

Pioneer Corporation

***Business Results
for First Quarter of Fiscal 2019***

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August 6, 2018

Main Points of Today's Presentation

1. Business Results for 1Q of FY2019

- **Net sales were almost unchanged year on year, owing to increases in sales of telematics services and the OEM business in Car Electronics, despite lower sales of home AV products.**
- **Operating loss worsened, due to an increase in depreciation and amortization mainly in the OEM business, and impact of currency exchange.**
- **Net loss was posted, mainly reflecting the operating loss, provision for loss related to patent litigation, and loss related to competition law.**

2. Business Forecasts for FY2019

- **Net sales and operating income (loss) forecasts remain unchanged from our previous forecasts. Disclosure of net income (loss) forecasts is still held off.**

Today's Agenda

1. Business Results for 1Q of FY2019

2. Business Forecasts for FY2019

Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this presentation 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.

1. Business Results for 1Q of FY2019

Consolidated Business Results for 1Q of FY2019

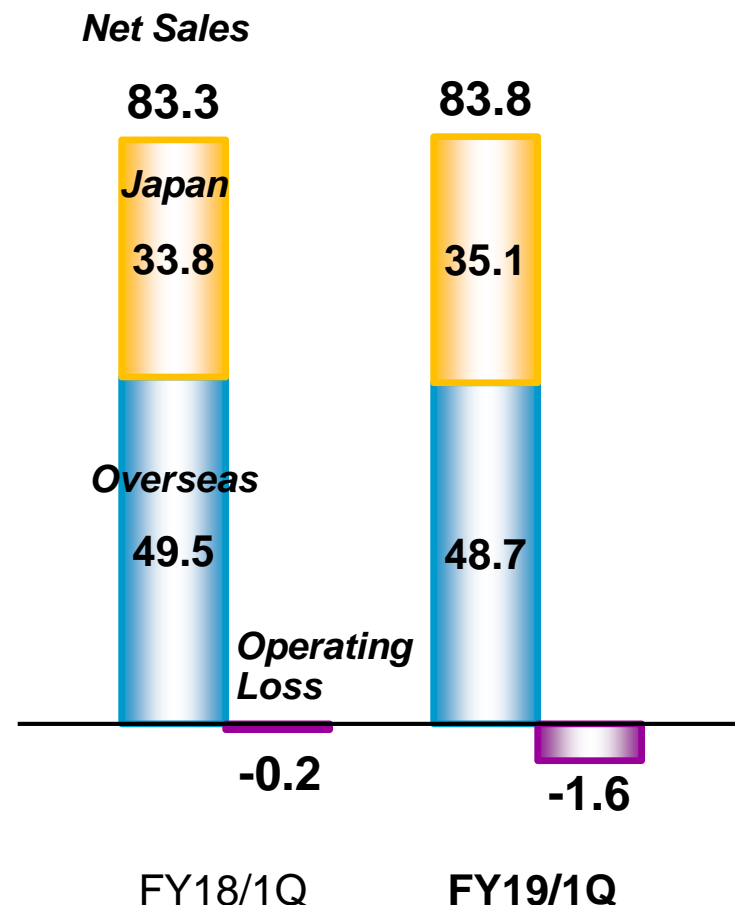
(billion yen)

	FY18/1Q	FY19/1Q	% to Prior Year
Net Sales	83.3	83.8	100.6%
Operating Income/Loss	-0.2	-1.6	-
Ordinary Income/Loss	-1.2	-2.0	-
Net Income/Loss*	-2.0	-6.7	-
Net Income/Loss* per Share (yen)	-5.54	-17.61	-12.07
ROE	-9.9%	-34.3%	-24.4%
Book-value per Share (yen)	223.62	198.06	-25.56
ROA	-2.9%	-9.5%	-6.6%

