

Pioneer

Pioneer Corporation

Business Results for Fiscal 2018

Susumu Kotani, President and CEO

May 14, 2018

Main Points of Today's Presentation

1. Business Results for FY2018

- **Compared with our previous plans, operating income did not reach the target, resulting from lower Car Electronics sales for consumer markets in Japan and emerging countries, the deterioration of the cost of sales ratio in the OEM business of Car Electronics and lower cost reduction effects. Net loss also deteriorated.**
- **Year on year, operating income decreased resulting from a decreased sales mainly in the OEM business of Car Electronics, and net loss expanded.**

2. Business Forecasts for FY2019

- **Net sales are expected to be 380.0 billion yen. Operating income (loss) is expected to result in a loss of 5.0 billion yen, driven by an increase in depreciation and amortization in the OEM business of Car Electronics, an increase in sales variable expenses associated with the increase in net sales and an increase in upfront development costs for autonomous driving.**
- **We are examining significant revision measures in the OEM business. Disclosure of net income (loss) forecast is held off until the impact of the measures has been estimated.**

Today's Agenda

1. Business Results for FY2018

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 FY2018

Consolidated Business Results for FY2018

(billion yen)

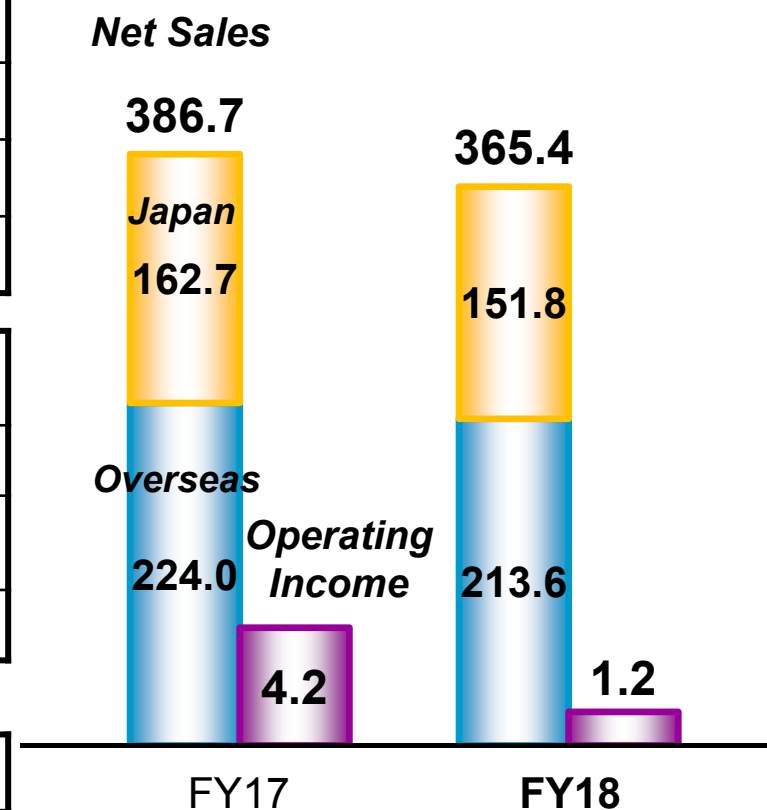
	FY17	FY18	% to Prior Year
Net Sales	386.7	365.4	94.5%
Operating Income	4.2	1.2	28.7%
Ordinary Income/Loss	3.0	-3.1	-
Net Income/Loss*	-5.1	-7.1	-

Net Income/Loss* per Share (yen)	-13.76	-19.12	-5.36
ROE	-6.0%	-8.7%	-2.7%
Book-value per Share (yen)	224.72	212.84	-11.88
ROA	-1.7%	-2.5%	-0.8%

