

Pioneer

Pioneer Corporation

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

Koichi Moriya, President and CEO

November 7, 2018

Main Points of Today's Presentation

1. Business Results for 2Q of FY2019

- ***Both in the second quarter and in the first half, net sales decreased year on year, due to lower sales of the consumer market business and the OEM business in Car Electronics. In addition, increase in depreciation and amortization and impact of currency exchange resulted in operating loss.***
- ***Net loss worsened year on year. This reflected operating loss posted for the second quarter and recording of operating loss and extraordinary loss for the first half.***

2. Business Forecasts for FY2019

- ***Net sales forecasts were revised downward to 350.0 billion yen, reflecting impact of sluggish emerging markets on Car Electronics and sales of certain subsidiaries.***
- ***Operating loss forecasts of 5.0 billion yen remain unchanged from our previous forecasts, as a decrease in net sales is to be covered by decrease in depreciation and amortization as well as cost reduction efforts.***
Disclosure of net income (loss) forecasts is still held off.

3. Progress in the Development of 3D-LiDAR Sensors

4. Status Concerning Support by the Sponsor

Today's Agenda

- 1. Business Results for 2Q of FY2019**
- 2. Business Forecasts for FY2019**
- 3. Progress in the Development of 3D-LiDAR Sensors**
- 4. Status Concerning Support by the Sponsor**

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 2Q of FY2019

Consolidated Business Results for 2Q & 1H of FY2019

(billion yen)

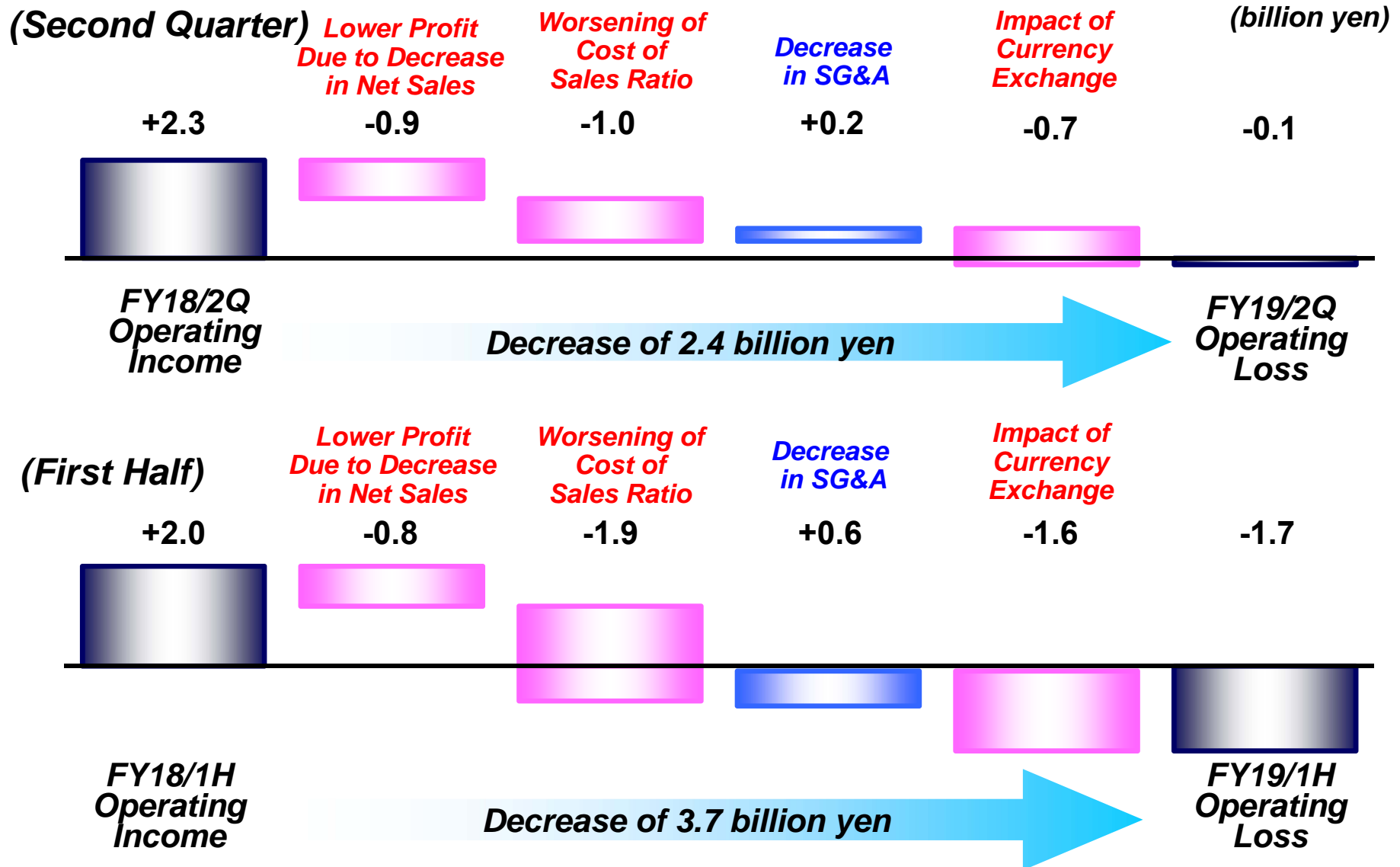
	Second Quarter			First Half		
	FY18	FY19	% to Prior Year	FY18	FY19	% to Prior Year
Net Sales	92.9	87.1	93.8%	176.2	170.9	97.0%
Operating Income/Loss	2.3	-0.1	-	2.0	-1.7	-
Ordinary Income/Loss	0.9	-1.6	-	-0.4	-3.6	-
Net Income/Loss*	-0.6	-3.3	-	-2.6	-9.9	-

