

News Release

**For Immediate Release
August 6, 2018**

Pioneer Announces Business Results for 1Q Fiscal 2019

Pioneer Corporation today announced its consolidated first-quarter business results for the period ended June 30, 2018.

Consolidated Financial Highlights

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

	2018	2017	Percent change
Net sales	¥83,811	¥83,319	0.6%
Operating income (loss)	(1,575)	(243)	-
Ordinary income (loss)	(2,013)	(1,230)	-
Net income (loss) *	¥ (6,663)	¥ (2,035)	-%
Net income (loss) * per share	¥(17.61)	¥(5.54)	

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

Consolidated Business Results

For the first quarter of fiscal 2019, the three months ended June 30, 2018, consolidated net sales were almost unchanged year on year at ¥83,811 million, owing to increases in sales of telematics services and the OEM business in Car Electronics, despite lower sales of home AV products.

Operating loss was ¥1,575 million this quarter, compared with an operating loss of ¥243 million for the first quarter of fiscal 2018. This reflected the deterioration in the cost of sales ratio mainly as a result of the increase in depreciation and amortization in the OEM business and foreign exchange rate movements, despite reduced selling, general and administrative (SG&A) expenses. Net loss attributable to owners of Pioneer was ¥6,663 million, compared with a net loss of ¥2,035 million for the first quarter of fiscal 2018. This was mainly due to the increase in operating loss, and a ¥2,021 million provision for loss related to litigation concerning patent license with an European company and a ¥1,323 million loss related to competition law, each recorded as an extraordinary loss.

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During the first quarter of fiscal 2019, the average value of the Japanese yen rose 1.9% against the U.S. dollar year on year, to ¥109.07=1 U.S. dollar, and declined 6.1% against the euro, to ¥130.06=1 euro.

Car Electronics sales increased 1.5% year on year, to ¥70,218 million, due to increases in sales of telematics services and the OEM business.

Sales of the consumer market business were almost unchanged year on year. Car audio product sales decreased caused mainly by a decline in Central and South America. Car navigation system sales decreased due to a decline overseas, mainly in Europe. Sales of telematics services increased owing to favorable performance in those for automobile insurance in Japan.

Sales of the OEM business increased year on year. Car audio product sales increased because of higher sales mainly in China and Europe, despite a decrease in North America. Car navigation system sales decreased, due mainly to lower sales in Japan and North America, despite higher sales in Central and South America.

OEM business sales accounted for 61% of total Car Electronics sales, compared with 60% a year earlier.

By geographic region, sales in Japan increased 2.7%, to ¥27,049 million, and overseas sales were roughly flat year on year at ¥43,169 million.

Operating loss was ¥1,392 million, compared with an operating income of ¥257 million for the first quarter of fiscal 2018. This was mainly due to the deterioration in the cost of sales ratio as a result of the increase in depreciation and amortization in the OEM business and foreign exchange rate movements, despite an increase in sales.

In the **Others** segment, sales declined 4.1% year on year, to ¥13,593 million, mainly because of lower sales of home AV products, despite an increase in sales of factory automation systems.

By geographic region, sales in Japan increased 8.4%, to ¥8,098 million, and overseas sales decreased 18.0%, to ¥5,495 million.

Operating loss was ¥18 million, compared with an operating loss of ¥404 million for the first quarter of fiscal 2018, due to an improvement in the cost of sales ratio and a decrease in SG&A expenses, although sales declined.

Note: Operating income (loss) in each business segment represents operating income (loss) before elimination of intersegment transactions.

Consolidated Financial Position

Total assets as of June 30, 2018 were ¥275,346 million, a decrease of ¥12,160 million from March 31, 2018, mainly due to decreases in trade receivables and cash and deposits, despite an increase in intangible assets. Intangible assets increased ¥3,764 million, to ¥78,261 million, reflecting an increase in software, despite a decrease in software in progress. Meanwhile, trade receivables decreased ¥9,397 million to ¥50,697 million. Cash and deposits decreased ¥6,545 million to ¥29,097 million.

Total liabilities were ¥196,065 million, an ¥6,507 million decrease from March 31, 2018. This was primarily due to a decrease of ¥3,676 million in trade payables, and a decrease of ¥3,430 million in accrued expenses.

Total equity was ¥79,281 million, a ¥5,653 million decline from March 31, 2018. This mainly reflected the recording of ¥6,663 million in net loss attributable to owners of Pioneer for the three months ended June 30, 2018.

Consolidated Business Forecasts for Fiscal 2019

Consolidated business forecasts for fiscal 2019, ending March 31, 2019, have not been changed from those announced on May 14, 2018.