* Net income/loss attributable to owners of Pioneer Corporation

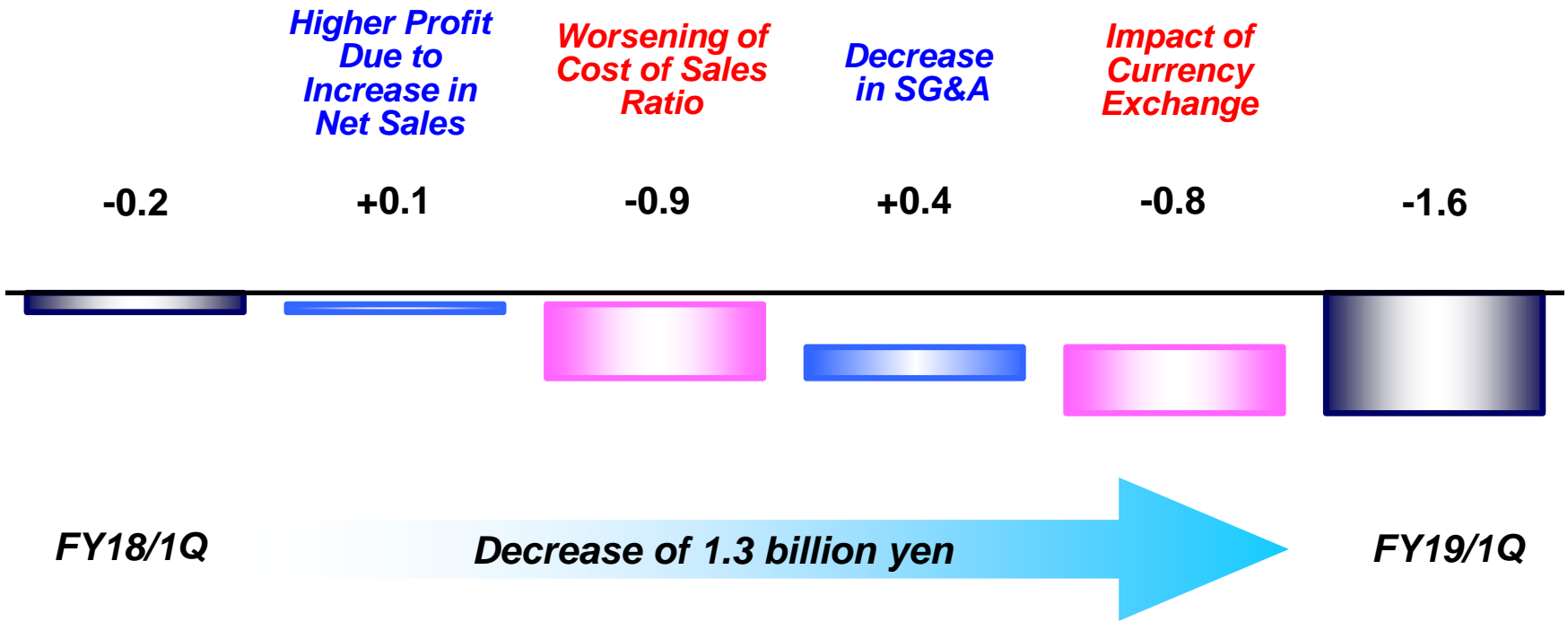
Average Currency Rate (yen)	1 US\$	111.09	109.07	-1.9%
	1 Euro	122.19	130.06	+6.1%

(billion yen)



