

News Release

**For Immediate Release
August 5, 2015**

Pioneer Announces Business Results for 1Q Fiscal 2016

Pioneer Corporation today announced its consolidated first-quarter business results for the period ended June 30, 2015.

Consolidated Financial Highlights

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

	2015	2014	Percent change
Net sales	¥109,020	¥113,334	-3.8%
Operating income	69	265	-74.0
Ordinary income (loss)	(592)	(279)	-
Net income (loss) *	¥ (2,514)	¥ (2,089)	-%
Net income (loss) * per share	¥(6.85)	¥(5.69)	

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

Consolidated Business Results

For the first quarter of fiscal 2016, the three months ended June 30, 2015, consolidated net sales declined 3.8% year on year, to ¥109,020 million, mainly owing to the impact of the transfers of the home AV business and DJ equipment business in fiscal 2015 despite the increased sales of Car Electronics with a positive effect of the Japanese yen's depreciation.

Operating income was ¥69 million, a 74.0% decrease year on year, reflecting a deterioration in the cost of sales ratio, due to the negative effect of foreign exchange rate movements, as well as lower sales owing to the impact of the business transfers and despite a decline in selling, general and administrative (SG&A) expenses as a result of business transfers and organizational streamlining. The net loss attributable to owners of Pioneer was ¥2,514 million, compared with a net loss of ¥2,089 million for the first quarter of fiscal 2015. This was the result of the decrease in operating income, combined

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with a decrease in exchange gain and the absence of the gain on sale of investment in subsidiary recorded in the year-earlier period, despite a decrease in interest expenses.

During the first quarter of fiscal 2016, the average value of the Japanese yen declined 15.8% against the U.S. dollar year on year, to ¥121.36=1 U.S. dollar, and rose 4.4% against the euro, to ¥134.16=1 euro.

Car Electronics sales grew 5.4% year on year, to ¥86,888 million.

Sales of car audio products increased. Consumer-market sales declined, with decreased sales mainly in Europe and Central and South America more than offsetting an increase in North America. OEM sales rose owing to increases in both Japan and overseas, led by North America.

Car navigation system sales decreased. Consumer-market sales declined on lower sales in Japan. OEM sales rose owing to increases in Southeast Asia and China, despite a decline in Japan.

OEM sales accounted for 62% of total Car Electronics sales, compared with 56% a year earlier.

By geographic region, sales in Japan declined 11.6%, to ¥29,720 million, and overseas sales grew 17.1%, to ¥57,168 million.

Operating income declined 51.4% year on year, to ¥970 million. Despite higher sales, the deterioration in the cost of sales ratio and higher SG&A expenses, due to foreign exchange rate movements, resulted in a decline for the segment.

In the **Others** segment, sales declined 28.4% year on year, to ¥22,132 million, primarily from the impact of the transfers of businesses in fiscal 2015.

By geographic region, sales in Japan decreased 10.9%, to ¥12,237 million, and overseas sales declined 42.4%, to ¥9,895 million.

The segment's operating loss was reduced to ¥756 million, compared with an operating loss of ¥1,602 million for the first quarter of fiscal 2015, reflecting a decline in SG&A expenses, and despite lower sales and the deterioration in the cost of sales ratio, mainly as a result of business transfers.

- Notes: 1. Operating income (loss) in each business segment represents operating income (loss) before elimination of intersegment transactions.
2. On March 2, 2015, the home AV, telephones, headphone-related, and DJ equipment businesses were transferred. In accordance with these transfers, business segments are classified into Car Electronics and Others, from the first quarter of fiscal 2016. Figures for the corresponding period of fiscal 2015 have been reclassified accordingly.

Consolidated Financial Position

Total assets as of June 30, 2015, were ¥314,311 million, a decrease of ¥13,966 million from March 31, 2015. Although inventories increased, the decline in total assets reflected decreases in cash and deposits and in trade receivables. Inventories grew ¥5,337 million, to ¥68,632 million, mainly due to an increase in Car Electronics inventories based on sales plans for the second quarter onward. On the other hand, cash and deposits decreased ¥15,155 million, to ¥37,005 million. Trade receivables decreased ¥2,277 million, to ¥76,881 million, reflecting lower sales for the first quarter of fiscal 2016 compared with sales for the fourth quarter of fiscal 2015.

