

News Release

**For Immediate Release
August 7, 2017**

Pioneer Announces Business Results for 1Q Fiscal 2018

Pioneer Corporation today announced its consolidated first-quarter business results for the period ended June 30, 2017.

Consolidated Financial Highlights

(In millions of yen except per share information)
Three months ended June 30

	2017	2016	Percent change
Net sales	¥83,319	¥95,329	-12.6%
Operating income (loss)	(243)	376	-
Ordinary income (loss)	(1,230)	2,023	-
Net income (loss) *	¥ (2,035)	¥ 1,271	-%
Net income (loss) * per share	¥(5.54)	¥3.46	

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

Consolidated Business Results

For the first quarter of fiscal 2018, the three months ended June 30, 2017, consolidated net sales declined 12.6% year on year, to ¥83,319 million, mainly from a decrease in sales of Car Electronics, particularly the OEM business, and a decrease in sales of home AV products.

Operating loss was ¥243 million, compared with an operating income of ¥376 million for the first quarter of fiscal 2017, reflecting the decrease in sales, despite a decline in selling, general and administrative (SG&A) expenses and an improvement in the cost of sales ratio. Net loss attributable to owners of Pioneer was ¥2,035 million, compared with net income of ¥1,271 million for the first quarter of fiscal 2017, mainly due to the operating loss, and the shift to a foreign exchange loss, compared with a foreign exchange gain during the first quarter of fiscal 2017.

During the first quarter of fiscal 2018, the average value of the Japanese yen declined 2.7% against the U.S. dollar year on year, to ¥111.09=1 U.S. dollar, and was almost flat against the euro, to ¥122.19=1 euro.

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Car Electronics sales declined 9.2% year on year, to ¥69,150 million, mainly due to a decrease in sales of the OEM business.

Sales of the consumer market business were almost unchanged year on year. Sales of car audio products were roughly flat, mainly because of an increase in Central and South America, despite a decline in North America. Car navigation system sales increased in Europe, but overall sales decreased because of a decline in Japan in line with a change to the timing of the introduction of new models.

Sales of the OEM business declined year on year. Sales of car audio products increased because of higher sales in Japan, despite a decrease in North America and China. Car navigation system sales decreased mainly from lower sales in Japan, Central and South America, and China.

The OEM business sales accounted for 60% of total Car Electronics sales, compared with 63% a year earlier.

By geographic region, sales in Japan declined 11.6%, to ¥26,348 million, and overseas sales decreased 7.7%, to ¥42,802 million.

Operating income declined 73.0% year on year, to ¥257 million, due to the decline in sales, and a deterioration in the cost of sales ratio mainly as a result of foreign exchange rate movements, despite lower SG&A expenses.

In the **Others** segment, sales declined 26.0% year on year, to ¥14,169 million, mainly because of decreases in sales of home AV products and factory automation systems, in addition to the effect of the transfer of the cable TV system-related equipment business.

By geographic region, sales in Japan decreased 20.6%, to ¥7,471 million, and overseas sales declined 31.1%, to ¥6,698 million.

The segment's operating loss was ¥404 million, compared with an operating loss of ¥481 million for the first quarter of fiscal 2017, due to an improved cost of sales ratio and a decrease in SG&A expenses, despite lower sales.

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

2. In Car Electronics, some overseas car navigation systems are reclassified from "the consumer market business" to "the OEM business" from fiscal 2018. Figures shown for the first quarter of fiscal 2017 have been reclassified accordingly.

Consolidated Financial Position

Total assets as of June 30, 2017 were ¥277,989 million, a decrease of ¥3,797 million from March 31, 2017, mainly due to decreases in trade receivables, despite increases in intangible assets, inventories and investment securities. Intangible assets increased ¥3,523 million, to ¥60,316 million, mainly reflecting an increase in software in progress. Inventories increased ¥3,498 million, to ¥53,319 million. Investment securities increased ¥2,149 million, to ¥9,069 million, mostly reflecting a rise in the market value of equity holdings. Meanwhile, trade receivables decreased ¥12,383 million, to ¥53,673 million.

