

(TRANSLATION)

# **THE 60TH SEMIANNUAL BUSINESS REPORT**

For the Six Months Ended September 30, 2005

This is a translation of the original Semiannual Business Report written in the Japanese language, prepared primarily for the benefit and information of shareholders of the Company's common stock.

**PIONEER CORPORATION**  
Tokyo, Japan

## TO OUR SHAREHOLDERS

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In the first half of the 60th accounting period, ended September 30, 2005, consolidated operating revenue of Pioneer Corporation was ¥349,898 million, up 1.4% over the previous year.

However, net loss of ¥12,261 million was posted for the period, compared to net income of ¥4,809 million in the corresponding period of the previous year. This loss was principally caused by lower market prices for our main products due to more severe competition, resulting in a decrease of gross profit margins.

Reflecting the impact of continued severe business conditions, we have set interim dividend payments at ¥7.5 per share of common stock, a decrease of ¥5.0 from that for the corresponding period last year.

The business environment remains severe, characterized by uncertain economic conditions, particularly as the rising prices of crude oil and other raw materials may exert negative impact on the economies of Japan and the U.S., in which consumer spending had been steady. Also, price competition is increasingly tough in markets for our key products.

Despite these difficult conditions, we are committed to becoming profitable again by reviewing every aspect of our major business fields, reinvesting our resources in advanced, high-quality, value-added products that identify the core value of our Company, and enhancing our brand equity.

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In the plasma display business, we have been reinforcing our production capacity, as the market rapidly expands. Incoming orders, however, did not reach the levels we had planned for in the OEM (original equipment manufacturing) plasma display business, so we decided to adjust total production output until demand recovers. As we keep cutting costs extensively, we will continue to develop and launch unique products of superior innovation, performance and function. We are making efforts to enhance the value and strength of the Pioneer brand and to expand plasma display sales.

In the DVD business, the market is rapidly expanding, especially in DVD recorders and DVD drives for personal computers (PCs), while product prices are falling sharply. To overcome the competition, we must introduce more advanced products as early as possible, in addition to carrying out more cost cutting in production in China. We are aggressively reviewing our development and design process, aiming to enhance speed and efficiency of development, and to precede our competitors in supplying markets with products that customers welcome.

In the car electronics business, we are determined to maintain a leading position in the consumer market by reinforcing our car audio operations in the fast-growing markets of China, Central and South America and Russia. Developing products that differentiate us from our industry competitors will help extend the value of our brand. Our car navigation operations are renowned in Japan, where our sales efforts are as aggressive as ever. We are making a similarly bold push

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to fortify and extend our operations for this business in Europe and North America. In our business with automobile manufacturers, we are capitalizing on our product planning expertise in the consumer market, and propose innovative products to open up new business opportunities and increase sales.

Along with our ongoing efforts to improve management efficiency, we are advancing discussion on a restructuring that may include renewal of the Pioneer group business structure, as well as consequent consolidation of plants and offices and review of staffing. These measures, plus inventory reduction through better supply chain management, will help us return to profitability and improve cash flows.

We greatly appreciate the support that you have always given us. We are doing everything in our power to overcome the present difficulties and to improve shareholder value.

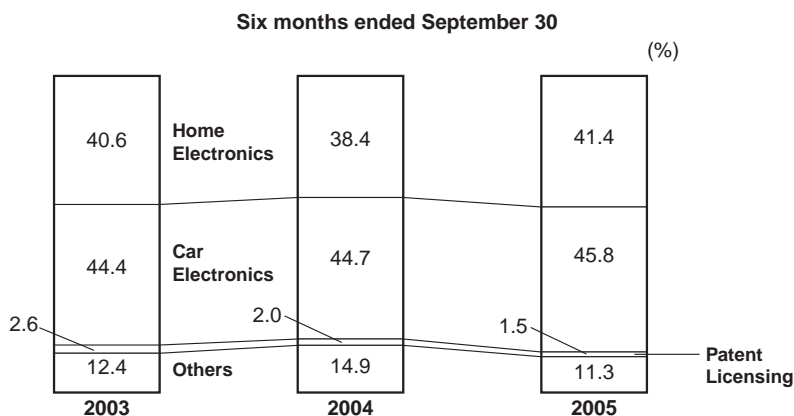
December 2005  
Tokyo, Japan

Kaneo Ito  
President and Representative Director

# CONSOLIDATED OPERATING REVENUE BY BUSINESS SEGMENT

Effective from this 60th accounting period, the Company changed business segment classification for certain businesses. Results related to plasma displays for business use and DJ equipment have been moved from “Others” to “Home Electronics.” Previously reported amounts have been reclassified accordingly.