* Net income/loss attributable to owners of Pioneer Corporation

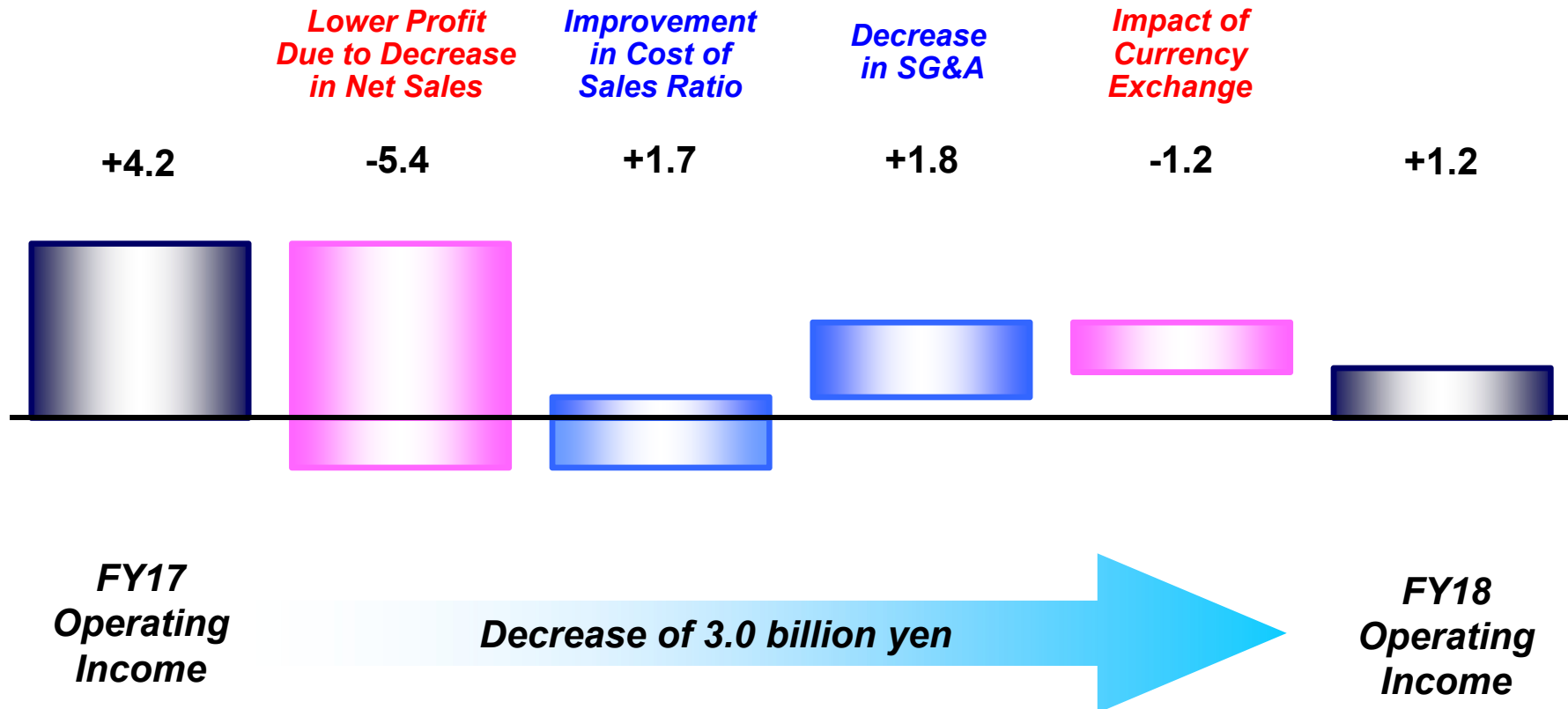
Average Currency Rate (yen)	1 US\$	108.38	110.85	+2.2%
	1 Euro	118.79	129.70	+8.4%

(billion yen)