Total liabilities were ¥191,567 million, a ¥3,430 million decrease from March 31, 2017, mainly from a ¥3,124 million decline in accrued expenses.

Total equity was ¥86,422 million, a ¥367 million decline from March 31, 2017. This mainly reflected the recording of ¥2,035 million of net loss attributable to owners of Pioneer for the first quarter of fiscal 2018, despite a turnaround to an ¥891 million unrealized gain on available-for-sale securities as of June 30, 2017, from a ¥191 million unrealized loss as of March 31, 2017, that was primarily due to a rise in the market value of equity holdings.

Consolidated Business Forecasts for Fiscal 2018

For the first half and the full year of fiscal 2018, ending March 31, 2018, consolidated net sales forecasts have been changed downward compared to the previous forecast announced on May 12, 2017, reflecting the recent Car Electronics OEM business orders as shown below, while operating income and net income forecasts remain unchanged.

[First Half of Fiscal 2018]

	(In millions of yen)				
	Revised forecasts (A)	Previous forecasts (B)	Amount change (A - B)	Percent change (A-B / B)	First-half results for fiscal 2017
Net sales	¥177,000	¥182,000	¥(5,000)	-2.7%	¥190,397
Operating income	2,000	2,000	0	-	1,516
Net income (loss) *	¥ (1,000)	¥ (1,000)	¥ 0	-%	¥ 966

[Full Year of Fiscal 2018]

	(In millions of yen)				
	Revised forecasts (A)	Previous forecasts (B)	Amount change (A - B)	Percent change (A-B / B)	Full-year results for fiscal 2017
Net sales	¥380,000	¥390,000	¥ (10,000)	-2.6%	¥386,682
Operating income	10,000	10,000	0	-	4,167
Net income (loss) *	¥ 3,500	¥ 3,500	¥ 0	-%	¥ (5,054)

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

Note: The yen-U.S. dollar exchange rate assumption for remaining nine months of fiscal 2018 remains unchanged at 110 yen, while the yen-euro exchange rate assumption is 128 yen, a depreciation of ¥10 from the previous assumption.

Cautionary Statement with Respect to Forward-Looking Statements

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

joint ventures, alliances and other business relationships with third parties; (vi) our ability to access funding; (vii) our continued ability to devote sufficient resources to research and development, and capital expenditure; (viii) our ability to ensure the quality of our products; (ix) conditions in which we are able to continuously procure key parts essential to our manufacturing operations; and (x) the outcome of contingencies.

Pioneer Corporation is a leading global manufacturer of car electronics products. Its shares are traded on the Tokyo Stock Exchange.

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Attached are consolidated financial statements for the three months ended June 30, 2017.

(1) CONSOLIDATED BALANCE SHEETS

	(In millions of yen)	
	March 31, 2017	June 30, 2017
ASSETS		
Current assets:		
Cash and deposits	38,405	38,050
Trade receivables	66,056	53,673
Finished products	21,245	22,462
Work in process	11,795	13,189
Raw materials and supplies	16,781	17,668
Deferred tax assets	3,696	3,693
Other current assets	16,798	16,025
Allowance for doubtful receivables	(2,896)	(1,993)
Total current assets	171,880	162,767
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	47,779	47,646
Machinery, equipment and others	126,053	123,238
Lease assets	3,574	6,226
Others	12,020	11,936
Accumulated depreciation	(148,591)	(148,459)
Net property, plant and equipment	40,835	40,587
Intangible assets:		
Goodwill	438	427
Software	16,187	15,444
Software in progress	39,544	43,835
Others	624	610
Total intangible assets	56,793	60,316
Investments and other assets:		
Investment securities	6,920	9,069
Deferred tax assets	1,142	1,106
Net defined benefit asset	838	872
Others	3,428	3,322
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	12,278	14,319
Total noncurrent assets	109,906	115,222
Total assets	281,786	277,989