Net Income/Loss* per Share (yen)	-1.67	-8.64	-6.97	-7.21	-26.26	-19.05
ROE	-3.0%	-17.6%	-14.6%	-6.4%	-25.7%	-19.3%
Book-value per Share (yen)	226.18	195.93	-30.25			
ROA	-0.9%	-4.7%	-3.8%	-1.9%	-7.1%	-5.2%

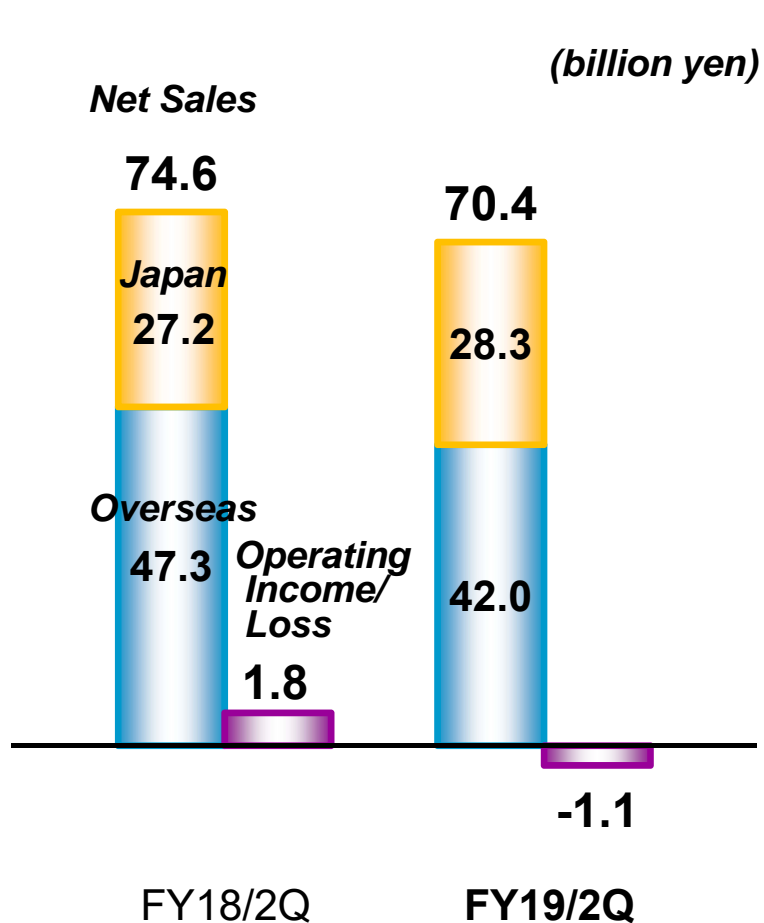
* Net income/loss attributable to owners of Pioneer Corporation

Average Currency Rate (yen)	1 US\$	111.03	111.46	+0.4%	111.06	110.26	-0.7%
	1 Euro	130.38	129.63	-0.6%	126.29	129.85	+2.7%

Operating Income/Loss Structure Breakdown



2Q Results: Car Electronics



< Net Sales > OEM Ratio to Net Sales: 58% (FY18/2Q: 57%)

% to Prior Year	94% (Japan 104%, Overseas 89% (Local currency basis: 91%))
Increase Factors	Telematics services, and map software
Decrease Factors	Consumer market car audio products, OEM car navigation systems, and consumer market car navigation systems

