

**Pioneer**

***Pioneer Corporation***

***Business Results for Fiscal 2017***

***Susumu Kotani, President and CEO***

***May 12, 2017***

## **Main Points of Today's Presentation**

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### **1. Business Results for FY2017**

- **Compared with our forecasts, operating income didn't reach the target, resulting from lower Car Electronics sales for consumer markets mainly in emerging countries such as Mexico, and deterioration of cost of sales ratio reflecting lower cost reduction effects. Net income estimated in the forecasts resulted in net loss, mainly reflecting increase of overseas restructuring costs and litigation loss.**
- **Year on year, operating income decreased. In Car Electronics, OEM business posted loss due to decreased sales, while profit of consumer market business, which had been expected to be higher, resulted in the same level as FY2016, reflecting changes in launching schedule of overseas car audio products, model mix in car navigation systems for Japanese market, and sluggish sales in emerging markets. Net loss was posted reflecting extraordinary loss.**

### **2. Business Forecasts for FY2018**

- **Net sales are estimated 390.0 billion yen, the same level as FY2017. Operating income is projected to increase to 10.0 billion yen reflecting improvement in cost of sales ratio, and net income is estimated to be in the black at 3.5 billion yen.**

## Today's Agenda

### 1. Business Results for FY2017

### 2. Business Forecasts for FY2018

**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.

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# ***1. Business Results for FY2017***

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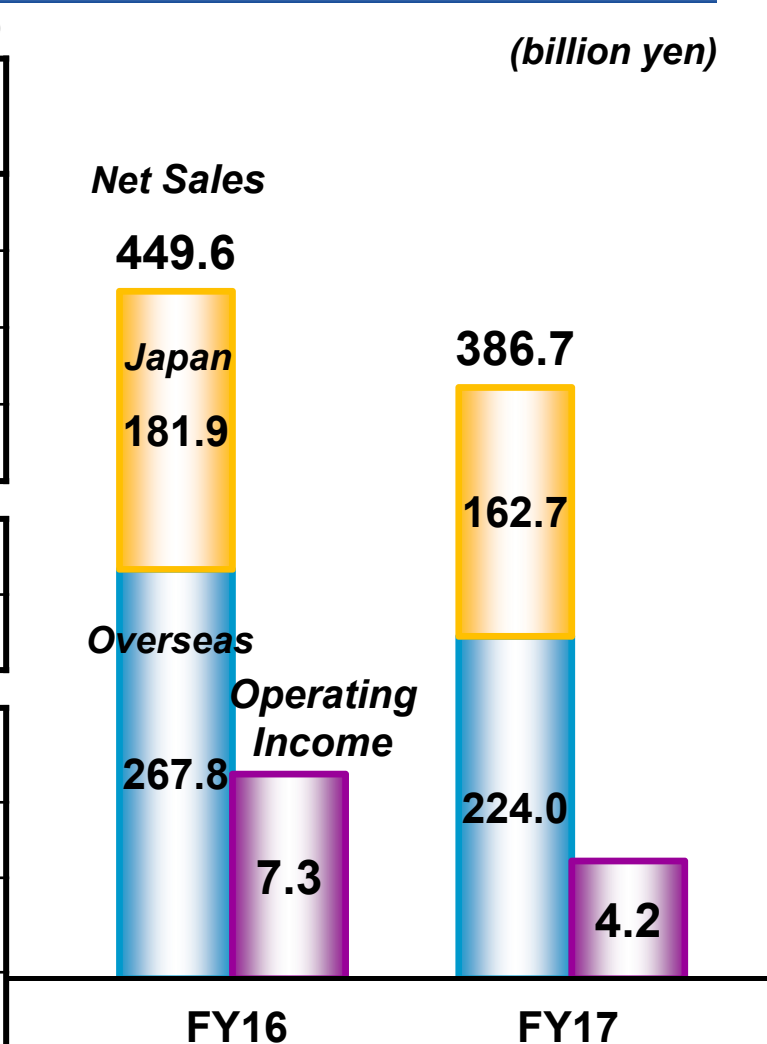
## Consolidated Business Results for FY2017

(billion yen)

	FY17	FY16	% to Prior Year
<b>Net Sales</b>	<b>386.7</b>	449.6	86.0%
<b>Operating Income</b>	<b>4.2</b>	7.3	57.1%
<b>Ordinary Income</b>	<b>3.0</b>	7.3	40.9%
<b>Net Income/Loss*</b>	<b>-5.1</b>	0.7	-

Average Currency Rate (yen)	1 US\$	108.38	120.14	-10.9%
	1 Euro	118.79	132.58	-11.6%