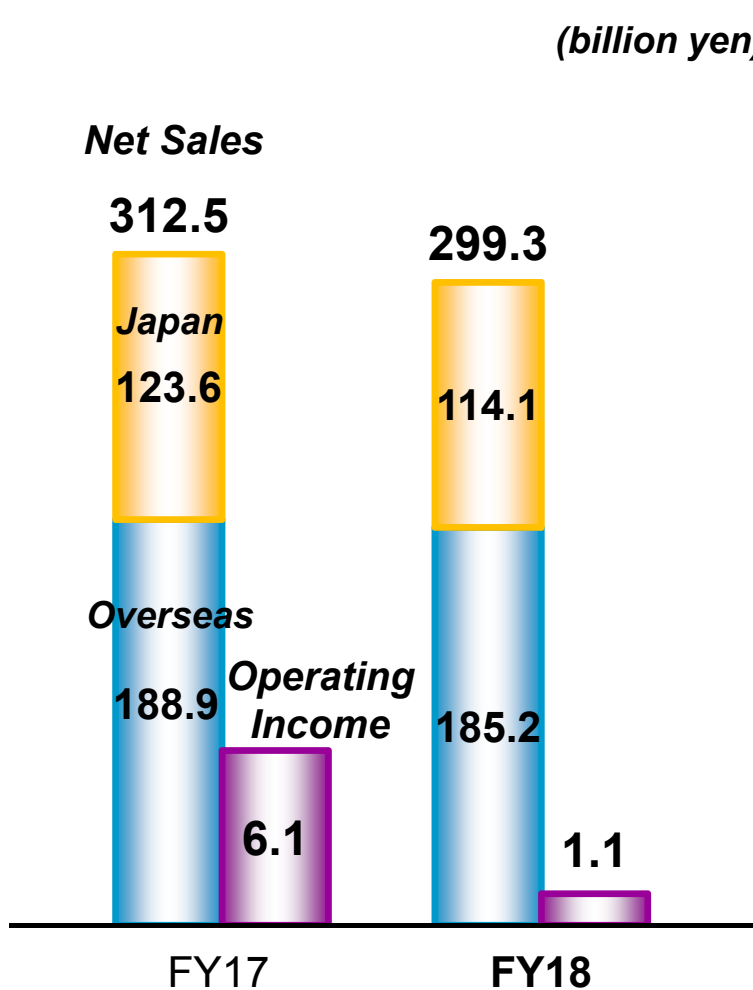


FY2018 Results: Operating Income Structure Breakdown

(billion yen)



FY2018 Results: Car Electronics



< Net Sales > OEM Ratio to Net Sales: 58% (FY17: 60% *)

% to Prior Year	96% (Japan 92%, Overseas 98% (Local currency basis: 94%))
Increase Factors	Telematics services, OEM car audio products, consumer market car audio products, and map software
Decrease Factors	OEM car navigation systems, and consumer market car navigation systems

< Operating Income >

Year-on-Year	Worsening of 5.0 billion yen
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

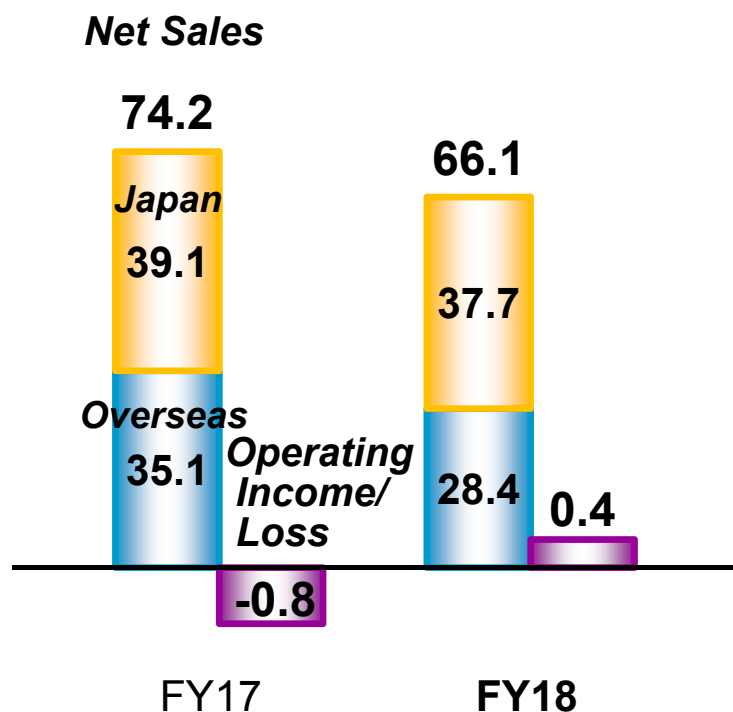
*Main products and services are:
Car navigation systems, Car stereos, Car AV systems, Car speakers, Telematics services, and Map software*

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

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

FY2018 Results: Others

(billion yen) < Net Sales >



% to Prior Year	89% (Japan 97%, Overseas 81% (Local currency basis: 79%))
Increase Factors	DJ equipment (subcontracted manufacturing and sales), and optical disc drive-related products
Decrease Factors	Home AV products, equipment for cable-TV systems (business transfer), and OLED displays