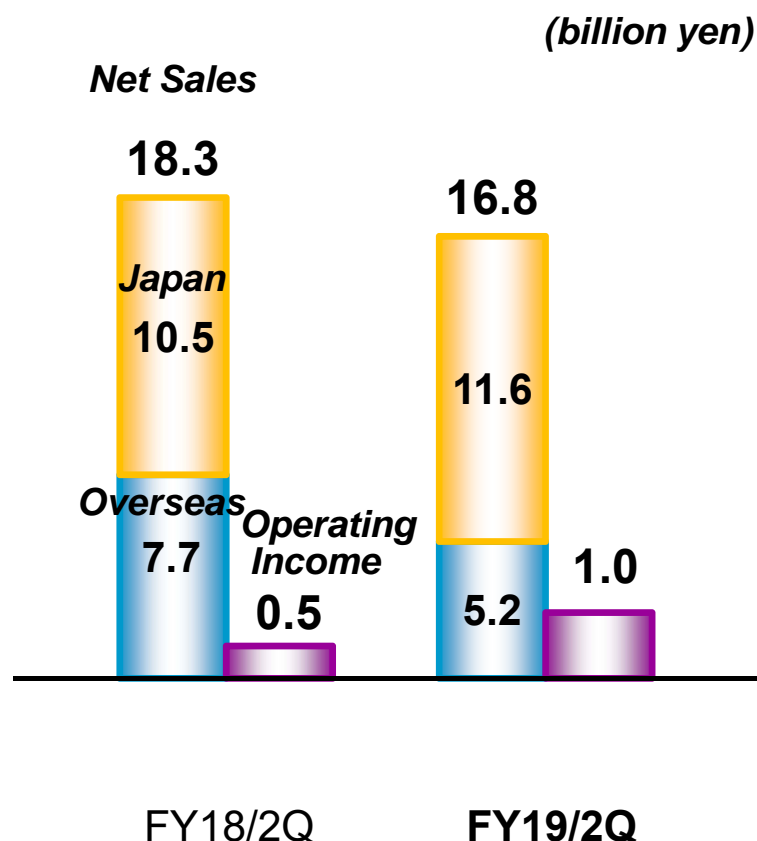
< Operating Income/Loss >

Year-on-Year	Decrease of 3.0 billion yen
Positive Factor	None
Negative Factors	Worsening of cost of sales ratio, impact of currency exchange, lower profit due to decrease in net sales, and increase in SG&A

*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.

2Q Results: Others



< Net Sales >

% to Prior Year	92% (Japan 110%, Overseas 67% (Local currency basis: 67%))
Increase Factor	DJ equipment (subcontracted manufacturing and sales)
Decrease Factors	Home AV products and FA systems (partial business transfer)

< Operating Income >

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

Main products are:

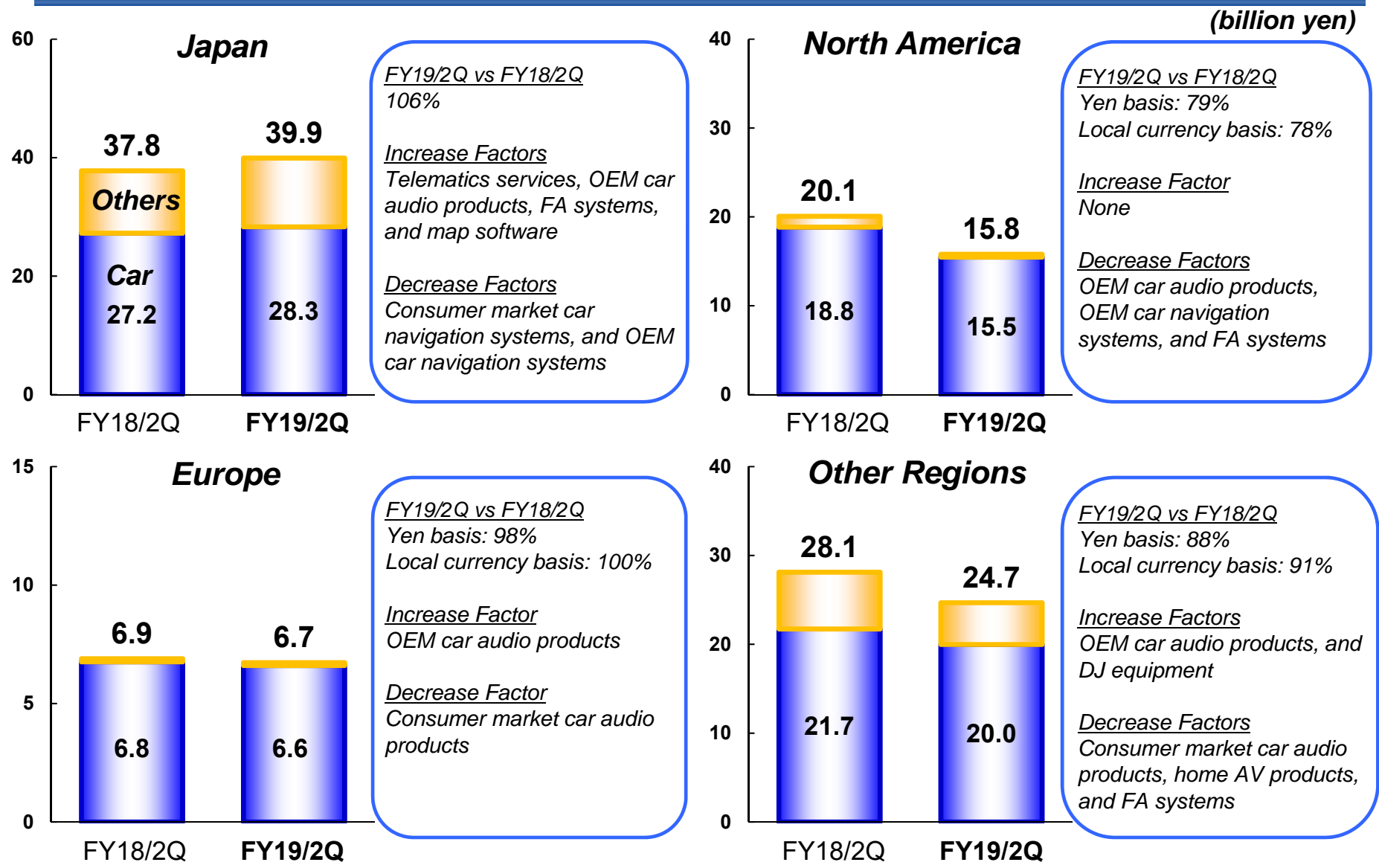
Optical disc drive-related products, Factory automation (FA) systems, Electronic devices and parts, Organic light-emitting diode (OLED) displays, DJ equipment (subcontracted manufacturing and sales), and Home AV products

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

*2 Plant manufacturing DJ equipment in Malaysia was transferred in August 2018.