## Percent of Operating Revenue



## Home Electronics

This segment includes plasma displays, DVD recorders, DVD players, DVD drives, stereo systems, individual stereo components, DJ equipment, telephones and equipment for cable TV systems.

Sales in the Home Electronics segment increased 9.4% from the corresponding period in the previous year to ¥144,958 million, as plasma display sales increased, despite a decrease in sales of DVD products.

In Japan, sales decreased 2.3% to ¥36,068 million mainly due to a decrease in sales of DVD recorders, despite an increase in sales of plasma displays.

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Overseas sales increased 14.0% to ¥108,890 million, due to a rise in sales of plasma displays worldwide, and of DVD drives for PCs in Asia, despite the decline in sales of DVD drives for PCs in Europe and North America and the discontinuation of sales of cable TV set-top boxes in North America.

## Car Electronics

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**This segment includes car navigation systems, car stereos, car AV (audio/video) systems and car speakers.**

Sales in the Car Electronics segment amounted to ¥160,353 million, up 3.9% over the corresponding period in the previous year. Car audio product sales were good, although car navigation system sales decreased, due to lower sales in Japan of these systems to automobile manufacturers.

In Japan, sales decreased 9.1% to ¥56,177 million, due to a decrease in sales of car navigation systems to automobile manufacturers, which reflected a lack of new car model launches in comparison to the corresponding period of the previous year, despite an increase in sales of car navigation systems for the consumer market.

Overseas sales increased 12.6% to ¥104,176 million, due to growth in sales of car audio products and car navigation systems to automobile manufacturers in North America, and of car audio products for the consumer market in Central and South America and Europe.

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## Patent Licensing

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**This segment includes the licensing of patents related to laser optical disc technologies.**

Royalty revenue from Patent Licensing decreased 21.6% from the corresponding period in the previous year to ¥5,285 million, reflecting the expiration of patents included in a portfolio of patents licensed to the optical disc industry and the lack of revenue from renewed contracts with licensees compared with the corresponding period of the previous year.

## Others

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**This segment includes organic light-emitting diode (OLED) display panels, factory automation systems, electronics devices and parts, business-use AV systems.**

Sales in this segment decreased 23.7% from the corresponding period in the previous year to ¥39,302 million, mainly as a result of a drop in sales of optical disc manufacturing systems in Asia.

In Japan, sales decreased 21.2% to ¥19,918 million reflecting a sales shift from Japan to China of devices for cellular phones.

Overseas, sales decreased 26.1% to ¥19,384 million, due to a drop in sales of optical disc manufacturing systems in Asia, despite an increase in sales of devices for cellular phones in China.

# CONSOLIDATED FINANCIAL STATEMENTS

## Pioneer Corporation and Subsidiaries

### (1) Consolidated Balance Sheets

(In millions of yen)

September 30

	2005	2004
<b>Assets</b>		
Current assets:		
Cash and cash equivalents .....	¥107,198	¥123,936
Trade receivables, less allowance .....	126,981	119,863
Inventories.....	126,594	135,504
Others .....	75,628	74,711
Total current assets.....	<u>436,401</u>	<u>454,014</u>
Investments and long-term receivables .....	25,268	29,553
Property, plant and equipment, less depreciation.....	203,557	208,964
Intangible assets.....	22,974	25,590
Other assets .....	39,393	39,015
Total assets.....	<u>¥727,593</u>	<u>¥757,136</u>

### Liabilities and Shareholders' Equity

#### Current liabilities:

Short-term borrowings and current portion of long-term debt.....	¥ 55,560	¥ 40,615
Trade payables .....	104,831	103,031
Others .....	101,857	104,554
Total current liabilities .....	<u>262,248</u>	<u>248,200</u>
Long-term debt .....	79,512	87,397
Other long-term liabilities .....	41,705	58,909
Minority interests .....	17,085	18,281
Shareholders' equity:		
Common stock .....	49,049	49,049
Capital surplus.....	82,834	82,612
Retained earnings .....	246,987	276,334
Accumulated other comprehensive loss .....	(39,390)	(53,185)
Treasury stock.....	(12,437)	(10,461)
Total shareholders' equity.....	<u>327,043</u>	<u>344,349</u>
Total liabilities and shareholders' equity ....	<u>¥727,593</u>	<u>¥757,136</u>