Total liabilities were ¥208,019 million, a ¥13,192 million decline from March 31, 2015. This was primarily the result of a ¥12,148 million decrease in accrued expenses, mainly from the payment of special retirement benefits associated with organizational streamlining carried out in fiscal 2015.

Total equity was ¥106,292 million, a decrease of ¥774 million from March 31, 2015, the result of recording a ¥2,514 million net loss attributable to owners of Pioneer for the quarter, and despite a ¥1,293 million increase in foreign currency translation adjustments from the Japanese yen's depreciation against the U.S. dollar since March 31, 2015.

Cash Flows

During the three months ended June 30, 2015, operating activities used net cash in the amount of ¥8,508 million, compared with ¥5,013 million in net cash provided in the year-earlier period. This was mainly because of a ¥10,510 million increase in the amount of decrease in accrued expenses from the payment of special retirement benefits, and a ¥4,945 million decrease in the amount of decrease in trade receivables.

Investing activities used net cash in the amount of ¥5,833 million, a ¥1,028 million increase from the year-earlier period. This was mainly because of ¥1,665 million in net decrease from payments for business transfers.

Financing activities used net cash in the amount of ¥891 million, a ¥25 million decrease from the year-earlier period.

Foreign currency translation adjustments on cash and cash equivalents were a positive ¥561 million, compared with a negative ¥266 million in the year-earlier period.

As a result, cash and cash equivalents as of June 30, 2015, totaled ¥37,005 million, a ¥14,671 million decrease from March 31, 2015.

Business Forecasts for Fiscal 2016

Consolidated business forecasts for fiscal 2016, ending March 31, 2016, have not been changed from those announced on May 12, 2015.

(In millions of yen)

	First half			Full year		
	Forecasts for fiscal 2016	Results for fiscal 2015	Percent change	Forecasts for fiscal 2016	Results for fiscal 2015	Percent change
Net sales	¥227,500	¥235,928	-3.6%	¥487,000	¥501,676	-2.9%
Operating income	1,000	3,368	-70.3	8,000	7,778	+2.9
Ordinary income (loss)	0	(1,351)	-	6,000	(2,915)	-
Net income (loss) *	¥ (4,000)	¥ (2,434)	-%	¥ 1,000	¥ 14,632	-93.2%

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

The yen-U.S. dollar exchange rate assumption for the second quarter onward of fiscal 2016 is ¥122, a depreciation of ¥2 from the previous assumption, while the yen-euro exchange rate assumption is ¥135, a depreciation of ¥5 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, 2015.

(1) CONSOLIDATED BALANCE SHEETS

(In millions of yen)

	March 31, 2015	June 30, 2015
ASSETS		
Current assets:		
Cash and deposits	¥ 52,160	¥ 37,005
Trade receivables	79,158	76,881
Finished products	29,039	32,362
Work in process	11,065	12,973
Raw materials and supplies	23,191	23,297
Deferred tax assets	4,563	4,373
Other current assets	20,666	21,074
Allowance for doubtful receivables	(2,195)	(2,283)
Total current assets	217,647	205,682
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	64,524	65,138
Machinery, vehicles, tools, furniture and fixtures	139,724	130,043
Lease assets	15,040	14,842
Others	16,537	16,219
Accumulated depreciation	(178,196)	(169,815)
Net property, plant and equipment	57,629	56,427
Intangible assets:		
Goodwill	522	511
Software	25,600	27,635
Software in progress	14,376	11,269
Others	1,040	1,021
Total intangible assets	41,538	40,436
Investments and other assets:		
Investment securities	6,349	6,374
Deferred tax assets	2,049	2,173
Prepaid pension costs	1,118	1,200
Others	1,908	1,926
Allowance for doubtful accounts	(80)	-
Total investments and other assets	11,344	11,673
Total noncurrent assets	110,511	108,536
Deferred assets	119	93
Total assets	¥ 328,277	¥ 314,311

(In millions of yen)