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

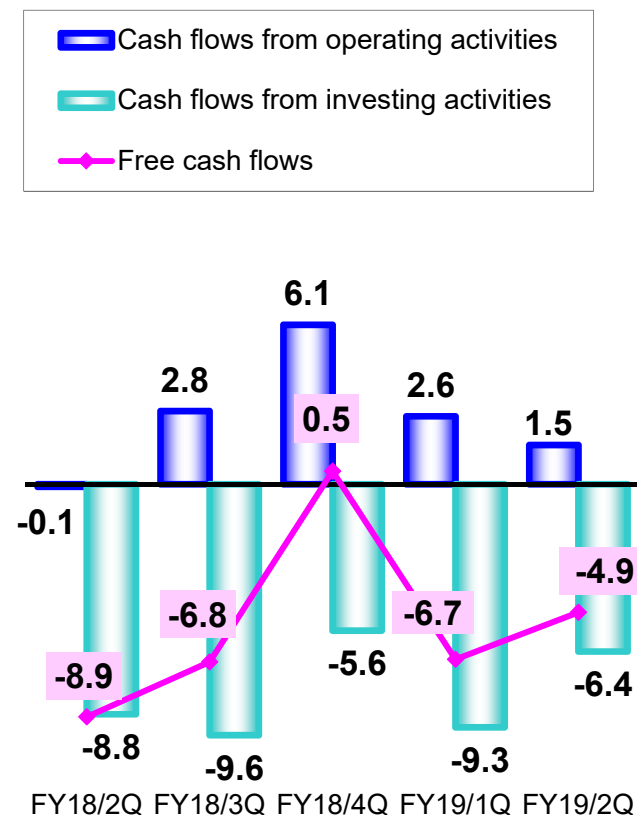
2Q Results: Net Sales by Geographic Segment