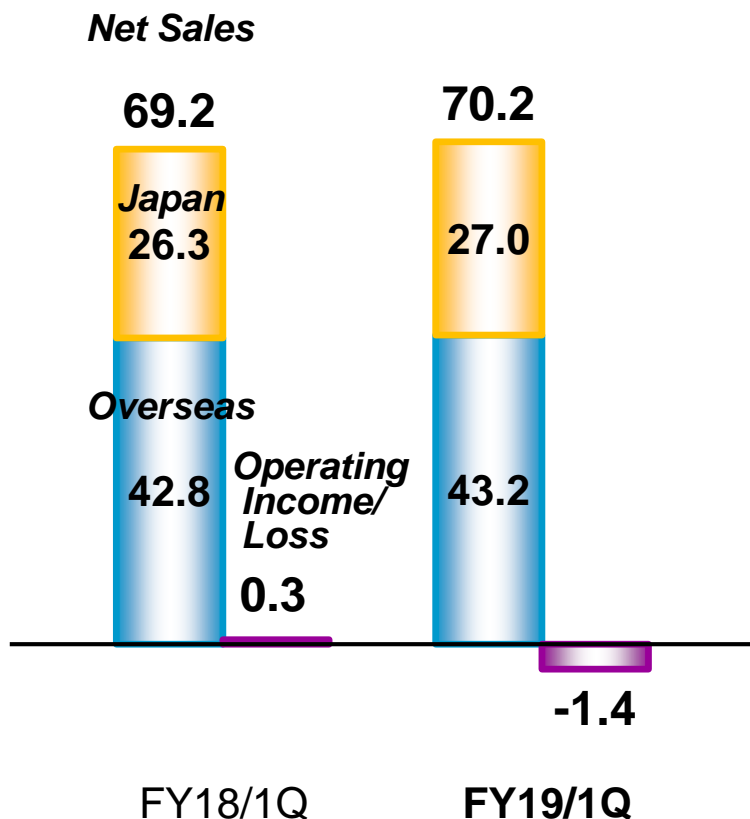
Operating Income/Loss Structure Breakdown

(billion yen)



1Q Results: Car Electronics

(billion yen)



< Net Sales > OEM Ratio to Net Sales: 61% (FY18/1Q: 60%)

% to Prior Year	102% (Japan 103%, Overseas 101% (Local currency basis: 101%))
Increase Factors	OEM car audio products, and telematics services
Decrease Factors	Consumer market car audio products, OEM car navigation systems, and consumer market car navigation systems

< Operating Income/Loss >

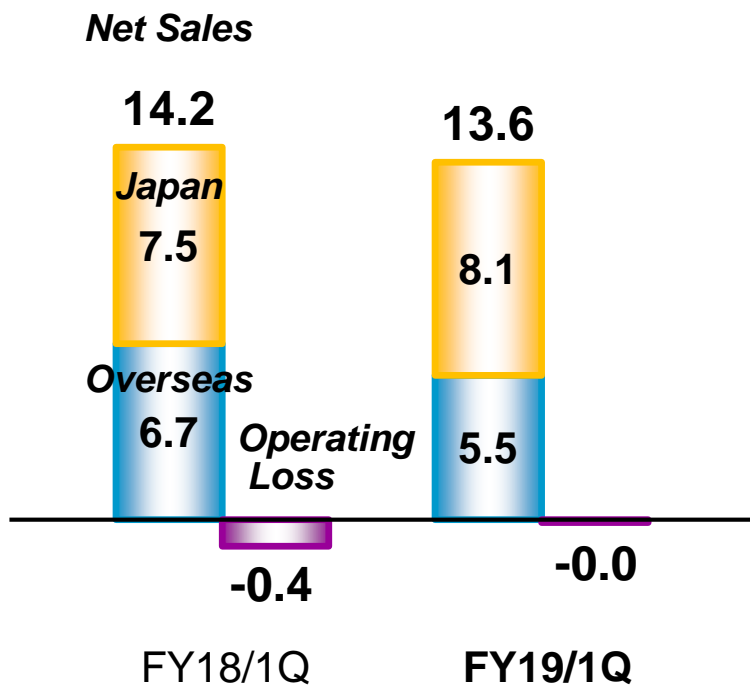
Year-on-Year	Decrease of 1.6 billion yen
Positive Factors	Higher profit due to increase in net sales, and decrease in SG&A
Negative Factors	Worsening of cost of sales ratio, and impact of currency exchange

Main products and services are:
 Car navigation systems, Car stereos, Car AV systems, Car speakers, Telematics services, and Map software

Note: Operating income/loss by segment represents figures prior to elimination of transactions among segments.