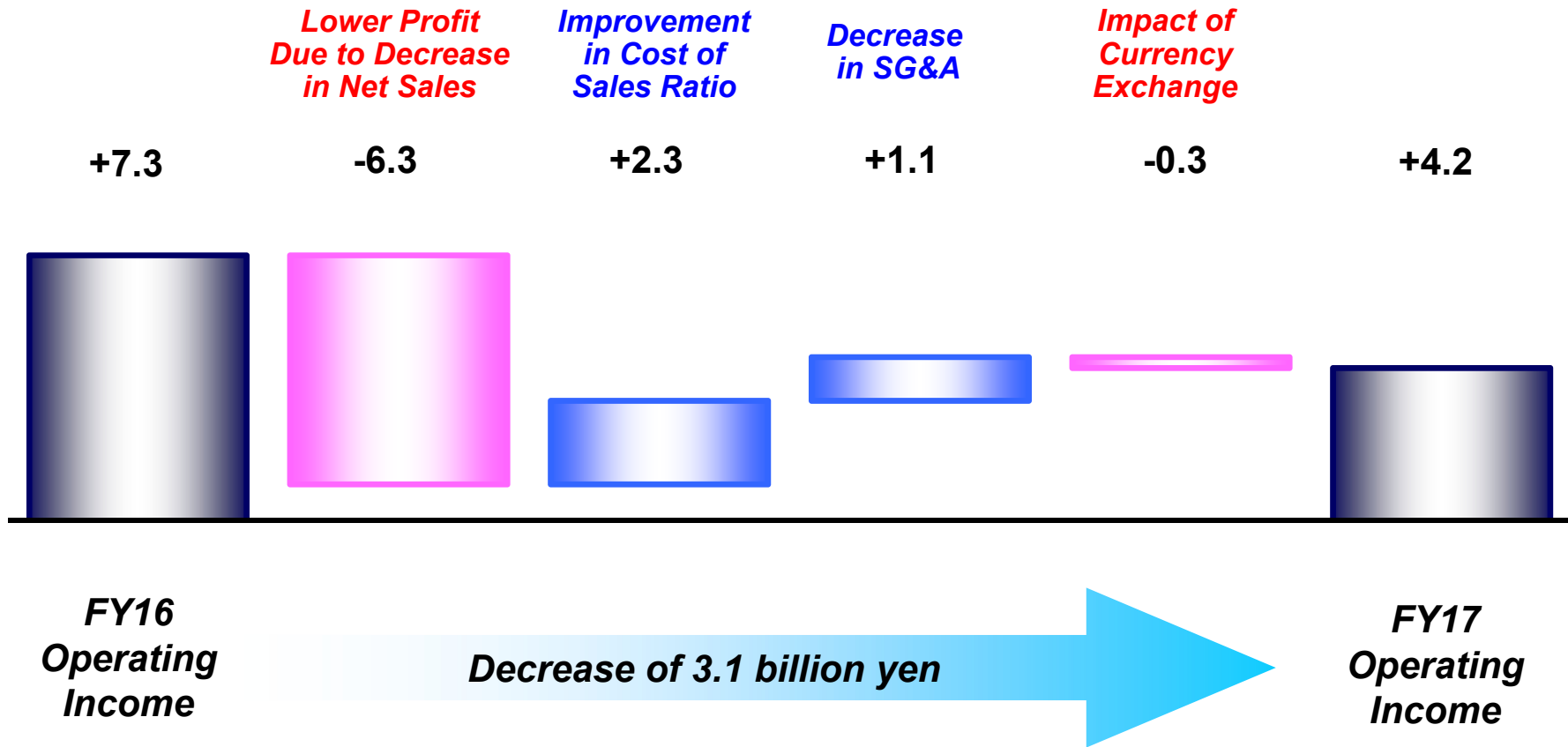
<b>Net Income/Loss* per Share (yen)</b>	<b>-13.76</b>	1.99	-15.75
<b>ROE</b>	<b>-6.0%</b>	0.8%	-6.8%
<b>Book-value per Share (yen)</b>	<b>224.72</b>	233.32	-8.60
<b>ROA</b>	<b>-1.7%</b>	0.2%	-1.9%



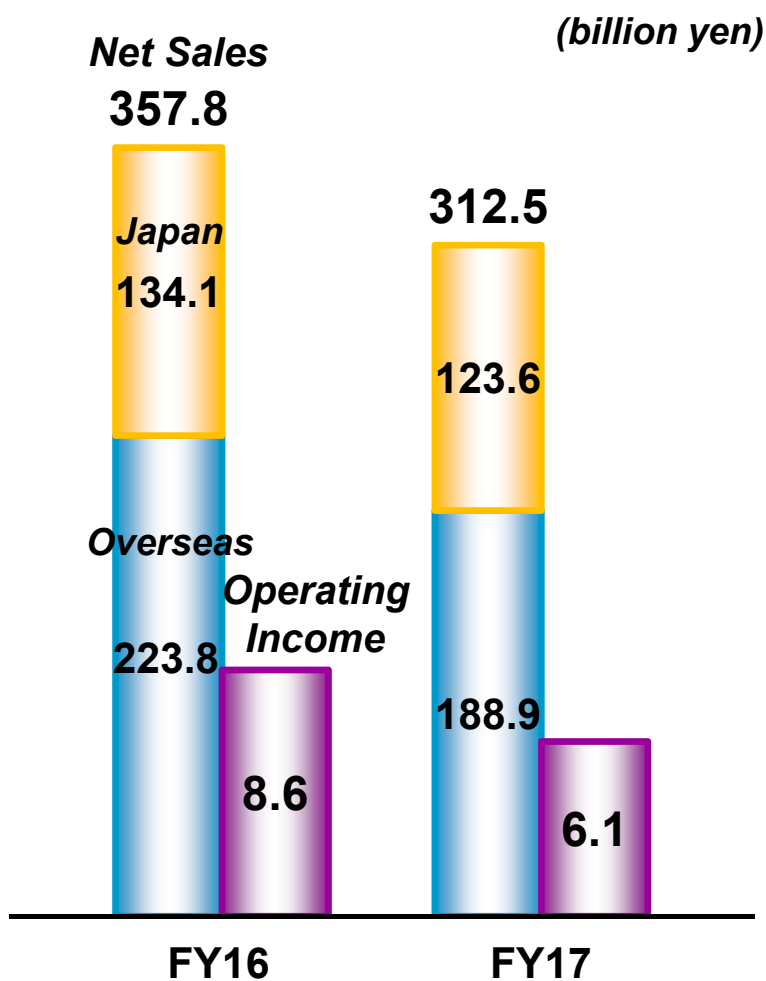
\* Net income/loss attributable to owners of Pioneer Corporation