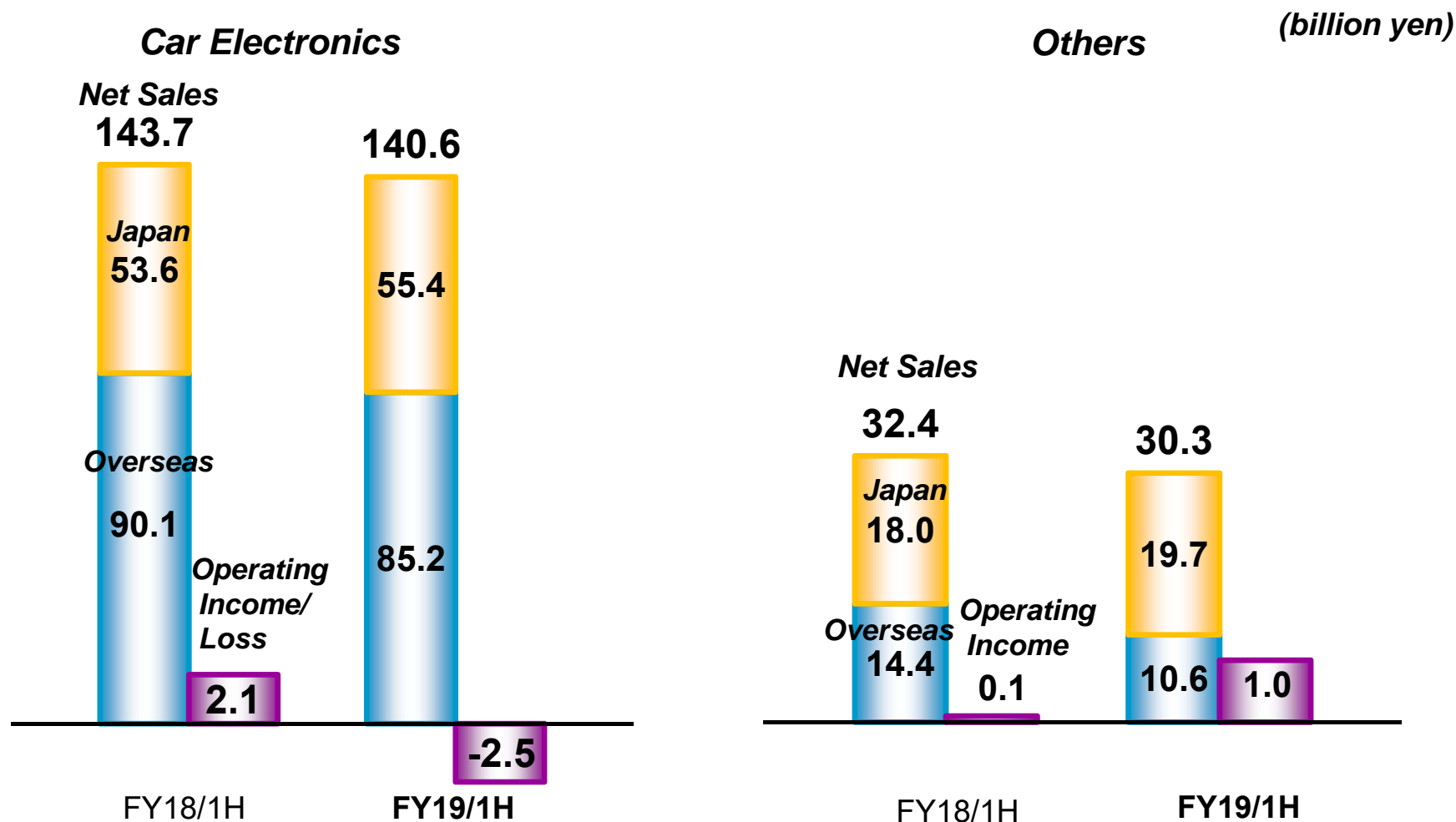
2Q & 1H Results: Cash Flows

	Second Quarter		First Half	
	FY18	FY19	FY18	FY19
<i>Income (loss) before income taxes</i>	0.0	-2.7	-1.5	-8.3
<i>Depreciation and amortization</i>	5.1	6.5	9.6	12.1
<i>Decrease (increase) in trade receivables</i>	-8.3	-1.9	3.2	7.3
<i>Increase in inventories</i>	-0.9	-0.5	-4.2	-3.9
<i>Increase (decrease) in trade payables</i>	2.6	-2.0	0.7	-5.2
<i>Increase (decrease) in accrued expenses</i>	3.0	2.2	-0.1	1.5
<i>Others</i>	-1.6	-0.2	-0.7	0.6
Cash flows from operating activities	-0.1	1.5	7.0	4.1
Cash flows from investing activities	-8.8	-6.4	-18.0	-15.7
Cash flows from financing activities	3.9	3.7	5.4	3.9
Foreign currency translation adjustments on cash and cash equivalents	0.5	0.1	0.8	0.1
Free cash flows	-8.9	-4.9	-11.0	-11.6
Net decrease in cash and cash equivalents	-4.5	-1.1	-4.8	-7.6
Balance of cash and cash equivalents	33.6	28.0		
Net cash balance	-9.2	-25.2		

(billion yen)



1H Results : Net Sales & Operating Income/Loss by Segment



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

2. Business Forecasts for FY2019

Consolidated Business Forecasts for FY2019

(billion yen)

	<i>FY18 Results</i>	<i>FY19 Previous Forecasts (Reference)</i>	<i>FY19 Current Forecasts</i>	<i>% to Prior Year</i>
Net Sales	365.4	380.0	350.0	95.8%
Operating Income/Loss	1.2	-5.0	-5.0	-

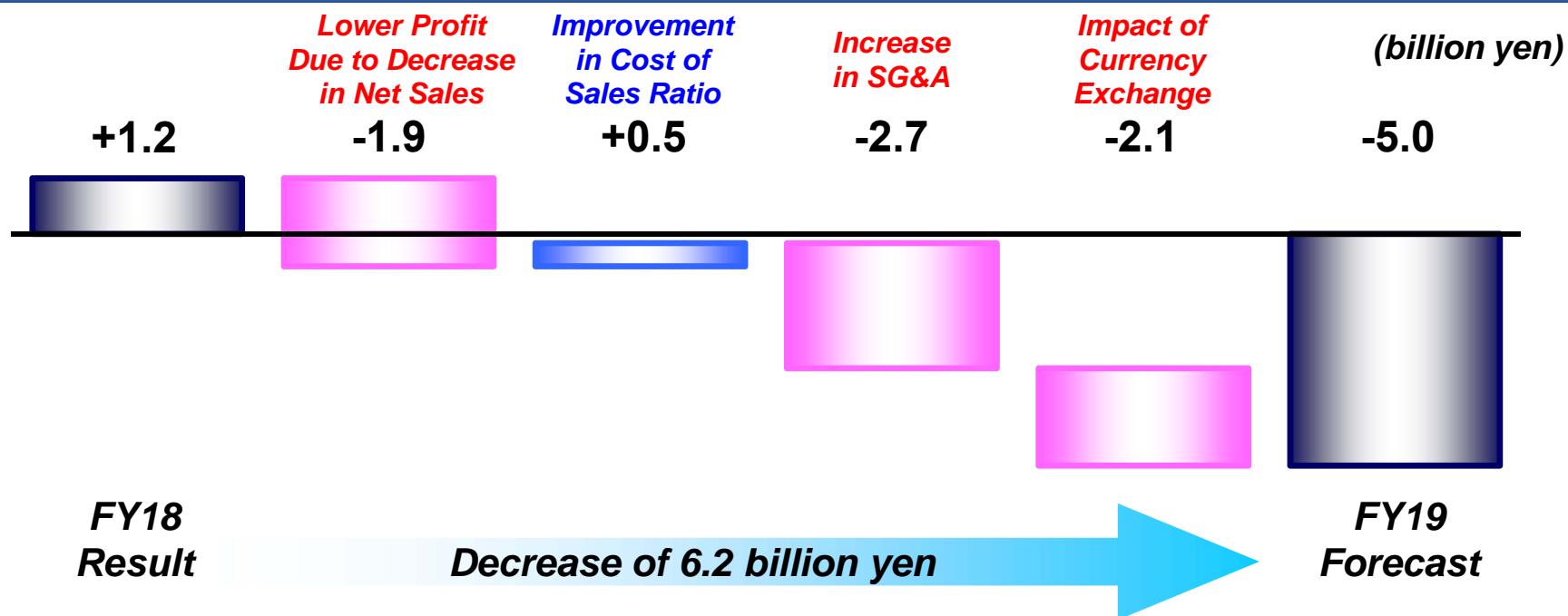
Pioneer has been consulting on and discussing conditions in support by the sponsor. Disclosure of the net income/loss forecast is held off until the impact of the group-wide management improvement measures including OEM business has been estimated.