1Q Results: Others

(billion yen)



< Net Sales >

% to Prior Year	96% (Japan 108%, Overseas 82% (Local currency basis: 81%))
Increase Factors	FA systems, and DJ equipment (subcontracted manufacturing and sales)
Decrease Factors	Home AV products, and electronic devices and parts

< Operating Loss >

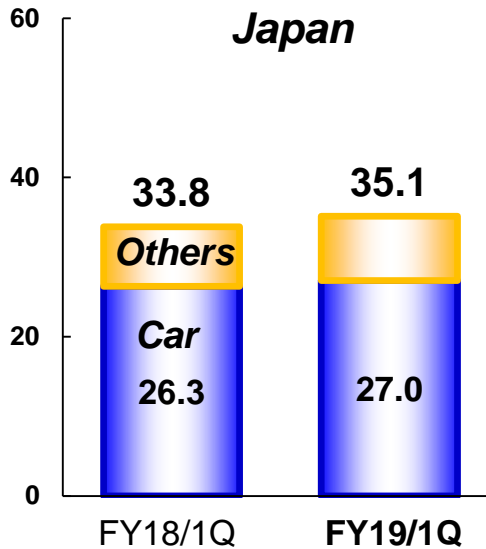
Year-on-Year	Improvement of 0.4 billion yen
Positive Factors	Improvement in cost of sales ratio, and decrease in SG&A
Negative Factors	Impact of currency exchange, and lower profit due to decrease in net sales

Main products are:
 Optical disc drive-related products, Factory automation (FA) systems, Electronic devices and parts, Organic light-emitting diode (OLED) displays, DJ equipment (subcontracted manufacturing and sales), and Home AV products

Note: Operating income/loss by segment represents figures prior to elimination of transactions among segments.

1Q Results: Net Sales by Geographic Segment

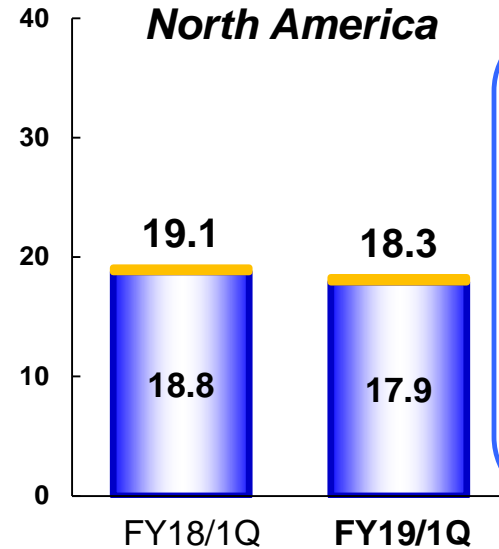
(billion yen)



FY19/1Q vs FY18/1Q
104%

Increase Factors
Telematics services, FA systems, consumer market car navigation systems, and OEM car audio products

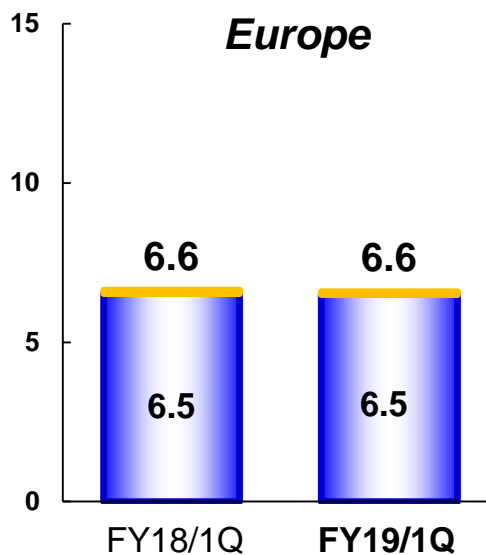
Decrease Factor
OEM car navigation systems



FY19/1Q vs FY18/1Q
Yen basis: 96%
Local currency basis: 98%

Increase Factors
Consumer market car audio products, and FA systems

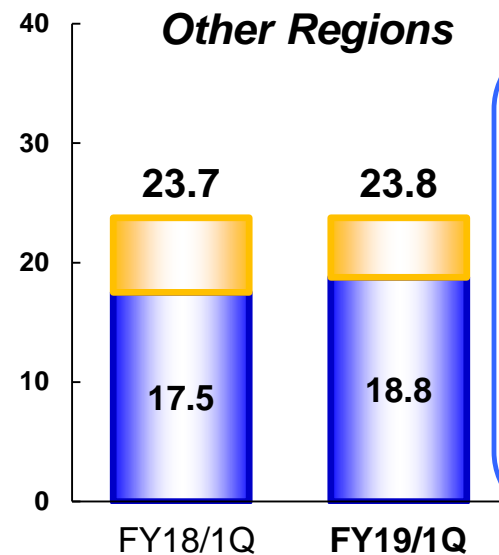
Decrease Factors
OEM car navigation systems, and OEM car audio products



