

Pioneer

Pioneer Corporation

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

February 14, 2019

Main Points of Announcement

1. Business Results for 3Q of FY2019

- ***Both in the third quarter and in the nine months, net sales decreased year on year due to lower sales of Car Electronics and Others. In addition to sales decrease, deterioration of cost of sales ratio, and impact of currency exchange resulted in operating loss.***
- ***Net loss declined year on year for the third quarter due to gain on business transfer and foreign exchange gain, despite recording of operating loss. In the nine months, net loss worsened year on year mainly due to recording of operating loss, loss related to patent litigation, and loss related to competition law, despite gain on business transfer.***

2. Business Forecasts for FY2019

- ***Net sales forecasts are 350.0 billion yen and operating loss forecasts are 5.0 billion yen, unchanged from our previous forecasts.***
- ***Net loss of 13.0 billion yen is expected mainly due to recording of extraordinary loss.***

1. Business Results for 3Q of FY2019

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 3Q of FY2019

Consolidated Business Results for 3Q & Nine Months of FY2019

(billion yen)

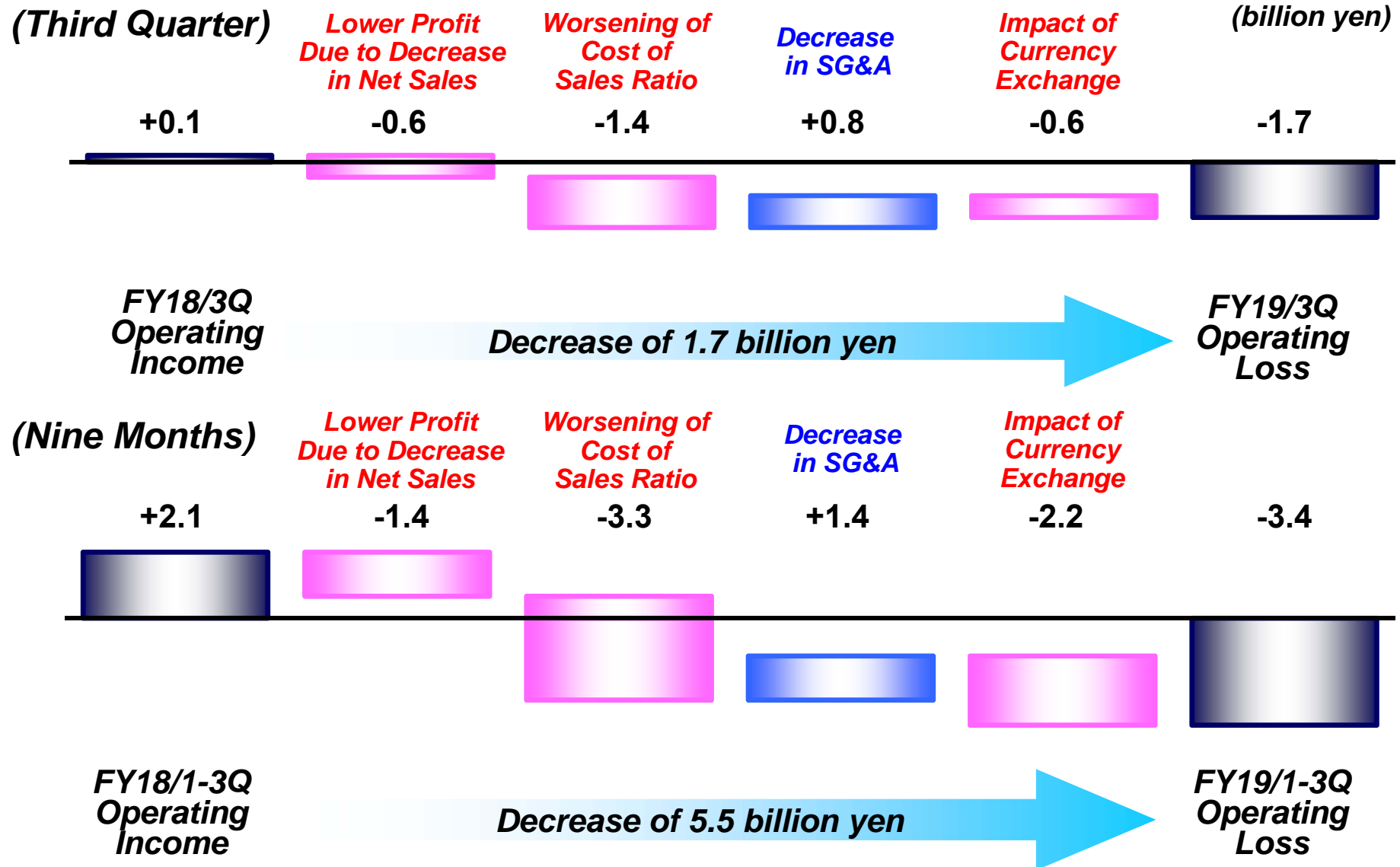
	Third Quarter			Nine Months		
	FY18	FY19	% to Prior Year	FY18	FY19	% to Prior Year
Net Sales	94.7	89.9	95.0%	270.9	260.9	96.3%
Operating Income/Loss	0.1	-1.7	-	2.1	-3.4	-
Ordinary Income/Loss	-1.8	-1.0	-	-2.2	-4.7	-
Net Income/Loss*	-2.9	-0.8	-	-5.5	-10.7	-