# Operating Income Structure Breakdown

(billion yen)



## FY2017: Net Sales & Operating Income - Car Electronics



**< Net Sales >**

OEM Ratio to Net Sales: 58% (FY16: 60%)

% to Prior Year	87% (Japan 92%, Overseas 84%)
Increase Factor	Map software
Decrease Factors	OEM car navigation systems, OEM car audio products, and consumer market car audio products

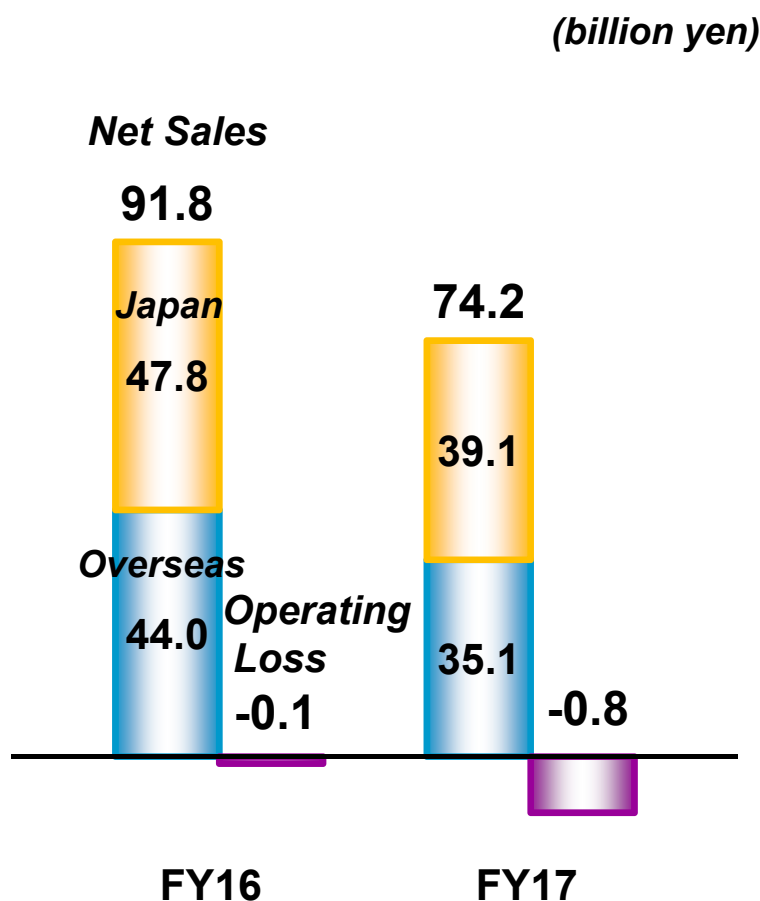
**< Operating Income >**

Year-on-Year	Decrease of 2.5 billion yen
Positive Factors	Decrease in SG&A (+2.0 billion yen), and impact of currency exchange (+0.2 billion yen)
Negative Factor	Lower profit due to decrease in net sales (-4.4 billion yen)

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

Notes: 1. Operating income by segment represents figures prior to elimination of transactions among segments.  
 2. From FY17, map software is reclassified from "Others" to "Car Electronics." Figures shown for FY16 have been reclassified accordingly.

## FY2017: Net Sales & Operating Income/Loss - Others



### < Net Sales >

% to Prior Year	81% (Japan 82%, Overseas 80%)
Increase Factor	Factory automation (FA) systems
Decrease Factors	Home AV products, optical disc drive-related products, and DJ equipment

### < Operating Income/Loss >

Year-on-Year	Worsening of 0.6 billion yen
Positive Factor	Improvement in cost of sales ratio (+2.4 billion yen)
Negative Factors	Lower profit due to decrease in net sales (-1.9 billion yen), increase in SG&A (-0.7 billion yen), and impact of currency exchange (-0.5 billion yen)