## (2) Consolidated Statements of Operations

(In millions of yen except  
per share information)

	Six months ended September 30	
	2005	2004
Revenues:		
Operating revenue:		
Net sales.....	¥344,613	¥338,308
Royalty revenue.....	5,285	6,739
Total operating revenue .....	349,898	345,047
Interest income .....	1,252	790
Other income .....	6,065	293
Total revenues .....	357,215	346,130
Cost and expenses:		
Cost of sales .....	278,393	250,878
Selling, general and administrative expenses.....	87,893	80,771
Interest expense .....	720	689
Loss on sale and disposal of fixed assets .....	443	125
Other deductions.....	1,720	1,229
Total cost and expenses.....	369,169	333,692
Income (loss) before income taxes .....	(11,954)	12,438
Income taxes .....	(1,210)	5,544
Minority interest in losses (earnings)		
of subsidiaries .....	1,285	(560)
Equity in losses of affiliated companies .....	(2,802)	(1,525)
Net income (loss).....	¥ (12,261)	¥ 4,809
Net income (loss) per share:		
Basic .....	¥(70.29)	¥27.41
Diluted .....	¥(70.29)	¥24.45

### (3) Consolidated Statements of Cash Flows

(In millions of yen)  
Six months ended  
September 30

	2005	2004
Operating activities:		
Net income (loss) .....	¥(12,261)	¥ 4,809
Depreciation and amortization.....	24,122	21,287
Decrease in trade receivables.....	7,160	415
Increase in inventories .....	(14,635)	(18,814)
Increase in trade payables.....	8,016	7,168
Increase (decrease) in other accrued liabilities .....	2,737	(11,185)
Other .....	(13,919)	(7,711)
Net cash provided by (used in) operating activities	1,220	(4,031)
Investing activities:		
Payment for purchase of fixed assets.....	(19,282)	(26,284)
Payment for purchase of subsidiary.....	–	(36,615)
Other .....	7,357	338
Net cash used in investing activities	(11,925)	(62,561)
Financing activities:		
Increase (decrease) in short-term borrowings and long-term debt .....	2,866	(3,034)
Dividends paid .....	(2,180)	(2,193)
Other .....	(2,073)	(323)
Net cash used in financing activities	(1,387)	(5,550)
Effect of exchange rate changes on cash and cash equivalents.....	2,609	3,659
Net decrease in cash and cash equivalents .....	(9,483)	(68,483)
Cash and cash equivalents, beginning of period .....	116,681	192,419
Cash and cash equivalents, end of period.....	¥107,198	¥123,936

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Notes:

1. The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).
2. The consolidated financial statements include the accounts of the parent company and 126 subsidiaries and the investments in 5 affiliated companies accounted for on an equity basis.
3. Computation of net income per share is based on Statements of Financial Accounting Standards No.128 "Earnings per Share."
4. Effective from the fiscal 2005 year-end presentation, the Company changed the format of the consolidated statements of operations from multiple-step form to single-step form, which shows income before taxes by deducting total expenses from total revenue. Previously reported amounts have been reclassified accordingly.
5. Effective from the fiscal 2005 year-end presentation, the Company presented "Loss on sale and disposal of fixed assets" separately in the consolidated statements of operations, which was previously included in "Selling, general and administrative expenses." Previously reported amounts have been restated accordingly.

# NON-CONSOLIDATED FINANCIAL STATEMENTS

## Pioneer Corporation — Parent Company Only

### (1) Condensed Balance Sheets

(In millions of yen)

September 30

	2005	2004
<b>Assets</b>		
Current assets:		
Cash .....	¥ 46,162	¥ 33,829
Notes and accounts receivable—trade .....	46,605	38,018
Marketable securities .....	—	18,683
Inventories.....	29,044	34,733
Other current assets .....	31,020	64,070
Total current assets.....	152,882	189,336
Fixed assets:		
Tangible .....	52,674	48,282
Intangible .....	28,523	21,335
Investments and others .....	208,751	204,768
Total fixed assets .....	289,949	274,386
Total assets .....	¥442,782	¥463,722
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Notes and accounts payable—trade.....	¥ 53,827	¥ 50,129
Accrued expenses .....	37,471	34,730
Other current liabilities.....	15,350	26,766
Total current liabilities .....	106,649	111,627
Long-term liabilities .....	73,279	76,100
Total liabilities .....	179,929	187,727
Shareholders' equity.....	262,852	275,995
Total liabilities and shareholders' equity ..	¥442,782	¥463,722

Note: Accumulated depreciation on tangible fixed assets on September 30, 2005 and 2004 was ¥90,192 million and ¥91,727 million, respectively.