	March 31, 2015	June 30, 2015
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	¥ 76,359	¥ 76,877
Short-term borrowings	17,871	17,852
Current portion of long-term debt	6,367	6,367
Income taxes payable	2,266	2,579
Accrued expenses	44,834	32,686
Warranty reserve	2,531	2,508
Other current liabilities	23,803	22,461
Total current liabilities	174,031	161,330
Long-term liabilities:		
Long-term debt	10,000	10,000
Accrued pension and severance costs	32,202	32,060
Other long-term liabilities	4,978	4,629
Total long-term liabilities	47,180	46,689
Total liabilities	221,211	208,019
<u>EQUITY</u>		
Shareholders' equity:		
Common stock	91,732	91,732
Capital surplus	56,016	56,016
Retained earnings	33,277	30,763
Treasury stock	(11,051)	(11,051)
Total shareholders' equity	169,974	167,460
Accumulated other comprehensive income (loss):		
Unrealized loss on available-for-sale securities	(105)	(90)
Deferred gain on derivatives under hedge accounting	-	37
Foreign currency translation adjustments	(47,369)	(46,076)
Defined retirement benefit plans	(20,767)	(20,451)
Total accumulated other comprehensive loss	(68,241)	(66,580)
Non-controlling interests	5,333	5,412
Total equity	107,066	106,292
Total liabilities and equity	¥328,277	¥314,311

(2) CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions of yen)

	Three months ended June 30	
	2014	2015
Net sales	¥113,334	¥109,020
Cost of sales	91,111	90,545
Gross profit	22,223	18,475
Selling, general and administrative expenses	21,958	18,406
Operating income	265	69
Non-operating income:		
Interest income	46	72
Dividend income	18	39
Exchange gain	509	13
Equity in earnings of affiliated companies	–	6
Others	59	77
Total non-operating income	632	207
Non-operating expenses:		
Interest expenses	646	407
Equity in losses of affiliated companies	47	–
Others	483	461
Total non-operating expenses	1,176	868
Ordinary loss	(279)	(592)
Extraordinary income:		
Gain on sale of property, plant and equipment	18	22
Gain on sale of investment in subsidiary	327	–
Total extraordinary income	345	22
Extraordinary loss:		
Loss on sale and disposal of property, plant and equipment	26	36
Restructuring costs	43	88
Others	–	362
Total extraordinary loss	69	486
Loss before income taxes	(3)	(1,056)
Income taxes:		
Current	1,650	1,156
Deferred	336	338
Total income taxes	1,986	1,494
Net loss	(1,989)	(2,550)
Net income (loss) attributable to non-controlling interests	100	(36)
Net loss attributable to owners of Pioneer Corporation	¥ (2,089)	¥ (2,514)

(3) CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In millions of yen)

	Three months ended June 30	
	2014	2015
Net loss	¥(1,989)	¥(2,550)
Other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	68	15
Deferred gain on derivatives under hedge accounting	70	37
Foreign currency translation adjustments	(1,275)	1,405
Share of other comprehensive income (loss) in associates	(28)	3
Defined retirement benefit plans	566	316
Total other comprehensive income (loss)	(599)	1,776
Comprehensive loss	¥(2,588)	¥ (774)
Comprehensive loss attributable to:		
Owners of Pioneer Corporation	¥(2,597)	¥ (853)
Non-controlling interests	¥ 9	¥ 79

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions of yen)

	Three months ended June 30	
	2014	2015
Cash flows from operating activities:		
Loss before income taxes	¥ (3)	¥ (1,056)
Depreciation and amortization	5,474	6,918
Decrease in accrued pension and severance costs	(312)	(371)
Interest and dividends income	(64)	(111)
Interest expenses	646	407
Decrease in trade receivables	8,512	3,567
Increase in inventories	(2,945)	(4,469)
Increase (decrease) in trade payables	151	(47)
Decrease in accrued expenses	(837)	(11,347)
Other—net	(3,113)	(824)
Subtotal	7,509	(7,333)
Interest and dividends income received	137	111
Interest expenses paid	(574)	(318)
Income taxes paid	(2,059)	(968)
Net cash provided (used in) by operating activities	5,013	(8,508)
Cash flows from investing activities:		
Decrease in time deposits	82	489
Purchase of noncurrent assets	(4,999)	(4,986)
Proceeds from business transfer	–	360
Net decrease from payment for business transfer	–	(1,665)
Other—net	112	(31)
Net cash used in investing activities	(4,805)	(5,833)
Cash flows from financing activities:		
Net decrease in short-term borrowings	(488)	(273)
Repayment of lease obligation	(428)	(618)
Net cash used in financing activities	(916)	(891)
Foreign currency translation adjustments on cash and cash equivalents	(266)	561
Net decrease in cash and cash equivalents	(974)	(14,671)
Cash and cash equivalents, beginning of period	33,904	51,676
Cash and cash equivalents, end of period	¥32,930	¥ 37,005