Average Currency Rate (yen)	1 US\$	110.85	109.77	110.13	-0.6%
	1 Euro	129.70	130.02	129.92	+0.2%

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

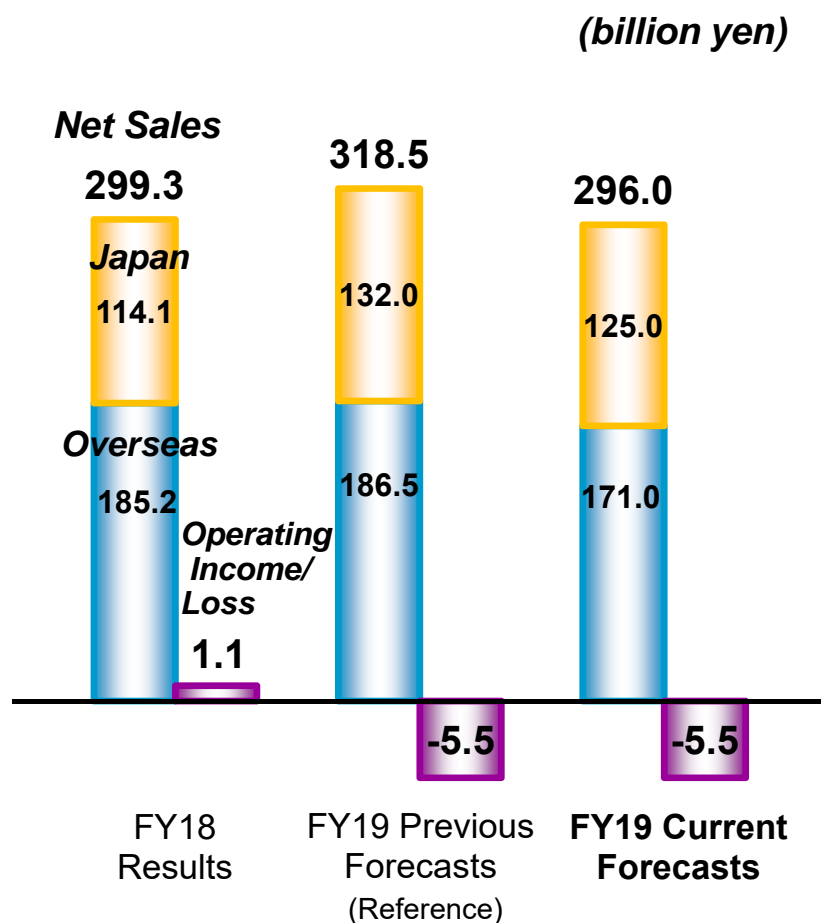
2. In case of 1 yen appreciation against U.S. dollar and euro, impacts on remaining six months are:
 Net sales— US\$: -790 million yen; euro: -100 million yen / Operating income/loss— US\$: +80 million yen;
 euro: -70 million yen.

FY2019 Forecasts: Operating Income/Loss Structure Breakdown



- Lower profit due to a decrease in net sales, mainly as a result of sales of certain subsidiaries engaged in FA systems and DJ equipment business.
- Improvement in cost of sales ratio due to cost reduction, despite an increase in depreciation and amortization in the OEM business in Car Electronics.
- Increase in SG&A mainly due to an increase in development costs for autonomous driving.
- Negative impact of currency exchange due to exchange rate movements of emerging market currencies.

FY2019 Forecasts: Car Electronics



< Net Sales >

OEM Ratio to Net Sales: 57% (FY18: 58%)

% to Prior Year	99% (Japan 110%, Overseas 92% (Local currency basis: 95%))
Increase Factors	Telematics services, OEM car audio products, and map software
Decrease Factors	Consumer market car audio products, and OEM car navigation systems
% to Prev. Forecasts	93% (Japan 95%, Overseas 92% (Local currency basis: 93%))
Decrease Factors	Consumer market car audio products, OEM car navigation systems, OEM car audio products, and consumer market car navigation systems

< 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, impact of currency exchange, and worsening of cost of sales ratio
vs. Prev. Forecasts	No change
Positive Factors	Decrease in SG&A, and improvement in cost of sales ratio
Negative Factors	Lower profit due to decrease in net sales, and impact of currency exchange