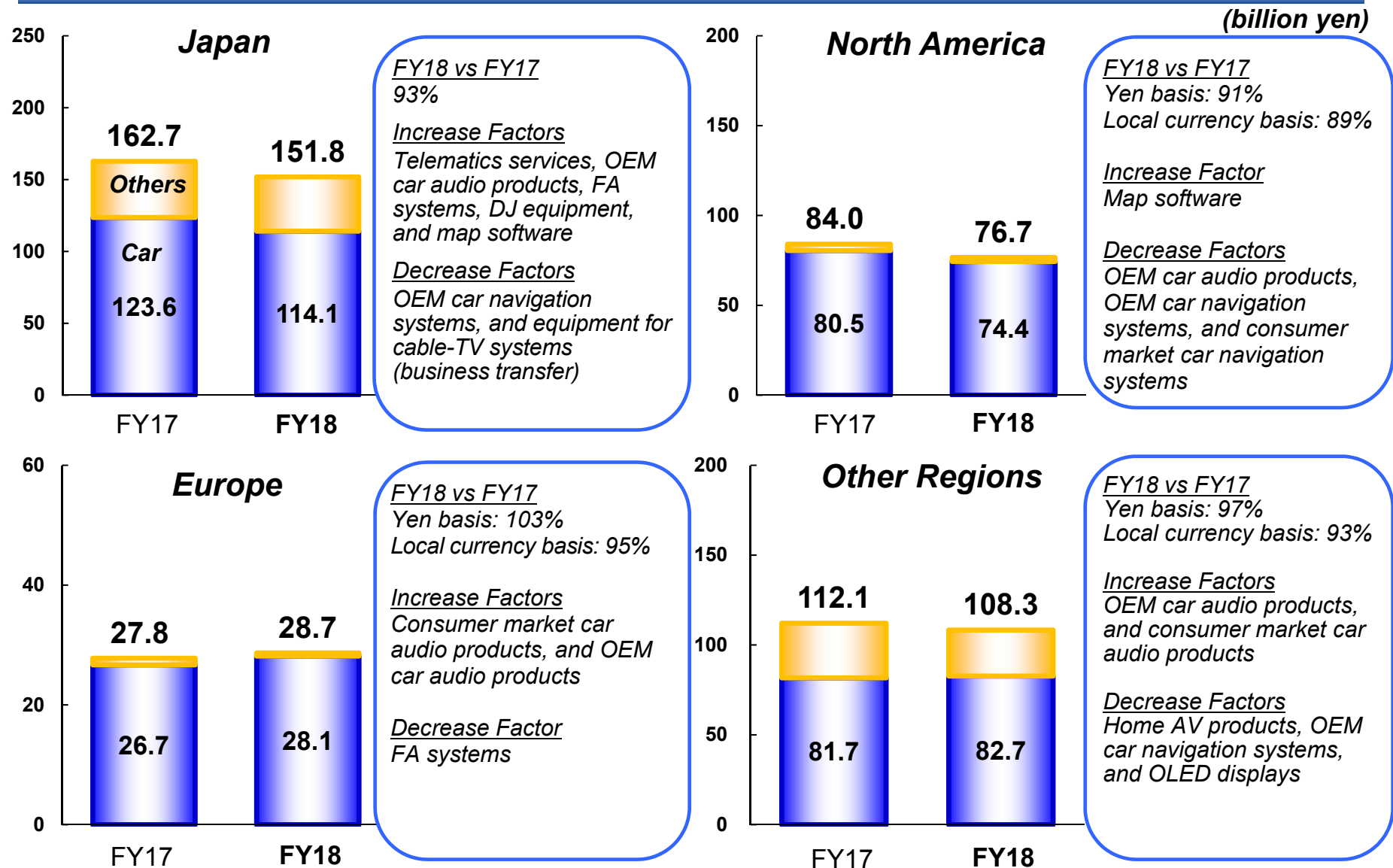
< Operating Income/Loss >

Year-on-Year	Improvement of 1.2 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