FY19/1Q vs FY18/1Q
Yen basis: 99%
Local currency basis: 95%

Increase Factor
OEM car audio products

Decrease Factors
Consumer market car navigation systems, and consumer market car audio products



FY19/1Q vs FY18/1Q
Yen basis: 100%
Local currency basis: 100%

Increase Factors
OEM car audio products, and OEM car navigation systems

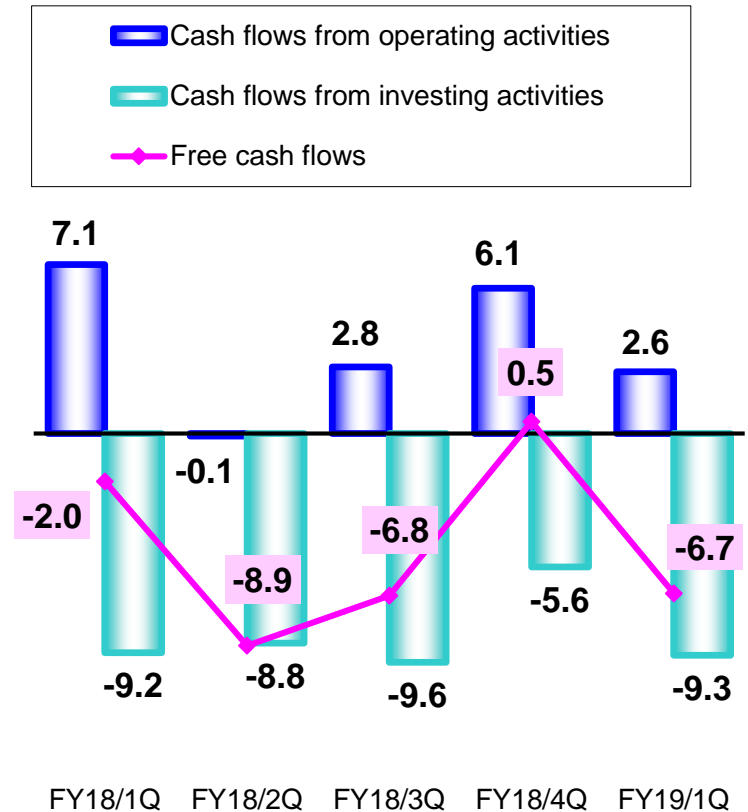
Decrease Factors
Home AV products, and consumer market car audio products

1Q Results: Cash Flows

(billion yen)

	FY18/1Q	FY19/1Q
<i>Loss before income taxes</i>	-1.5	-5.6
<i>Depreciation and amortization</i>	4.6	5.6
<i>Decrease in trade receivables</i>	11.5	9.2
<i>Increase in inventories</i>	-3.3	-3.4
<i>Decrease in trade payables</i>	-1.9	-3.2
<i>Decrease in accrued expenses</i>	-3.1	-0.7
<i>Others</i>	0.9	0.7
Cash flows from operating activities	7.1	2.6
Cash flows from investing activities	-9.2	-9.3
Cash flows from financing activities	1.4	0.2
Foreign currency translation adjustments on cash and cash equivalents	0.3	-0.0
Free cash flows	-2.0	-6.7

Net decrease in cash and cash equivalents	-0.4	-6.5
Balance of cash and cash equivalents	38.1	29.1
Net cash balance	-1.3	-21.2



2. Business Forecasts for FY2019

Consolidated Business Forecasts for FY2019

Net sales and operating income/loss forecasts remain unchanged from those announced on May 14, 2018.

(billion yen)

	FY18 Results	FY19 Forecasts	% to Prior Year
Net Sales	365.4	380.0	104.0%
Operating Income/Loss	1.2	-5.0	-

Pioneer is examining significant revision measures in the OEM business of Car Electronics. Disclosure of the net income/loss forecast is held off until the impact of the measures has been estimated.