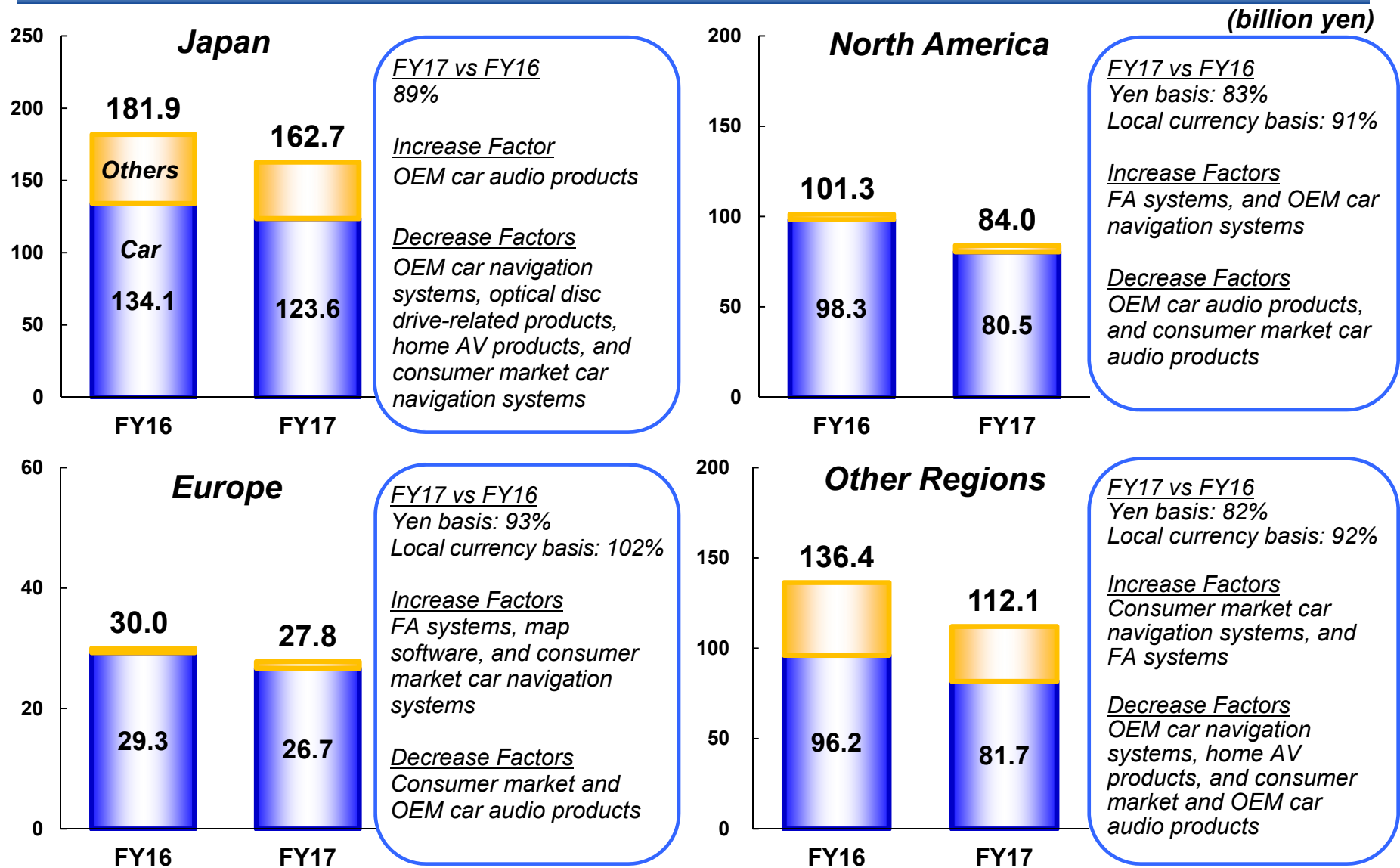
### Main products are:

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

Notes: 1. Operating income/loss by segment represents figures prior to elimination of transactions among segments.  
 2. From FY17, map software is reclassified from "Others" to "Car Electronics." Figures shown for FY16 have been reclassified accordingly.



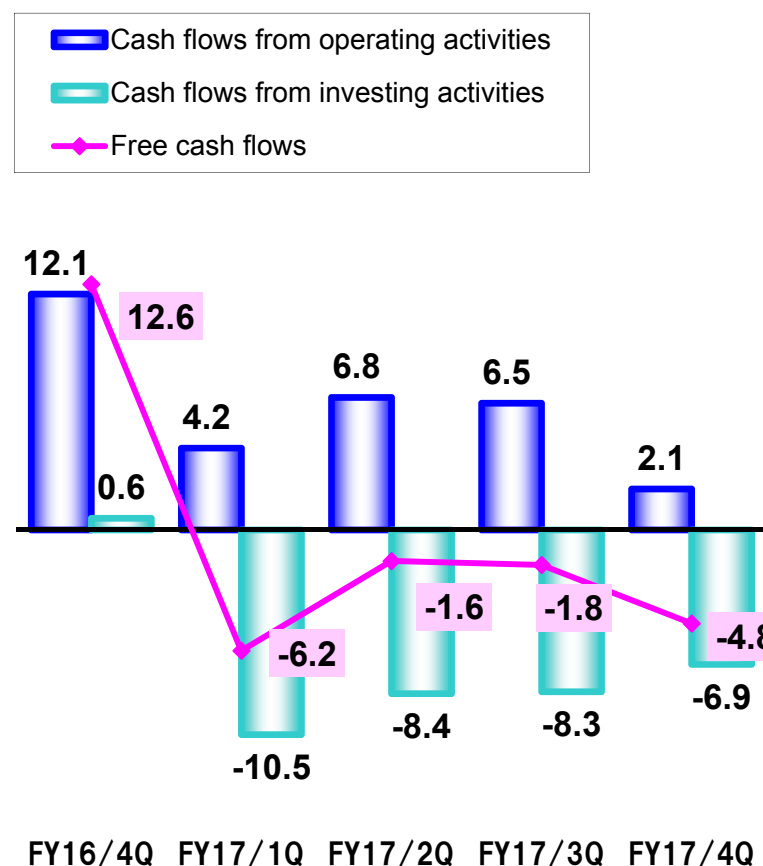
## FY2017: Net Sales by Geographic Segment