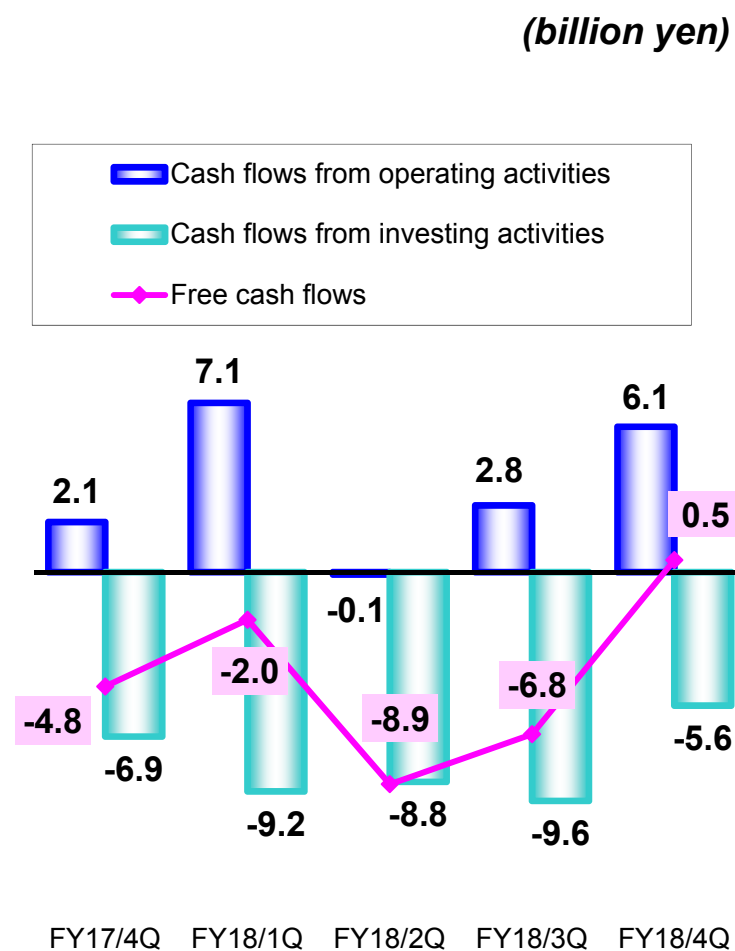
Note: Operating income/loss by segment represents figures prior to elimination of transactions among segments.

FY2018 Results: Net Sales by Geographic Segment



FY2018 Results: Cash Flows

	FY17	FY18
<i>Loss before income taxes</i>	-2.3	-4.7
<i>Depreciation and amortization</i>	24.9	20.6
<i>Decrease in trade receivables</i>	7.3	3.2
<i>Decrease (increase) in inventories</i>	2.9	-0.4
<i>Decrease in trade payables</i>	-6.7	-3.0
<i>Decrease in accrued expenses</i>	-0.1	-2.9
<i>Others</i>	-6.4	3.1
Cash flows from operating activities	19.6	15.9
Cash flows from investing activities	-34.0	-33.2
Cash flows from financing activities	1.4	14.3
Foreign currency translation adjustments on cash and cash equivalents	-0.6	0.2
Free cash flows	-14.4	-17.2
Net decrease in cash and cash equivalents	-13.6	-2.8
Balance of cash and cash equivalents	38.4	35.6
Net cash balance	-0.8	-14.4



2. Business Forecasts for FY2019

Consolidated Business Forecasts for FY2019

(billion yen)