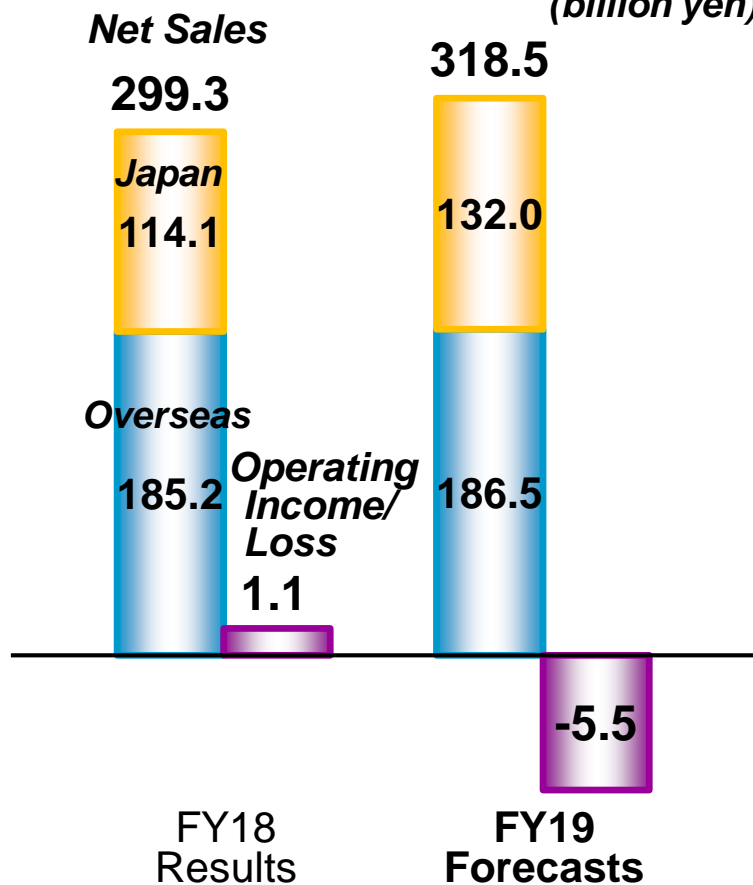
Average Currency Rate (yen)	1 US\$	110.85	109.77	-1.0%
	1 Euro	129.70	130.02	+0.2%

Notes: 1. The yen-U.S. dollar exchange rate assumption for remaining nine months of FY2019 is 110 yen, while the yen-euro exchange rate assumption is 130 yen.

2. In case of 1 yen appreciation against U.S. dollar and euro, impacts on remaining nine months are:
 Net sales— US\$: -1,230 million yen; euro: -160 million yen / Operating income/loss— US\$: +140 million yen;
 euro: -120 million yen.

FY2019 Forecasts: Car Electronics

(billion yen)



< Net Sales > OEM Ratio to Net Sales: 56% (FY18: 58%)

% to Prior Year	106% (Japan 116%, Overseas 101% (Local currency basis: 102%))
Increase Factors	OEM car audio products, telematics services, and consumer market car audio products
Decrease Factor	None

< Operating Income/Loss >

Year-on-Year	Decrease of 6.6 billion yen
Positive Factor	Higher profit due to increase in net sales
Negative Factors	Increase in SG&A, worsening of cost of sales ratio, and impact of currency exchange

< Shipment to Consumer Market > (thousand units)

	FY2018 Results	FY2019 Forecasts
Car navigation systems	559	600
Car CD players	5,324	5,600
Car AV products	1,486	1,900