	(In millions of yen)	
	March 31, 2017	June 30, 2017
LIABILITIES		
Current liabilities:		
Trade payables	62,362	60,720
Short-term borrowings	10,703	10,805
Current portion of long-term debt	11,033	11,033
Income taxes payable	1,305	626
Accrued expenses	30,987	27,863
Warranty reserve	1,967	1,969
Other current liabilities	20,529	21,571
Total current liabilities	138,886	134,587
Long-term liabilities:		
Convertible bonds	15,056	15,053
Long-term debt	2,500	2,500
Accrued pension and severance costs	35,106	34,818
Other long-term liabilities	3,449	4,609
Total long-term liabilities	56,111	56,980
Total liabilities	194,997	191,567
EQUITY		
Shareholders' equity:		
Common stock	91,732	91,732
Capital surplus	56,016	56,016
Retained earnings	28,984	26,949
Treasury stock	(11,051)	(11,052)
Total shareholders' equity	165,681	163,645
Accumulated other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	(191)	891
Deferred gain (loss) on derivatives under hedge accounting	-	(260)
Foreign currency translation adjustments	(59,149)	(58,890)
Defined retirement benefit plans	(23,825)	(23,275)
Total accumulated other comprehensive income (loss)	(83,165)	(81,534)
Noncontrolling interests	4,273	4,311
Total equity	86,789	86,422
Total liabilities and equity	281,786	277,989

(2) CONSOLIDATED STATEMENTS OF OPERATIONS

	(In millions of yen)	
	Three months ended June 30	
	2016	2017
Net sales	95,329	83,319
Cost of sales	78,485	68,253
Gross profit	16,844	15,066
Selling, general and administrative expenses	16,468	15,309
Operating income (loss)	376	(243)
Non-operating income:		
Interest income	123	51
Dividend income	36	34
Exchange gain	1,745	-
Others	150	47
Total non-operating income	2,054	132
Non-operating expenses:		
Interest expense	164	168
Exchange loss	-	674
Equity in losses of affiliated companies	57	58
Others	186	219
Total non-operating expenses	407	1,119
Ordinary income (loss)	2,023	(1,230)
Extraordinary income:		
Gain on sale of noncurrent assets	106	-
Total extraordinary income	106	-
Extraordinary loss:		
Loss on sale and disposal of noncurrent assets	65	30
Loss on sale of investment securities	9	-
Restructuring costs	160	230
Loss on business transfer	-	11
Total extraordinary loss	234	271
Income (loss) before income taxes	1,895	(1,501)
Income taxes:		
Current	708	455
Deferred	(87)	84
Total income taxes	621	539
Net income (loss)	1,274	(2,040)
Net income (loss) attributable to noncontrolling interests	3	(5)
Net income (loss) attributable to owners of Pioneer Corporation	1,271	(2,035)

(3) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	(In millions of yen)	
	Three months ended June 30	
	2016	2017
Net income (loss)	1,274	(2,040)
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	(306)	1,082
Deferred gain (loss) on derivatives under hedge accounting	(519)	(260)
Foreign currency translation adjustments	(9,371)	328
Defined retirement benefit plans	1,223	550
Share of other comprehensive income (loss) in associates	(107)	(26)
Total other comprehensive income (loss)	(9,080)	1,674
Comprehensive income (loss)	(7,806)	(366)
Comprehensive income (loss) attributable to:		
Owners of Pioneer Corporation	(7,360)	(404)
Noncontrolling interests	(446)	38