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

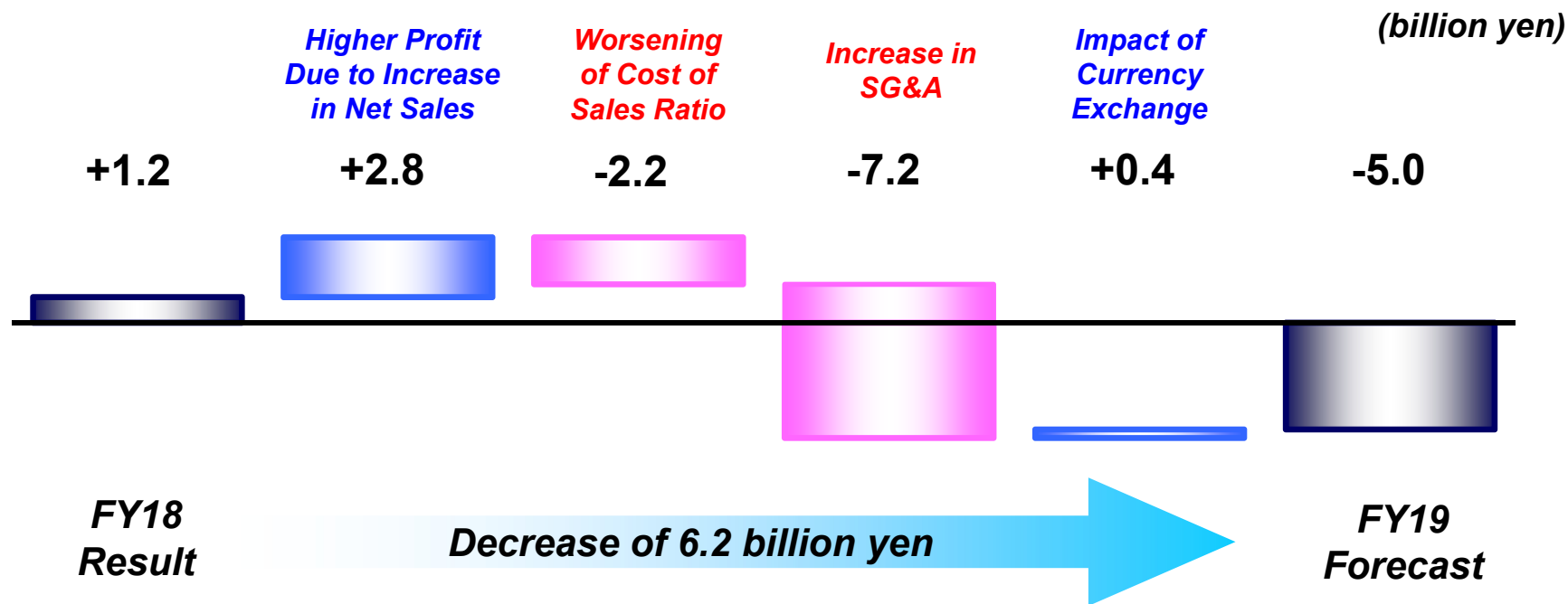
Pioneer is examining significant revision measures in the OEM business of Car Electronics. Disclosure of the net income/loss forecast is held off until the impact of the measures has been estimated.

Average Currency Rate (yen)	1 US\$	110.85	110.00	-0.8%
	1 Euro	129.70	130.00	+0.2%

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

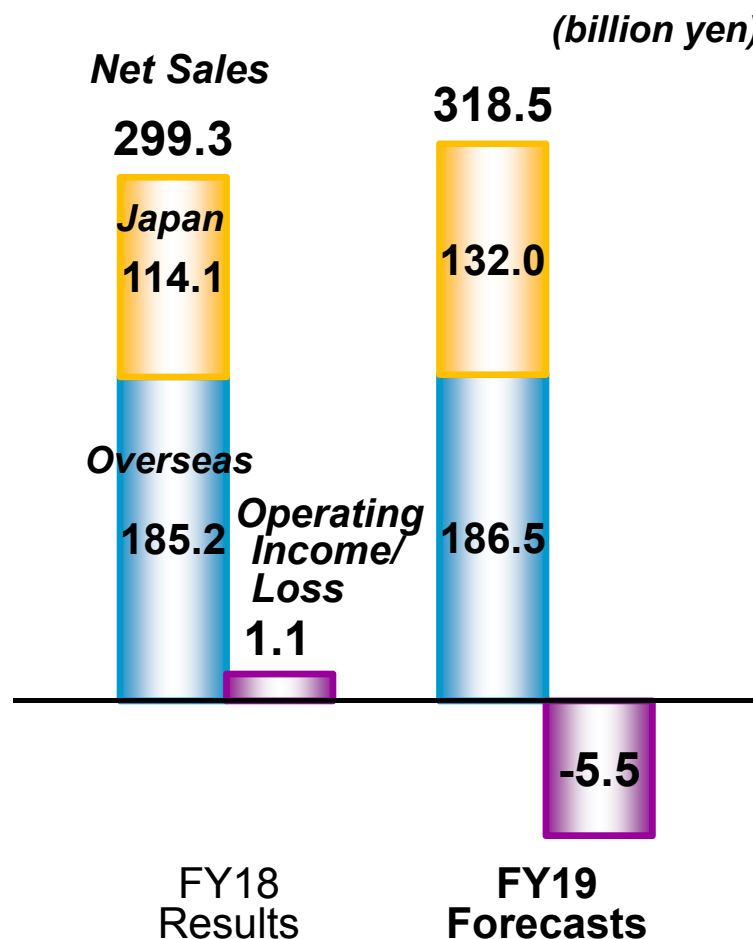
Net sales— US\$: -1,740 million yen; euro: -210 million yen / Operating income/loss— US\$: +130 million yen; euro: -150 million yen.