## FY2017: Summary of Consolidated Statements of Cash Flows

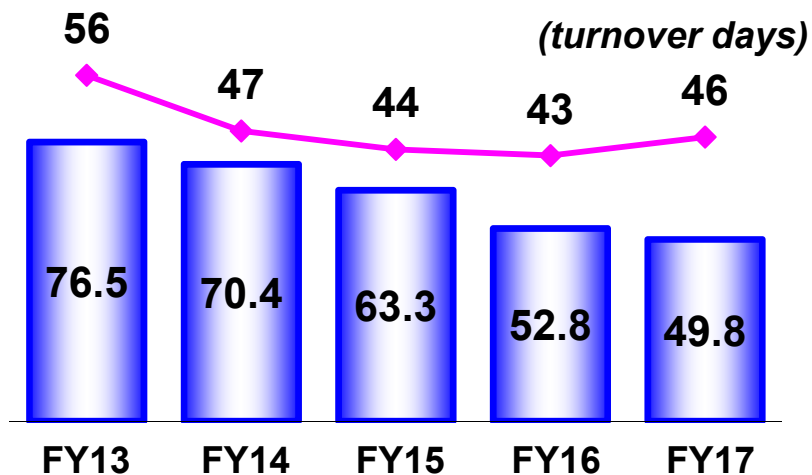
	FY17	FY16
<i>Income (loss) before income taxes</i>	-2.3	4.9
<i>Depreciation and amortization</i>	24.9	27.1
<i>Loss (gain) on business transfer</i>	1.2	-0.1
<i>Decrease in trade receivables</i>	7.3	0.9
<i>Decrease in inventories</i>	2.9	6.0
<i>Decrease in trade payables</i>	-6.7	-0.5
<i>Decrease in accrued expenses</i>	-0.1	-9.6
<i>Others</i>	-7.6	-9.4
<b>Cash flows from operating activities</b>	<b>19.6</b>	<b>19.3</b>
<b>Cash flows from investing activities</b>	<b>-34.0</b>	<b>-20.1</b>
<b>Cash flows from financing activities</b>	<b>1.4</b>	<b>3.4</b>
<i>Foreign currency translation adjustments on cash and cash equivalents</i>	-0.6	-2.3
<b>Free cash flows</b>	<b>-14.4</b>	<b>-0.8</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-13.6</b>	<b>0.3</b>
<b>Balance of cash and cash equivalents</b>	<b>38.4</b>	<b>52.0</b>
<b>Net cash balance</b>	<b>-0.8</b>	<b>14.7</b>

(billion yen)

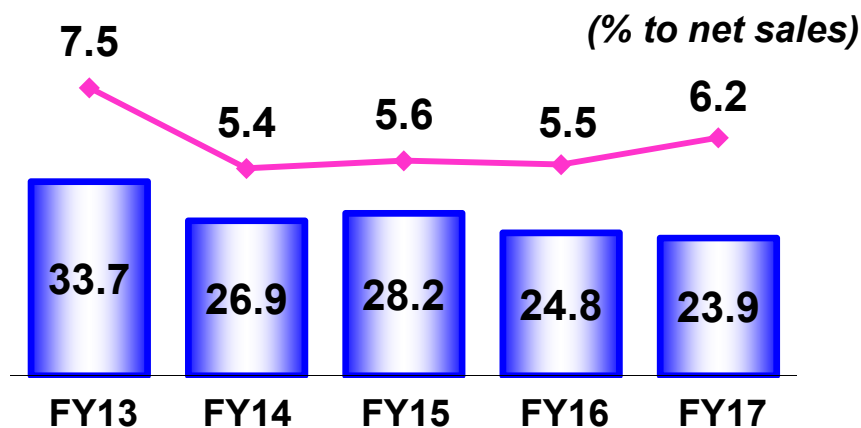


**FY2017: Inventories, R&D Expenses, Capital Expenditures, Depreciation & Amortization**

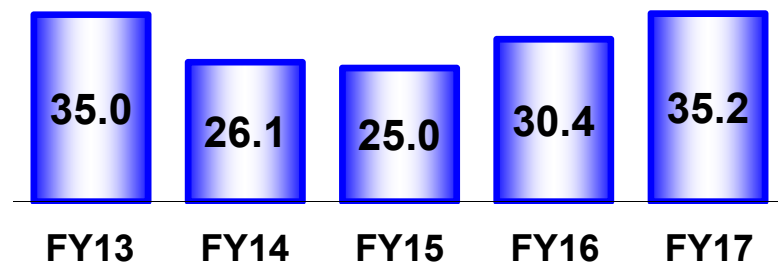
**Inventories**



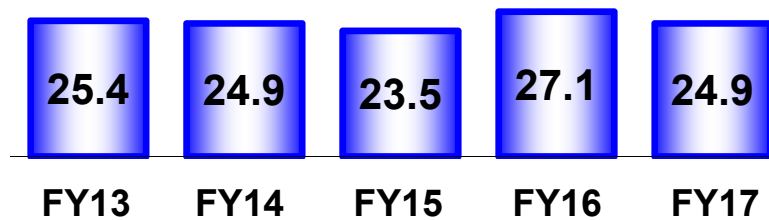
**R&D Expenses** (billion yen)



**Capital Expenditures**



**Depreciation & Amortization**



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## ***2. Business Forecasts for FY2018***

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## Consolidated Business Forecasts for FY2018

(billion yen)

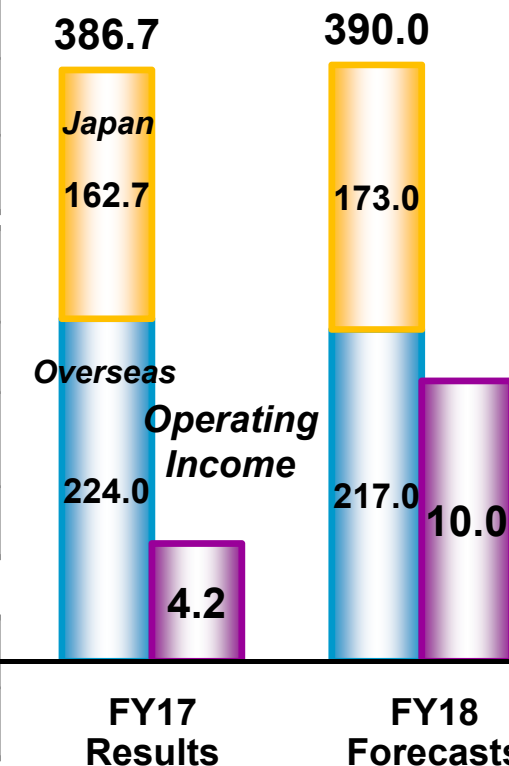
	First Half		Full Year	
	FY18 Forecasts	FY17 Results	FY18 Forecasts	FY17 Results
Net Sales	182.0	190.4	390.0	386.7
Operating Income	2.0	1.5	10.0	4.2
Net Income/Loss*	-1.0	1.0	3.5	-5.1
Net Income/Loss* per Share (yen)	-2.72	2.63	9.53	-13.76
ROE			4.2%	-6.0%
Book-value per Share (yen)			234.25	224.72
ROA			1.2%	-1.7%