	(In millions of yen)		
	Forecasts for fiscal 2019	Results for fiscal 2018	Percent change
Net sales	¥380,000	¥365,417	+4.0%
Operating income (loss)	(5,000)	1,194	-
Net income (loss)*	¥ -	¥ (7,123)	-%

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

- Notes: 1. Regarding the forecast for net income (loss) attributable to owners of Pioneer, we are examining significant revision measures in the Car OEM business, which has faced harsh profitability conditions, and will announce the projection once the impact of the measures have been estimated.
2. The yen-U.S. dollar and yen-euro exchange rate assumptions for remaining nine months of fiscal 2019 remain unchanged at ¥110 and ¥130, respectively.

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, 2018.

(1) CONSOLIDATED BALANCE SHEETS

	(In millions of yen)	
	March 31, 2018	June 30, 2018
ASSETS		
Current assets:		
Cash and deposits	35,642	29,097
Trade receivables	60,094	50,697
Finished products	21,590	24,368
Work in process	12,793	12,711
Raw materials and supplies	15,750	15,151
Other current assets	14,093	14,620
Allowance for doubtful receivables	(740)	(874)
Total current assets	159,222	145,770
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	47,828	47,051
Machinery, equipment and others	117,881	116,752
Lease assets	8,620	9,462
Others	10,919	10,195
Accumulated depreciation	(147,039)	(146,880)
Net property, plant and equipment	38,209	36,580
Intangible assets:		
Goodwill	396	385
Software	25,896	30,937
Software in progress	47,606	46,351
Others	599	588
Total intangible assets	74,497	78,261
Investments and other assets:		
Investment securities	8,466	8,128
Deferred tax assets	3,006	3,046
Net defined benefit asset	973	945
Others	3,156	2,592
Allowance for doubtful accounts	(49)	-
Total investments and other assets	15,552	14,711
Total noncurrent assets	128,258	129,552
Total deferred assets	26	24
Total assets	287,506	275,346

	(In millions of yen)	
	March 31, 2018	June 30, 2018
LIABILITIES		
Current liabilities:		
Trade payables	59,770	56,094
Short-term borrowings	32,537	32,773
Current portion of long-term debt	1,667	1,667
Income taxes payable	893	1,008
Accrued expenses	33,107	29,677
Provision for loss related to patent litigation	-	2,021
Warranty reserve	1,841	1,857
Other current liabilities	19,528	18,477
Total current liabilities	149,343	143,574
Long-term liabilities:		
Convertible bonds	15,041	15,038
Long-term debt	833	833
Accrued pension and severance costs	31,395	30,998
Other long-term liabilities	5,960	5,622
Total long-term liabilities	53,229	52,491
Total liabilities	202,572	196,065
EQUITY		
Shareholders' equity:		
Common stock	92,881	92,881
Capital surplus	32,295	32,295
Retained earnings	46,733	40,072
Treasury stock	(11,052)	(11,052)
Total shareholders' equity	160,857	154,196
Accumulated other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	(393)	(204)
Deferred gain (loss) on derivatives under hedge accounting	11	35
Foreign currency translation adjustments	(59,446)	(59,164)
Defined retirement benefit plans	(20,509)	(19,937)
Total accumulated other comprehensive income (loss)	(80,337)	(79,270)
Noncontrolling interests	4,414	4,355
Total equity	84,934	79,281
Total liabilities and equity	287,506	275,346

(2) CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions of yen)

	Three months ended June 30	
	2017	2018
Net sales	83,319	83,811
Cost of sales	68,253	70,367
Gross profit	15,066	13,444
Selling, general and administrative expenses	15,309	15,019
Operating income (loss)	(243)	(1,575)
Non-operating income:		
Interest income	51	60
Dividend income	34	26
Equity in earnings of associated companies	-	30
Others	47	46
Total non-operating income	132	162
Non-operating expenses:		
Interest expense	168	210
Exchange loss	674	257
Equity in losses of associated companies	58	-
Others	219	133
Total non-operating expenses	1,119	600
Ordinary income (loss)	(1,230)	(2,013)
Extraordinary income:		
Gain on sale of noncurrent assets	-	2
Gain on sale of shares of affiliated companies	-	565
Total extraordinary income	-	567
Extraordinary loss:		
Loss on business transfer	30	64
Provision for loss related to patent litigation	-	2,021
Loss related to competition law	-	1,323
Restructuring costs	230	140
Loss on business transfer	11	-
Others	-	624
Total extraordinary loss	271	4,172
loss before income taxes	(1,501)	(5,618)
Income taxes:		
Current	455	1,196
Deferred	84	(205)
Total income taxes	539	991
Net income (loss)	(2,040)	(6,609)
Net income (loss) attributable to noncontrolling interests	(5)	54
Net income (loss) attributable to owners of Pioneer Corporation	(2,035)	(6,663)