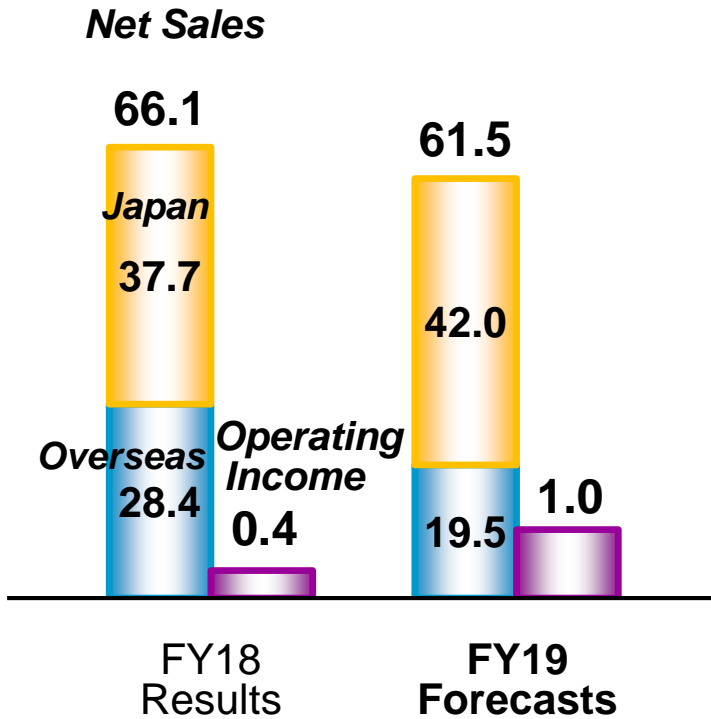
Consumer market business is expected to make operating income at the same level as FY18, while OEM business to increase operating loss.

Note: Operating income/loss by segment represents figures prior to elimination of transactions among segments.

FY2019 Forecasts: Others

(billion yen) < Net Sales >

% to Prior Year	93% (Japan 111%, Overseas 69% (Local currency basis: 69%))
Increase Factor	Optical disc drive-related products
Decrease Factors	FA systems (partial business transfer *), and home AV products



< Operating Income >

Year-on-Year	Increase of 0.6 billion yen
Positive Factors	Decrease in SG&A, and improvement in cost of sales ratio
Negative Factor	Lower profit due to decrease in net sales

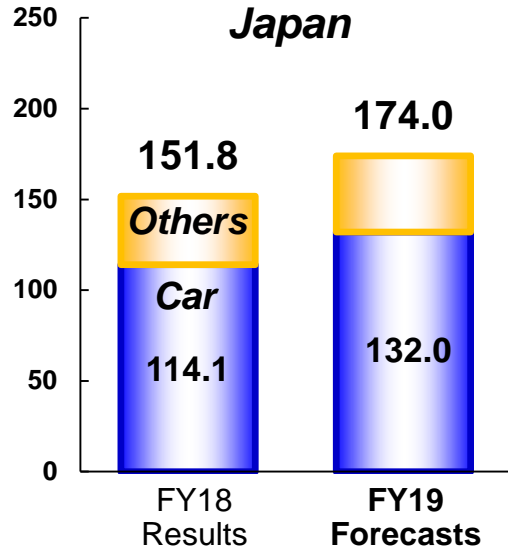
* FA system business related to electronic devices (Pioneer FA Corporation) was transferred in June 2018.

Note: Operating income by segment represents figures prior to elimination of transactions among segments.

FY2019 Forecasts: Net Sales by Geographic Segment

(billion yen)

Japan

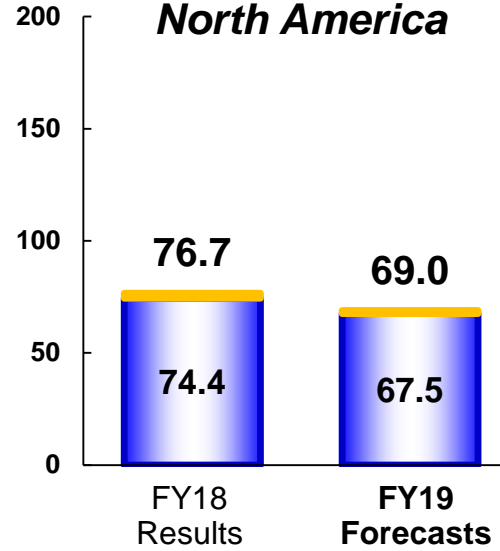


FY19 vs FY18
115%

Increase Factors
Telematics services, OEM car navigation systems, OEM car audio products, consumer market car navigation systems, and map software