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

	(In millions of yen)	
	Three months ended June 30	
	2016	2017
Cash flows from operating activities:		
Income (loss) before income taxes	1,895	(1,501)
Depreciation and amortization	6,399	4,559
Loss (gain) on business transfer—net	–	11
Increase (decrease) in accrued pension and severance costs	(509)	(409)
Interest and dividend income	(159)	(85)
Interest expense	164	168
Loss (gain) loss on sales and disposals of noncurrent assets—net	(41)	30
Loss (gain) on sales of investment securities—net	9	–
Decrease (increase) in trade receivables	8,703	11,515
Decrease (increase) in inventories	(2,450)	(3,316)
Increase (decrease) in trade payables	(5,029)	(1,908)
Increase (decrease) in accrued expenses	(2,487)	(3,089)
Other—net	(1,187)	2,184
Subtotal	5,308	8,159
Interest and dividend income received	159	85
Interest expense paid	(151)	(168)
Income taxes paid	(1,089)	(952)
Net cash provided by (used in) operating activities	4,227	7,124
Cash flows from investing activities:		
Decrease (increase) in time deposits	(1,653)	–
Payment for purchase of noncurrent assets	(9,043)	(8,249)
Proceeds from sale of noncurrent assets	306	–
Payment for purchase of investment securities	(18)	(302)
Payment for purchase of shares of associated companies	–	(501)
Payment for business transfer	–	(118)
Other—net	(46)	2
Net cash provided by (used in) investing activities	(10,454)	(9,168)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings—net	(1,636)	13
Repayment of lease obligations	(334)	(314)
Proceeds from sale and lease back transactions	–	1,717
Other—net	–	(1)
Net cash provided by (used in) financing activities	(1,970)	1,415
Foreign currency translation adjustments on cash and cash equivalents	(2,770)	274
Net increase (decrease) in cash and cash equivalents	(10,967)	(355)
Cash and cash equivalents, beginning of period	51,993	38,405
Cash and cash equivalents, end of period	41,026	38,050

(5) SEGMENT INFORMATION

<Net Sales by Segment>

(In millions of yen)

	Three months ended June 30				
	2016		2017		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	29,797	31.3 %	26,348	31.6 %	-11.6 %
Overseas	46,394	48.6	42,802	51.4	-7.7
Total	76,191	79.9	69,150	83.0	-9.2
Others:					
Japan	9,412	9.8	7,471	9.0	-20.6
Overseas	9,726	10.3	6,698	8.0	-31.1
Total	19,138	20.1	14,169	17.0	-26.0
Consolidated:					
Japan	39,209	41.1	33,819	40.6	-13.7
Overseas	56,120	58.9	49,500	59.4	-11.8
Total	95,329	100.0 %	83,319	100.0 %	-12.6 %

<Sales and Income (Loss) by Segment>

Three months ended June 30, 2016					(In millions of yen)	
	Car Electronics	Others	Total	Reconciliations * 1	Consolidated * 2	
Sales:						
Sales to external customers	76,191	19,138	95,329	—	95,329	
Intersegment sales	105	802	907	(907)	—	
Total sales	76,296	19,940	96,236	(907)	95,329	
Segment income (loss)	952	(481)	471	(95)	376	

Notes:

1. Reconciliations of ¥(95) million recorded for segment income (loss) include elimination of intersegment transactions of ¥58 million and corporate expenses of ¥(153) million that are not allocated to any segment. Corporate expenses principally consist of allocation variance of general and administrative expenses, and general and administrative expenses and R&D expenses which are not attributable to any segment.
2. Adjustments are made to reconcile segment income (loss) to operating income presented in the accompanying consolidated statements of operations.

Three months ended June 30, 2017					(In millions of yen)	
	Car Electronics	Others	Total	Reconciliations * 1	Consolidated * 2	
Sales:						
Sales to external customers	69,150	14,169	83,319	—	83,319	
Intersegment sales	109	743	852	(852)	—	
Total sales	69,259	14,912	84,171	(852)	83,319	
Segment income (loss)	257	(404)	(147)	(96)	(243)	

Notes:

1. Reconciliations of ¥(96) million recorded for segment income (loss) include elimination of intersegment transactions of ¥(174) million and corporate expenses of ¥78 million that are not allocated to any segment. Corporate expenses principally consist of allocation variance of general and administrative expenses, and general and administrative expenses and R&D expenses which are not attributable to any segment.
2. Adjustments are made to reconcile segment income (loss) to operating loss presented in the accompanying consolidated statements of operations.