## (2) Condensed Statements of Operations

	(In millions of yen except per share information)	
	Six months ended September 30	
	2005	2004
Net sales.....	¥245,819	¥234,039
Cost of sales.....	213,720	191,874
Selling, general and administrative expenses.....	41,592	41,981
Operating income (loss).....	(9,493)	183
Non-operating income—net.....	54	2,098
Ordinary income (loss).....	(9,439)	2,282
Other income (expenses)—net.....	357	(0)
Income (loss) before income taxes.....	(9,081)	2,281
Income taxes.....	(3,709)	141
Net income (loss).....	¥ (5,371)	¥ 2,140
Net income (loss) per share.....	¥(30.80)	¥12.19

# CONDITION OF SHAREHOLDERS AND SHARES

(as of September 30, 2005)

## Number of Shares Issued

180,063,836 shares

Note: 5,638,433 shares held by the Company as treasury stock are included.

## Distribution of Share-ownership

	Number of Shareholders	Number of Shares Held and its Percent to Total
Financial institutions .....	110	64,743 thousand ( 35.96 %)
Securities companies .....	71	3,863 ( 2.15 )
Other Japanese business corporations.....	390	4,832 ( 2.68 )
Foreign corporations and individuals .....	397	63,784 ( 35.42 )
Japanese individuals and others .....	44,463	42,840 ( 23.79 )
<b>Total .....</b>	<b>45,431</b>	<b>180,063 thousand (100.00%)</b>

Note: Japanese individuals and others include 5,638 thousand shares held by the Company as treasury stock.

## Top Ten Largest Shareholders

	Number of Shares Held and its Percent to Total
Japan Trustee Services Bank, Ltd. (Trust Account)	12,545 thousand (6.96%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,167 (6.75 )
Societe Generale Paris SGOP/DAI Paris 6Z	9,495 (5.27 )
The Bank of Tokyo-Mitsubishi, Ltd.	4,154 (2.30 )
Mizuho Bank, Ltd.	4,000 (2.22 )
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	3,955 (2.19 )
The Chase Manhattan Bank, N.A. London	3,907 (2.17 )
BNP Paribas Securities (Japan) Limited	3,005 (1.66 )
Pioneer Employee Share Ownership Plan	2,636 (1.46 )
Sumitomo Mitsui Banking Corporation	2,589 (1.43 )

Note: The Company holds 5,638 thousand shares as treasury stock.

## Stock Exchange Listings

Tokyo Stock Exchange  
Osaka Securities Exchange

New York Stock Exchange  
Euronext Amsterdam

## Price per Share and Volume of Shares Traded on the Tokyo Stock Exchange

		High (yen)	Low (yen)	Volume (thousand shares)		High (yen)	Low (yen)	Volume (thousand shares)	
2002	Oct.	2,130	1,805	20,215	2004	Apr.	3,390	3,000	32,597
	Nov.	2,430	2,045	32,263		May	3,120	2,660	37,352
	Dec.	2,490	2,150	22,870		June	2,880	2,635	37,811
2003	Jan.	2,405	2,070	21,562	2005	July	2,850	2,310	30,442
	Feb.	2,600	2,260	33,006		Aug.	2,480	2,215	22,949
	Mar.	2,620	2,390	24,271		Sept.	2,535	2,240	34,245
	Apr.	2,460	2,225	25,507		Oct.	2,430	1,820	41,087
	May	2,555	2,290	23,202		Nov.	2,020	1,882	42,410
	June	2,840	2,490	35,912		Dec.	2,070	1,866	38,031
	July	2,970	2,635	31,308		Jan.	2,055	1,890	29,702
	Aug.	2,815	2,515	27,317		Feb.	1,925	1,830	35,266
	Sept.	3,030	2,600	40,815		Mar.	2,015	1,827	43,851
	Oct.	2,820	2,505	30,938		Apr.	2,040	1,760	36,470
	Nov.	2,825	2,510	21,161		May	1,815	1,703	31,843
	Dec.	2,995	2,645	25,249		June	1,783	1,655	40,177
2004	Jan.	3,370	2,875	29,718	July	1,687	1,604	29,512	
	Feb.	3,270	2,930	31,103	Aug.	1,785	1,634	34,869	
	Mar.	3,250	2,890	32,572	Sept.	1,749	1,610	32,247	

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