(3) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	(In millions of yen)	
	Three months ended June 30	
	2017	2018
Net income (loss)	(2,040)	(6,609)
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	1,082	189
Deferred gain (loss) on derivatives under hedge accounting	(260)	24
Foreign currency translation adjustments	328	257
Defined retirement benefit plans	550	572
Share of other comprehensive income (loss) in associates	(26)	(24)
Total other comprehensive income (loss)	1,674	1,018
Comprehensive income (loss)	(366)	(5,591)
Comprehensive income (loss) attributable to:		
Owners of Pioneer Corporation	(404)	(5,596)
Noncontrolling interests	38	5

(4) CONSOLIDATED STATEMENTS OF CASH FLOWS

	(In millions of yen)	
	Three months ended June 30	
	2017	2018
Cash flows from operating activities:		
Income (loss) before income taxes	(1,501)	(5,618)
Depreciation and amortization	4,559	5,554
Loss (gain) on business transfer	11	-
Increase (decrease) in provision for loss related to patent litigation	-	2,021
Increase (decrease) in accrued pension and severance costs	(409)	(415)
Interest and dividend income	(85)	(86)
Interest expense	168	210
Loss (gain) on sale and disposal of noncurrent assets—net	30	62
Loss (gain) on sale of shares of affiliated companies—net	-	(565)
Decrease (increase) in trade receivables	11,515	9,194
Decrease (increase) in inventories	(3,316)	(3,389)
Increase (decrease) in trade payables	(1,908)	(3,201)
Increase (decrease) in accrued expenses	(3,089)	(665)
Other—net	2,184	555
Subtotal	8,159	3,657
Interest and dividend income received	85	86
Interest expense paid	(168)	(209)
Income taxes paid	(952)	(952)
Net cash provided by (used in) operating activities	7,124	2,582
Cash flows from investing activities:		
Decrease (increase) in time deposits	-	(3)
Payment for purchase of noncurrent assets	(8,249)	(11,103)
Proceeds from sale of noncurrent assets	-	29
Payment for purchase of investment securities	(302)	-
Payment for purchase of shares of associated companies	(501)	-
Payment for business transfer	(118)	-
Proceeds from sale of subsidiary stock resulting in change in scope of consolidation—net	-	1,230
Proceeds from liquidation of an associated company	-	581
Other—net	2	(35)
Net cash provided by (used in) investing activities	(9,168)	(9,301)
Income (loss) before income taxes		
Increase (decrease) in short-term borrowings—net	13	369
Proceeds from sale and lease back transactions	1,717	246
Repayment of lease obligations	(314)	(334)
Purchase of treasury stock	(1)	-
Dividends paid to noncontrolling interests	-	(64)
Net cash provided by (used in) financing activities	1,415	217
Foreign currency translation adjustments on cash and cash equivalents	274	(46)
Net increase (decrease) in cash and cash equivalents	(355)	(6,548)
Cash and cash equivalents, beginning of period	38,405	35,634
Cash and cash equivalents, end of period	38,050	29,086

(5) NOTE REGARDING GOING CONCERN ASSUMPTION

We recorded net loss attributable to owners of Pioneer Corporation for fiscal 2018 of ¥7.1 billion, and free cash flows, which represent the sum of cash flows from operating activities and cash flows from investing activities, were outflows of ¥17.2 billion. In addition, we expect to record an operating loss for fiscal 2019. Therefore, there exists a situation for generating uncertainties about the going concern assumption, when we pay back all amounts of loans which will be due in fiscal 2019.

In the circumstances above, initially we aimed to present business plans reflecting the outline of the Group-wide management improvement plans and the significant revision measures in the OEM business aimed at restoring profitability to the banks, and to obtain agreements with them on refinancing of the loans. However, due to delay in making details of the management improvement plans and the significant revision measures in the OEM business, we are currently unable to present such business plans. Thus, there exists a situation for generating substantial uncertainties about the going concern assumption.

In order to resolve this situation, we are making efforts to decide on, as well as carrying out the management improvement plans, as shown below.

(1) Improvement of business performance

In order to improve business performance, we are examining and conducting following measures in our core Car Electronics.

(OEM business)

In the OEM business, which has faced harsh profitability conditions and is the main factor of deterioration of business performance, we will make every possible effort to decide details of significant revision measures at an early stage, including alliance with business partners, review of business conditions with customers, and cost reduction.

(Consumer market business)

In the consumer market business, our main source of revenue, we plan to promote Pioneer's proprietary "connected car life" by launching new products with enhanced smartphone-link functions and pursuing sound-centric entertainment in a timely manner. We will also proactively strengthen our new businesses, such as solutions businesses that combine Pioneer's strengths in both hardware and software, including telematics services for automobile insurance and Vehicle Assist, a driving management service for fleet vehicles, and thereby we will pursue increase profit again.