\* Net income/loss attributable to owners of Pioneer Corporation

Currency Rate (yen)	1 US\$				
		110	105.29	110	108.38
	118	118.15	118	118.79	

(billion yen)

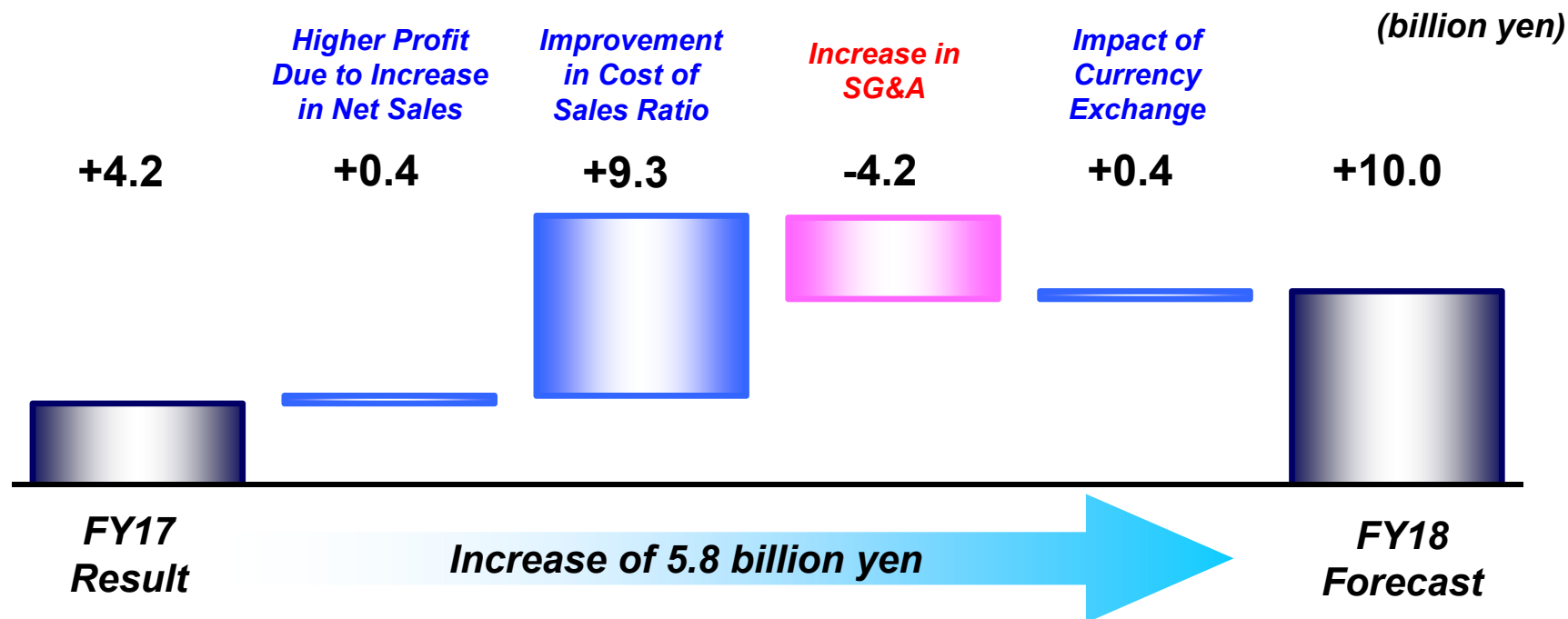
Net Sales



Note: In case of 1 yen appreciation against US\$ and euro, impacts on the full year are:

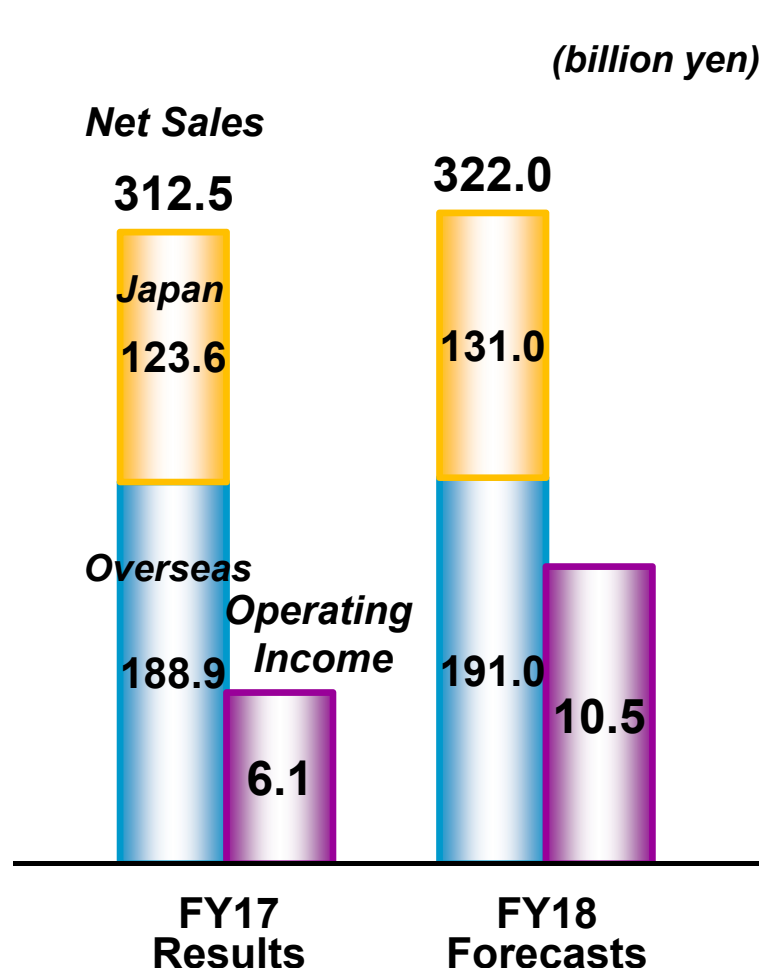
Net sales— US\$: -1,840 million yen; euro: -210 million yen / Operating income— US\$: 20 million yen; euro: -150 million yen.