Decrease Factor
None

North America

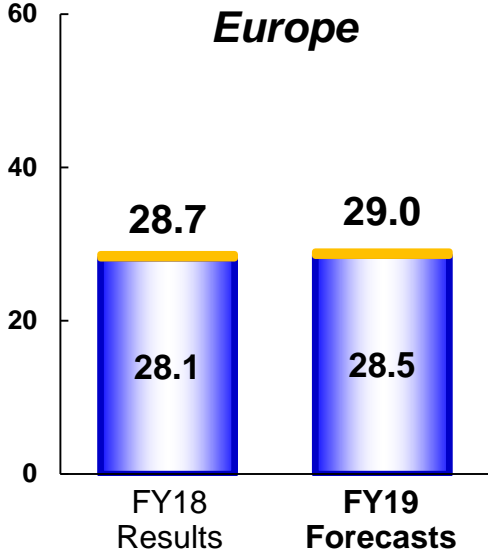


FY19 vs FY18
Yen basis: 90%
Local currency basis: 91%

Increase Factor
None

Decrease Factor
OEM car navigation systems

Europe

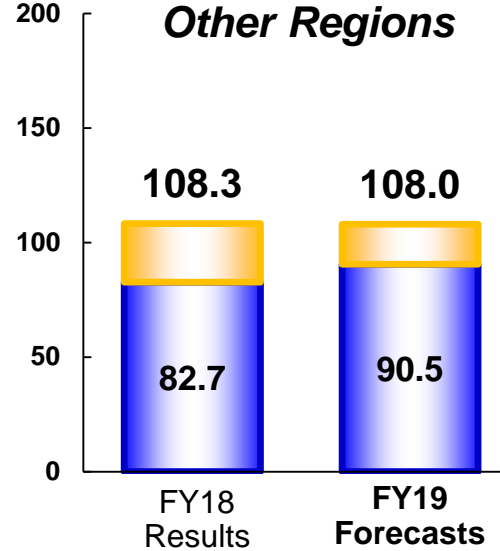


FY19 vs FY18
Yen basis: 101%
Local currency basis: 101%

Increase Factor
OEM car audio products

Decrease Factor
None

Other Regions



FY19 vs FY18
Yen basis: 100%
Local currency basis: 101%

Increase Factors
Consumer market car audio products, OEM car navigation systems, and OEM car audio products

Decrease Factors
FA systems, and home AV products

FY2019 Forecasts: R&D Expenses, Depreciation & Amortization and Inventories

No change from the previous forecasts announced on May 14, 2018.

(billion yen)

	FY17 Results	FY18 Results	FY19 Forecasts
R&D Expenses (% to net sales)	23.9 (6.2%)	25.9 (7.1%)	30.0 (7.9%)
Depreciation & Amortization	24.9	20.6	29.0
Inventories	49.8	50.1	54.5

Measures and Progress in Car Electronics

Businesses	Measures	Progress
OEM business	<ul style="list-style-type: none"> ➤ <i>Examining significant revision measures in the OEM business structure, including joint venture with business partners</i> 	<ul style="list-style-type: none"> ➤ <i>Significant revision measures currently under discussion and negotiation, aimed at announcement around this fall</i>
Consumer market business	<ul style="list-style-type: none"> ➤ <i>Launching new products with enhanced smartphone-link functions mainly for emerging markets, and those pursuing sound-centric entertainment</i> ➤ <i>Further enhancing new businesses such as telematics and solution services</i> 	<ul style="list-style-type: none"> ➤ <i>Started launching new products in stages from May 2018, as planned</i> ➤ <i>Sales in telematics services steadily expanding</i>
Map business and autonomous driving field	<ul style="list-style-type: none"> ➤ <i>Strengthening alliance with HERE Technologies</i> ➤ <i>Developing high-definition maps</i> ➤ <i>Shipping the second-generation sample of 3D-LiDAR sensor this fall, aiming for its commercialization</i> 	<ul style="list-style-type: none"> ➤ <i>Developing 2018 model of 3D-LiDAR sensors in line with our plan, and its shipment will start in September 2018</i>

Pioneer