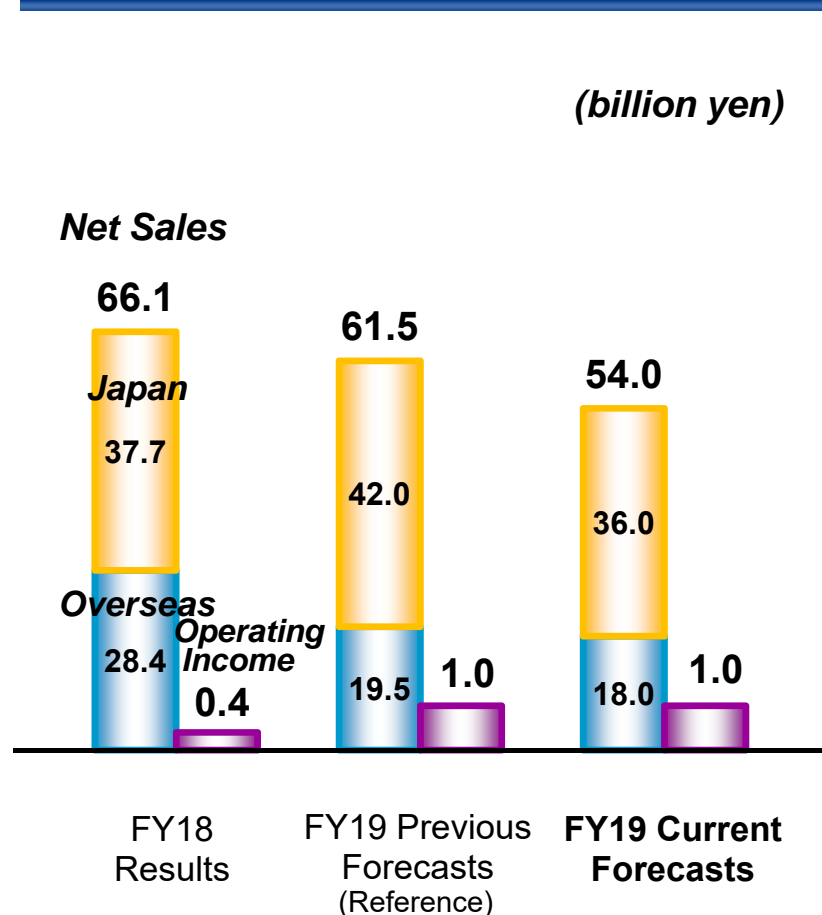
< Shipment to Consumer Market >

(thousand units)

	FY2018 Results	FY2019 Previous Forecasts	FY2019 Current Forecasts
Car navigation systems	559	600	545
Car CD players	5,324	5,600	4,350
Car AV products	1,486	1,900	1,760

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

FY2019 Forecasts: Others



< Net Sales >

% to Prior Year	82% (Japan 95%, Overseas 63% (Local currency basis: 64%))
Increase Factor	Optical disc drive-related products
Decrease Factors	FA systems (transfer of subsidiaries ^{*1*3}), DJ equipment (decrease in subcontracted manufacturing ^{*2}), and home AV products
% to Prev. Forecasts	88% (Japan 86%, Overseas 92% (Local currency basis: 93%))
Increase factor	Optical disc drive-related products
Decrease Factors	DJ equipment (decrease in subcontracted manufacturing ^{*2}), FA systems (transfer of subsidiary ^{*3}), and home AV products

< Operating Income >

Year-on-Year	Improvement of 0.6 billion yen
Positive Factors	Improvement in cost of sales ratio, and decrease in SG&A
Negative Factors	Lower profit due to decrease in net sales, and impact of currency exchange
vs. Prev. Forecasts	No change
Positive Factors	Improvement in cost of sales ratio, decrease in SG&A, and impact of currency exchange
Negative Factor	Lower profit due to decrease in net sales