## FY2018 Forecasts: Operating Income Breakdown Compared to FY2017



- **Higher profit is estimated mainly due to increase in sales of Car Electronics for consumer markets.**
- **Cost of sales ratio is expected to improve owing to the effect of new model introduction in Car Electronics and the decrease of depreciation and amortization.**
- **SG&A expenses are expected to increase due to higher variable costs following with increased sales in Car Electronics and higher R&D expenses mainly related for autonomous driving.**

## FY2018 Forecasts: Car Electronics



### < Net Sales > OEM Ratio to Net Sales: 57% (FY17: 60%\*)

% to Prior Year	103% (Japan 106%, Overseas 101% (Local currency basis: 100%))
Increase Factor	Consumer market car audio products
Decrease Factor	OEM car navigation systems

### < Operating Income >

Year-on-Year	Increase of 4.4 billion yen
Positive Factors	Improvement in cost of sales ratio, higher profit due to increase in net sales, and impact of currency exchange
Negative Factor	Increase in SG&A

### < Shipment to Consumer Market > (thousand units)

	FY2017 Results	FY2018 Forecasts
Car navigation systems	568*	580
Car CD players	5,834	6,200
Car AV products	1,367	1,650

\* From FY18, some overseas car navigation systems are reclassified from consumer market business to OEM business. Figures shown for FY17 have been reclassified accordingly.

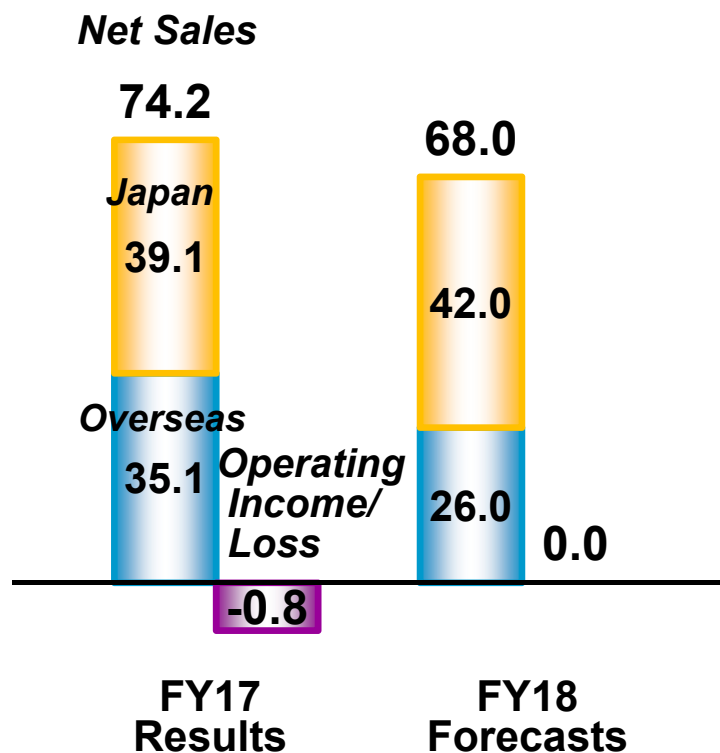
#### Main products are:

Car navigation systems, Car stereos, Car AV systems, Car speakers, and Map software

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

## FY2018 Forecasts: Others

(billion yen) < Net Sales >



<b>% to Prior Year</b>	92% (Japan 108%, Overseas 74% (Local currency basis: 74%))
<b>Increase Factors</b>	DJ equipment, and FA systems
<b>Decrease Factors</b>	Home AV products, and equipment for cable-TV systems (business transfer)