FY2019 Forecasts: Operating Income/Loss Breakdown Compared to FY2018



- Higher gross profit is expected. This is because Car Electronics consumer market business foresees expanding telematics services and sales increase in emerging markets, while in the OEM business, the full-scale take-off of shipments of large orders is expected.
- Cost of sales ratio is expected to get worse mainly due to an increase (approximately 6.0 billion yen) in depreciation and amortization in the OEM business.
- SG&A expenses are expected to increase due to higher expenses arising from an increased sales and an increase in development costs related to autonomous driving.

FY2019 Forecasts: Car Electronics



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

% to Prior Year	106% (Japan 116%, Overseas 101% (Local currency basis: 101%))
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 Factors	Higher profit due to increase in net sales, and impact of currency exchange
Negative Factors	Increase in SG&A, and worsening of cost of sales ratio

< Shipment to Consumer Market > (thousand units)

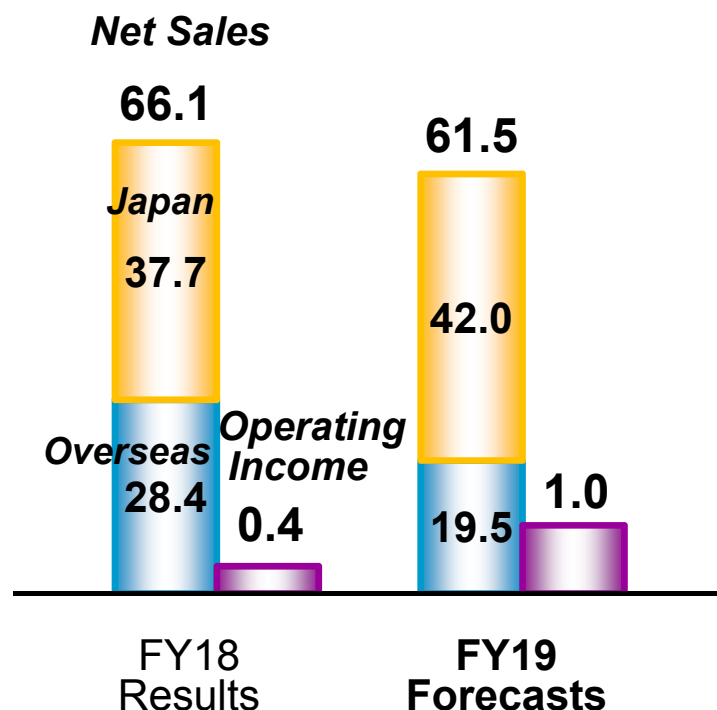
	FY2018 Results	FY2019 Forecasts
Car navigation systems	559	600
Car CD players	5,324	5,600
Car AV products	1,486	1,900