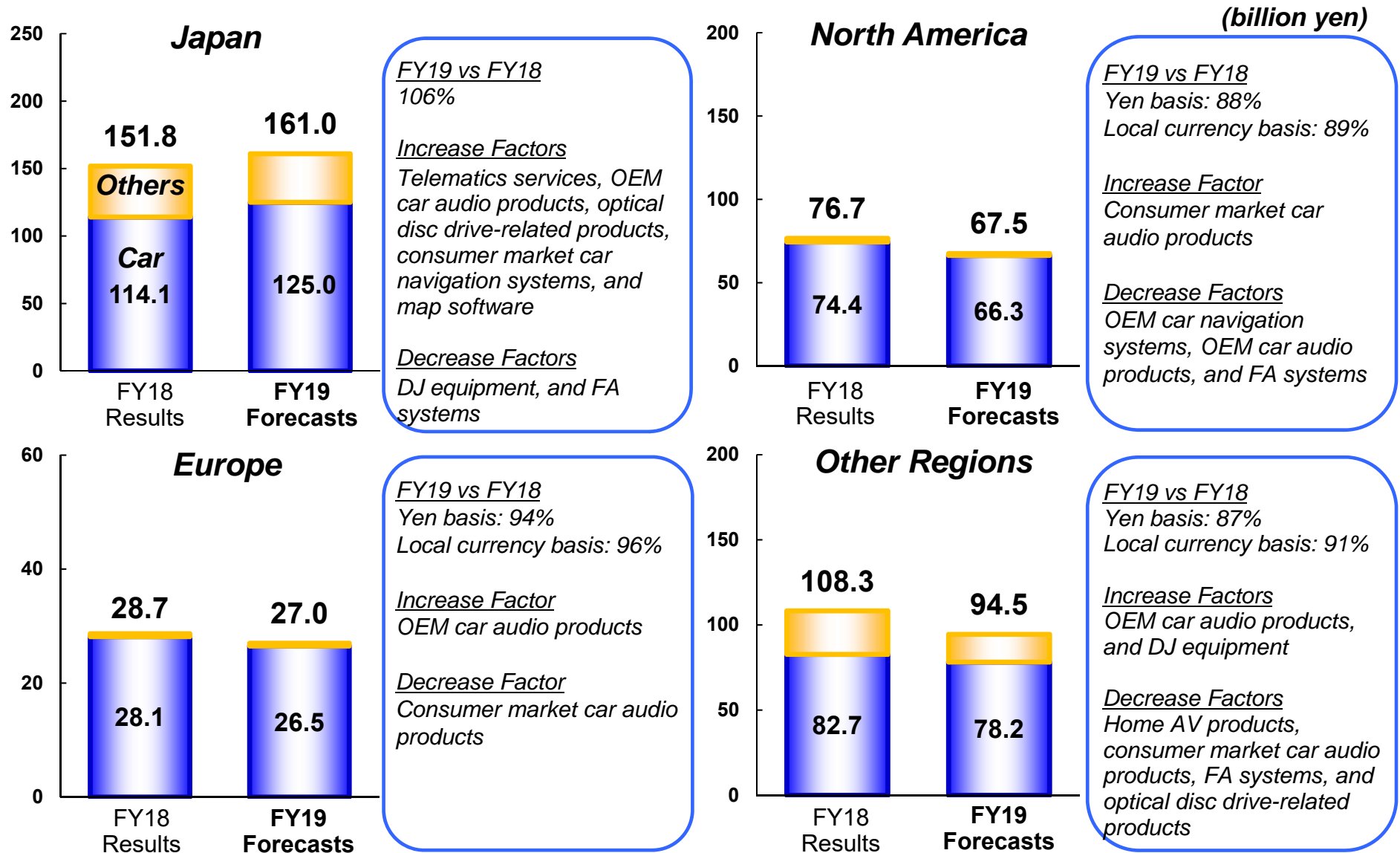
Note: Operating income by segment represents figures prior elimination of transactions among segments.

^{*1} FA system business related to electronic devices (Pioneer FA Corporation) was transferred in June 2018.

^{*2} Plant manufacturing DJ equipment in Malaysia was transferred in August 2018.

^{*3} FA system business mainly for automobile industry (Tohoku Pioneer EG Corporation) will be transferred in December 2018.

FY2019 Forecasts: Net Sales by Geographic Segment



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

(billion yen)

	FY18 Results	FY19 Previous Forecasts (Reference)	FY19 Current Forecasts
R&D Expenses (% to net sales)	25.9 (7.1%)	30.0 (7.9%)	28.5 (8.1%)
Depreciation & Amortization	20.6	29.0	25.0
Inventories	50.1	54.5	46.0

3. Progress in the Development of 3D-LiDAR Sensors

Progress in the Development of 3D-LiDAR Sensors

1. Started shipping 2018 models (three types and four models) from late September, 2018

2. Mounted in a demonstration car developed by Renesas Electronics Corporation(Renesas)



Renesas's demonstration car on which Pioneer's 3D-LiDAR sensor is mounted

- Pioneer's 3D-LiDAR sensor supports "R-Car," SoCs* for car information systems developed by Renesas
- Mounted as a front obstacle detection sensor in Renesas's demonstration car "Etoile" and is contributing to the realization of self-parking and autonomous driving

* System-on-Chips : A method of mounting all the necessary functions for the operation of device or system on one semiconductor chip

3. Initiate trial run of autonomous shuttle bus in Singapore



The autonomous shuttle bus equipped with four Pioneer's 3D-LiDAR sensors will realize a highly accurate object detection and self-localization

- Initiate a trial run of an autonomous shuttle bus with MooVita Pte Ltd(MooVita) in Singapore
- Pioneer and MooVita aim to commercialize services of autonomous driving level 4 through this trial run.

4. Status Concerning Support by the Sponsor

Background of the Present Situation

Business Issues

The burden of software development substantially exceeded the original estimate in the OEM business in Car Electronics

Deterioration in cash flows due to an increased cost of software investment

Loss expansion in the OEM business due to a significant increase in depreciation and amortization

Delay in developing consumer market products resulting from transfer of resources to OEM business

Decline in profitability of existing businesses in the consumer market business in Car Electronics

Management Issues

Delay in responding to changing business environment

Necessary Measures

- **Early restoration of financial base**
- **Business/structural reforms not just for the OEM business but on a group-wide basis**
- **Enhancement of governance system, including changes in the management structure**

To Solve the Issues: Status Concerning Support by the Sponsor

Pioneer concluded that it would be the best option for stable business operation to solve the business/financial issues thoroughly at an early stage with support from a sponsor

September 12 Executed a memorandum of understanding concerning support by sponsor with Baring Private Equity Asia Group

Consultations and discussions to execute a definitive agreement are in progress. Once determined, Pioneer will make an announcement.

Pioneer