Operating income	Operating revenue	Operating income	Operating revenue	Operating income
Home Electronics .....	¥ 51,640	(¥2,196)	¥ 50,808	(¥6,512)	101.6	-
Car Electronics .....	68,740	8,762	62,186	5,859	110.5	149.5
Patent Licensing .....	3,698	2,588	6,310	5,575	58.6	46.4
Others .....	55,799	128	58,648	897	95.1	14.3
Total .....	179,877	9,282	177,952	5,819	101.1	159.5
Corporate and elimination .....	(12,527)	(2,927)	(14,783)	(411)	-	-
Consolidated total .....	¥167,350	¥6,355	¥163,169	¥5,408	102.6	117.5

(In millions of yen)

	Six months ended September 30				% to prior year	
	2002		2001			
	Operating revenue	Operating income	Operating revenue	Operating income	Operating revenue	Operating income
Home Electronics .....	¥ 97,282	(¥ 3,769)	¥ 90,557	(¥11,090)	107.4	-
Car Electronics .....	145,428	16,498	126,247	10,813	115.2	152.6
Patent Licensing .....	7,031	5,418	11,529	9,970	61.0	54.3
Others .....	108,562	(1,437)	104,946	(43)	103.4	-
Total .....	358,303	16,710	333,279	9,650	107.5	173.2
Corporate and elimination .....	(25,009)	(2,721)	(29,727)	919	-	-
Consolidated total .....	¥333,294	¥13,989	¥303,552	¥10,569	109.8	132.4

Pioneer Corporation and Subsidiaries

<Geographic Segments>

(In millions of yen)

	Six months ended September 30				% to prior year	
	2002		2001		Operating Revenue	Operating Income
	Operating Revenue	Operating Income	Operating Revenue	Operating Income		
Japan.....	¥277,740	¥ 6,517	¥253,465	¥ 2,191	109.6	297.4
North America.....	101,454	6,356	96,692	7,233	104.9	87.9
Europe.....	58,935	(1,376)	59,776	447	98.6	-
Other.....	124,180	2,568	115,277	4,242	107.7	60.5
Total.....	562,309	14,065	525,210	14,113	107.1	99.7
Elimination.....	(229,015)	(76)	(221,658)	(3,544)	-	-
Consolidated total.....	¥333,294	¥13,989	¥303,552	¥10,569	109.8	132.4

Notes:

1. The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.
2. The consolidated financial statements include the accounts of the parent company and 148 subsidiaries and the investments in 5 affiliated companies accounted for on an equity basis.
3. Effective this fiscal 2003, the Company adopted the EITF (Emerging Issues Task Force) 01-9 "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)". The adoption results in a reduction in net sales and a corresponding decrease in selling, general and administrative expenses, with no effect on operating income. Previous figures for the corresponding period have been reclassified to conform to this presentation.
4. Effective this fiscal 2003, the Company changed reportable segments into four categories — "**Home Electronics**," "**Car Electronics**," "**Patent Licensing**" and "**Others**." Previous figures for the corresponding period have been restated accordingly.

Main products in each segment are as follows:

**Home Electronics:**

Audio/Video equipment for home use, Equipment for cable-TV systems, Digital broadcast set-top boxes, Home telephones, and others.

**Car Electronics:**

Car audio products, Car navigation systems, and others.

**Patent Licensing:**

Royalties on optical disc recording and playback, and others.

**Others:**

Computer peripheral equipment, devices parts, Factory automation systems, AV software, and others.

II. FINANCIAL STATEMENTS OF PIONEER CORPORATION  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002

## (1) SALES BY PRODUCT GROUP

	Six months ended September 30					(In millions of yen) Year ended	
	2002		2001		% to prior year	March 31, 2002	
	Amount	% to sales	Amount	% to sales		Amount	% to sales
Domestic .....	¥ 20,928	9.4	¥ 16,816	8.2	124.5	¥ 46,152	10.9
Export .....	52,621	23.7	52,712	25.6	99.8	95,545	22.7
Audio/Video .....	73,549	33.1	69,528	33.8	105.8	141,697	33.6
Domestic .....	52,765	23.7	47,151	22.9	111.9	95,533	22.7
Export .....	61,471	27.7	54,511	26.6	112.8	103,206	24.5
Car Electronics .....	114,236	51.4	101,663	49.5	112.4	198,740	47.2
Domestic .....	12,164	5.5	9,284	4.5	131.0	25,968	6.2
Export .....	22,331	10.0	25,011	12.2	89.3	55,002	13.0
Others .....	34,496	15.5	34,296	16.7	100.6	80,971	19.2
Domestic .....	85,858	38.6	73,253	35.6	117.2	167,654	39.8
Export .....	136,423	61.4	132,235	64.4	103.2	253,754	60.2
Total .....	¥222,282	100.0	¥205,488	100.0	108.2	¥421,409	100.0

## (2) CONDENSED STATEMENTS OF INCOME

	Six months ended September 30				(In millions of yen) Year ended	
	2002		2001		March 31, 2002	
	Amount	% to sales	Amount	% to sales	Amount	% to sales
Net sales – Domestic .....	¥ 85,858	38.6	¥ 73,253	35.6	¥167,654	39.8
Export .....	136,423	61.4	132,235	64.4	253,754	60.2
	222,282	100.0	205,488	100.0	421,409	100.0
Cost of sales .....	179,906	80.9	161,528	78.6	330,612	78.5
Selling, general and administrative expenses .....	40,374	18.2	40,909	19.9	82,911	19.6
Operating income .....	2,001	0.9	3,050	1.5	7,884	1.9
Non-operating income (expenses), net .....	(632)	(0.3)	(368)	(0.2)	2,409	0.5
Ordinary income .....	1,368	0.6	2,681	1.3	10,294	2.4
Other expenses, net .....	(316)	(0.1)	(858)	(0.4)	(6,804)	(1.6)
Income before income taxes .....	1,052	0.5	1,823	0.9	3,489	0.8
Income taxes .....	(259)	(0.1)	754	0.4	298	0.0
Net income .....	¥ 1,311	0.6	¥ 1,069	0.5	¥ 3,190	0.8

(3) CONDENSED BALANCE SHEETS

(In millions of yen)

<u>ASSETS</u>	September 30		March 31
	2002	2001	2002
Current assets:			
Cash .....	¥ 24,329	¥ 4,342	¥ 6,410
Notes and accounts receivable - trade .....	39,714	36,228	48,415
Marketable securities .....	42,350	33,500	36,350
Inventories .....	25,629	31,586	25,745
Other current assets .....	42,439	51,571	52,074
Total current assets .....	174,464	157,230	168,996
Fixed assets:			
Tangible .....	31,282	31,433	30,741
Intangible .....	9,458	6,598	7,701
Investments and others .....	179,188	183,222	181,301
Total fixed assets .....	219,929	221,253	219,744
Total assets .....	<u>¥394,394</u>	<u>¥378,483</u>	<u>¥388,740</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities:			
Accounts payable - trade .....	¥ 43,016	¥ 28,734	¥ 34,647
Accrued expenses .....	32,389	27,633	29,545
Other current liabilities .....	14,796	7,485	14,471
Total current liabilities .....	90,202	63,853	78,663
Long-term liabilities .....	28,443	34,627	29,190
Total liabilities .....	118,645	98,481	107,854
Shareholders' equity .....	275,748	280,002	280,886
Total liabilities and shareholders' equity .....	<u>¥394,394</u>	<u>¥378,483</u>	<u>¥388,740</u>

Note: In preparing the financial statements, all amounts less than one million yen were disregarded.