< Operating Income/Loss >

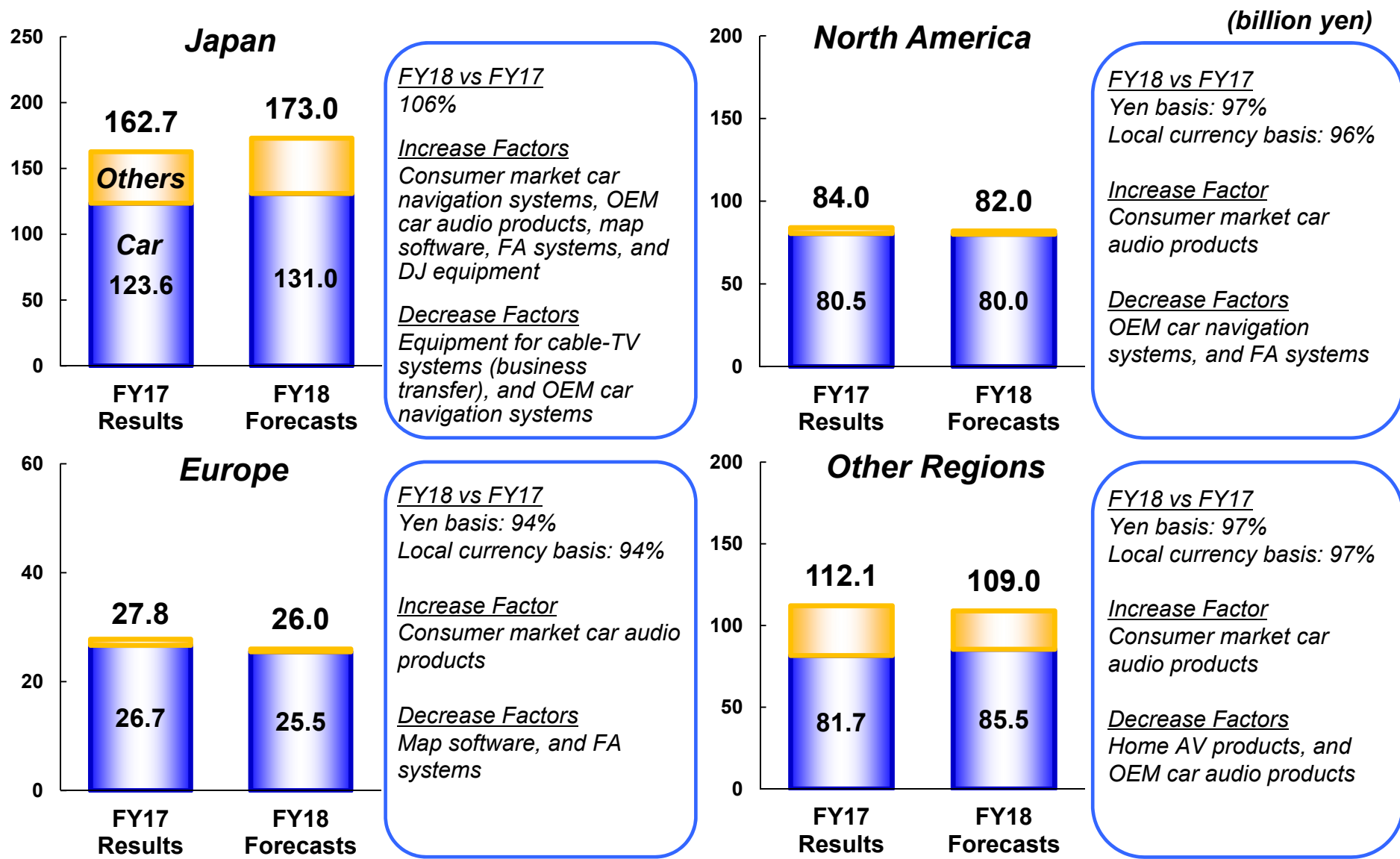
<b>Year-on-Year</b>	Increase of 0.8 billion yen
<b>Positive Factors</b>	Improvement in cost of sales ratio, and decrease in SG&A
<b>Negative Factor</b>	Lower profit due to decrease in net sales

**Main products are:**  
 Optical disc drive-related products, Factory automation systems, Electronic devices and parts, Organic light-emitting diode 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.



## FY2018 Forecasts: Net Sales by Geographic Segment



## FY2018 Forecasts: Financial Data

(billion yen)

	<b>FY16 Results</b>	<b>FY17 Results</b>	<b>FY18 Forecasts</b>
<b>R&amp;D Expenses (% to net sales)</b>	24.8 (5.5%)	23.9 (6.2%)	<b>25.0 (6.4%)</b>
<b>Capital Expenditures</b>	30.4	35.2	<b>35.0</b>
<b>Depreciation &amp; Amortization</b>	27.1	24.9	<b>21.5</b>
<b>Inventories</b>	52.8	49.8	<b>52.0</b>
<b>Cash Flows from Operating Activities</b>	19.3	19.6	<b>23.0</b>
<b>Cash Flows from Investing Activities</b>	-20.1	-34.0	<b>-36.0</b>
<b>Cash Flows from Financing Activities</b>	3.4	1.4	<b>-0.5</b>
<b>Free Cash Flows</b>	-0.8	-14.4	<b>-13.0</b>
<b>Equity</b>	90.5	86.8	<b>90.0</b>
<b>Equity Ratio</b>	29%	29%	<b>30%</b>
<b>D/E Ratio</b>	0.4 times	0.5 times	<b>0.4 times</b>
<b>Net cash balance</b>	14.7	-0.8	<b>-13.0</b>

Note: D/E Ratio = Debt ÷ (Equity – Non-controlling Interests)

## FY2018 Forecasts: Changes from Medium-Term Plan

<b>FY18 in Medium-Term Plan</b> <i>(Announced on May 12, 2016)</i>			<b>FY18 Forecasts</b> <i>(Announced on May 12, 2017)</i>	
<b>Net Sales</b>	<b>430.0 billion yen</b>	<p>(-) Transfer of cable TV system-related equipment business Downsizing of home AV business in China Decrease in Car Electronics sales, reflecting market conditions of emerging countries Changes in foreign exchange rates</p> <p>(-) Decrease in net sales Changes in foreign exchange rates</p> <p>(-) Decrease in operating income (+) Decrease in restructuring costs</p>	<b>Net Sales</b>	<b>390.0 billion yen</b>
<b>Operating Income</b>	<b>13.0 billion yen</b>		<b>Operating Income</b>	<b>10.0 billion yen</b>
<b>Net Income</b>	<b>4.0 billion yen</b>		<b>Net Income</b>	<b>3.5 billion yen</b>

*Pioneer*