Consumer markets 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

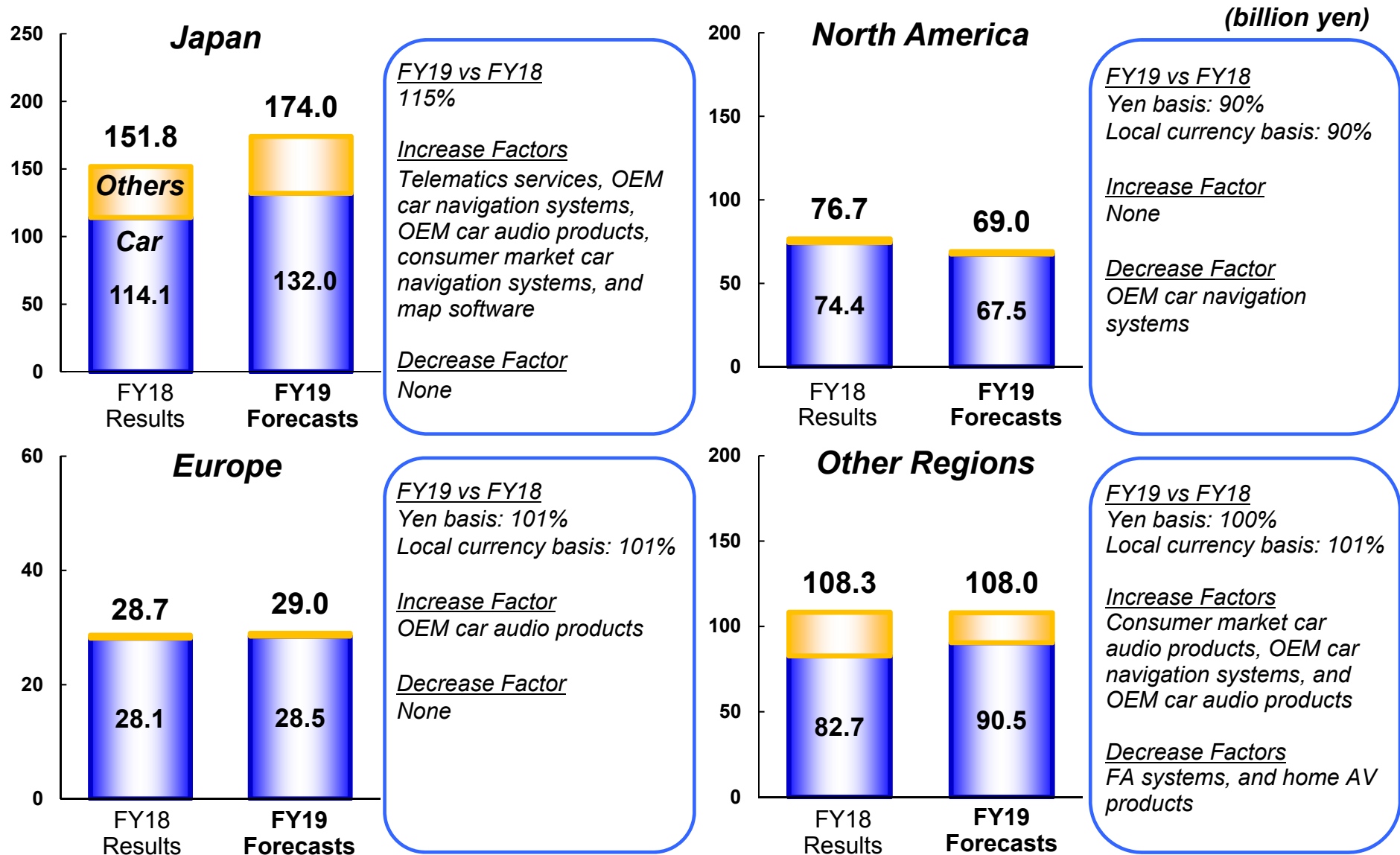
< Operating Income >

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

*As announced in February 2018, FA system business related to electronic devices (Pioneer FA Corporation) will be transferred in June 2018.

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

FY2019 Forecasts: Net Sales by Geographic Segment



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

(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

Issues/Challenges and Measures in Car Electronics

Businesses	Issues/Challenges	Measures
OEM business	<ul style="list-style-type: none"> ➤ Substantial increase in depreciation and amortization in line with expanding investment in software development ➤ Increase in operating loss 	<ul style="list-style-type: none"> ➤ Examining significant revision measures in the OEM business structure, including joint venture with business partners
Consumer market business	<ul style="list-style-type: none"> ➤ Timely launch of new products ➤ Delay in market recovery of emerging countries ➤ Decline in profitability of existing businesses 	<ul style="list-style-type: none"> ➤ Launching new products with enhanced smartphone-link functions mainly for emerging markets, and those pursuing sound-centric entertainment ➤ Further enhancing new businesses such as telematics and solution services
Map business and autonomous driving field	<ul style="list-style-type: none"> ➤ Enhancing and expanding map business ➤ Entering and establishing position in the autonomous driving field using 3D-LiDAR sensors 	<ul style="list-style-type: none"> ➤ Strengthening alliance with HERE Technologies ➤ Developing high-definition maps ➤ Shipping the second-generation sample of 3D-LiDAR sensor this fall, aiming for its commercialization

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