(Map business and autonomous driving field)

In the map business and autonomous driving field, which are drivers for future growth, we are currently undertaking evaluations and validations through the roll-out of the samples of the 3D-LiDAR driving space sensor essential for autonomous driving, aiming for its commercialization. Also we are strengthening our alliance with HERE Technologies, a Netherlands-based global provider of mapping and location services, and developing high-definition maps. Through these initiatives, Pioneer is steadily working to become an "essential company" in an era of autonomous driving.

(2) Securing cash needed for business operations

In order to secure cash needed for business operations and realize management improvement plans, we are making efforts to decide on, as well as carrying out the measures shown below.

(Negotiations with the banks in terms of continuous cash supply)

We will urgently develop management improvement plans based on the above measures and negotiate with the banks in terms of continuous cash supply including the refinancing of loans.

(Sale of noncore businesses)

We are continuously proceeding/implementing Group-wide business selection and concentration, such as the share transfer of Pioneer FA Corporation in the first quarter of fiscal 2019, and the scheduled transfer of the plant and production facilities owned by our subsidiary, Pioneer Technology (Malaysia) Sdn. Bhd.

Presently we are implementing reviewing and carrying out the management improvement plans including the above measures, but such plans are still under considerations. The improvement of business performance may depend on future economic conditions and levels of consumer spending. Also alliance with business partners, review of business conditions with customers and continuous cash supply from the banks are still under negotiation, and no final agreement has been reached. Currently there exists a situation for generating uncertainties about the going concern assumption.

The consolidated quarterly financial statements for the first quarter of fiscal 2019 included herein were prepared on the going concern assumption, and did not reflect the impact of the substantial uncertainties concerning the going concern assumption.

(6) CHANGE IN ACCOUNTING POLICY

Effective from the beginning of the first quarter of the fiscal 2019, ending March 31, 2019, the Company's overseas consolidated subsidiaries that apply international financial reporting standards (IFRS) have adopted IFRS 9 "Financial instruments" and IFRS 15 "Revenue from Contracts with Customers." The impact of the adoption of above accounting standards on consolidated financial statements for the three months ended June 30, 2018 is immaterial.

(7) ADDITIONAL INFORMATION

Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. Effective from the beginning of the first quarter of the fiscal 2019, ending March 31, 2019, the Company has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). Deferred tax assets are presented in investments and other assets and deferred tax liabilities are presented in long-term liabilities.

(8) SEGMENT INFORMATION

<Net Sales by Segment>

(In millions of yen)

	Three months ended June 30				Percent change
	2017		2018		
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	26,348	31.6 %	27,049	32.3 %	+2.7 %
Overseas	42,802	51.4	43,169	51.5	+0.9
Total	69,150	83.0	70,218	83.8	+1.5
Others:					
Japan	7,471	9.0	8,098	9.6	+8.4
Overseas	6,698	8.0	5,495	6.6	-18.0
Total	14,169	17.0	13,593	16.2	-4.1
Consolidated:					
Japan	33,819	40.6	35,147	41.9	+3.9
Overseas	49,500	59.4	48,664	58.1	-1.7
Total	83,319	100.0 %	83,811	100.0 %	+0.6 %

<Sales and Income (Loss) by Segment>

Three months ended June 30,2017				(In millions of yen)	
	Car Electronics	Others	Total	Reconciliations * 1	Consolidated * 2
Sales:					
Sales to external customers	69,150	14,169	83,319	-	83,319
Intersegment sales	109	743	852	(852)	-
Total sales	69,259	14,912	84,171	(852)	83,319
Segment income (loss)	257	(404)	(147)	(96)	(243)

Notes:

1. Reconciliations of ¥(96) million recorded for segment income (loss) include elimination of intersegment transactions of ¥(174) million and corporate expenses of ¥78 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 (loss) presented in the accompanying consolidated statements of operations.

Three months ended June 30,2018				(In millions of yen)	
	Car Electronics	Others	Total	Reconciliations * 1	Consolidated * 2
Sales:					
Sales to external customers	70,218	13,893	83,811	-	83,811
Intersegment sales	73	822	895	(895)	-
Total sales	70,291	14,415	84,706	(895)	83,811
Segment income (loss)	(1,392)	(18)	(1,410)	(165)	(1,575)

Notes:

1. Reconciliations of ¥(165) million recorded for segment income (loss) include elimination of intersegment transactions of ¥6 million and corporate expenses of ¥(171) 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 (loss) presented in the accompanying consolidated statements of operations.