(5) CHANGE IN ACCOUNTING POLICY

Effective from the beginning of the first quarter of fiscal 2016, the year ending March 31, 2016, the Company adopted the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No.21, issued September 13, 2013, hereinafter the “Accounting Standard for Business Combinations”), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, issued September 13, 2013, hereinafter the “Accounting Standard for Consolidated Financial Statements”) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7, issued September 13, 2013, hereinafter the “Accounting Standard for Business Divestitures”). In applying these revised accounting standards, the Company records any differences arising from changes in interests in its subsidiary retaining control as capital surplus and acquisition-related costs are recognized as expenses when the costs are incurred. Also, regarding business combinations conducted on or after the beginning of the first quarter of fiscal 2016, the disclosure method was revised with regard to the adjustment of purchase price allocation based on provisional accounting applicable to the consolidated financial statements of the period in which the business combination occurs. In addition, the presentation method of net income was amended and the reference to “minority interests” was changed to “non-controlling interests”. To reflect these changes in presentation, the quarterly consolidated financial statements and consolidated financial statements in fiscal 2015 have been reclassified.

Concerning the application of the Accounting Standard for Business Combinations and others, based on the provisional treatment set out in Section 58-2 (4) of the Accounting Standard for Business Combinations, in Section 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and in Section 57-4 (4) of the Accounting Standard for Business Divestitures, these changes are effective from the beginning of the first quarter of fiscal 2016.

There is no impact of these changes on profit and loss for the first quarter of fiscal 2016 and capital surplus as of June 30, 2015.

(6) SEGMENT INFORMATION

<Net Sales by Segment>

(In millions of yen)

	Three months ended June 30				
	2014		2015		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	¥ 33,622	29.7%	¥ 29,720	27.3%	-11.6%
Overseas	48,805	43.0	57,168	52.4	+17.1
Total	82,427	72.7	86,888	79.7	+5.4
Others:					
Japan	13,738	12.1	12,237	11.2	-10.9
Overseas	17,169	15.2	9,895	9.1	-42.4
Total	30,907	27.3	22,132	20.3	-28.4
Consolidated:					
Japan	47,360	41.8	41,957	38.5	-11.4
Overseas	65,974	58.2	67,063	61.5	+1.7
Total	¥113,334	100.0%	¥109,020	100.0%	-3.8%

<Sales and Income (Loss) by Segment>

(In millions of yen)

Three months ended June 30, 2014	Car Electronics	Others	Total	Reconciliations * 1	Consolidated * 2
Sales:					
Sales to external customers	¥82,427	¥30,907	¥113,334	-	¥113,334
Intersegment sales	153	1,136	1,289	¥(1,289)	-
Total sales	82,580	32,883	114,623	(1,289)	113,334
Segment income (loss)	¥ 1,994	¥ (1,602)	¥ 392	¥ (127)	¥ 265

Notes:

1. Reconciliations of ¥(127) million recorded for segment income (loss) include elimination of intersegment transactions of ¥195 million and corporate expenses of ¥(322) 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.

(In millions of yen)

Three months ended June 30, 2015	Car Electronics	Others	Total	Reconciliations * 1	Consolidated * 2
Sales:					
Sales to external customers	¥86,888	¥22,132	¥109,020	-	¥109,020
Intersegment sales	6	860	866	¥(866)	-
Total sales	86,894	22,992	109,886	(866)	109,020
Segment income (loss)	¥ 970	¥ (756)	¥ 214	¥(145)	¥ 69

Notes:

1. Reconciliations of ¥(145) million recorded for segment income (loss) include elimination of intersegment transactions of ¥6 million and corporate expenses of ¥(151) 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.

<Change in Segment>

On March 2, 2015, the home AV, telephones, headphone-related, and DJ equipment businesses were transferred. In accordance with these transfers, business segments are classified into Car Electronics and Others, from the first quarter of fiscal 2016. Figures for the corresponding period of fiscal 2015 have been reclassified accordingly.