Net Income/Loss* per Share (yen)	-7.56	-1.99	+5.57	-14.85	-28.25	-13.40
ROE	-13.8%	-4.1%	+9.7%	-8.9%	-18.7%	-9.8%
Book-value per Share (yen)	219.39	190.82	-28.57			
ROA	-3.9%	-1.1%	+2.8%	-2.5%	-5.2%	-2.7%

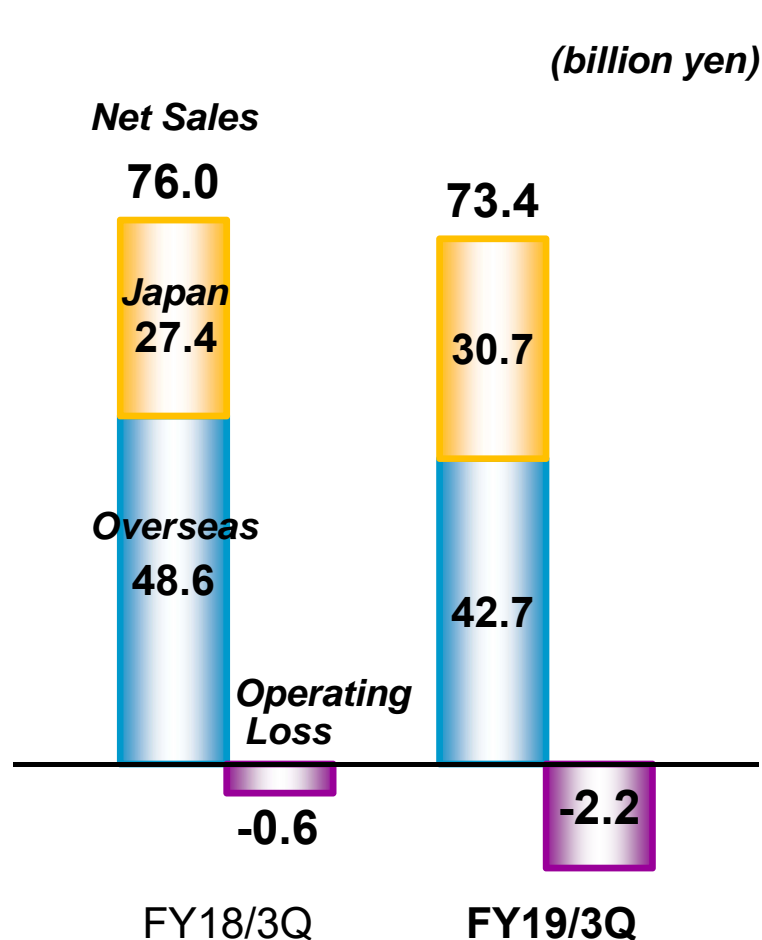
* Net income/loss attributable to owners of Pioneer Corporation

Average Currency Rate (yen)	1 US\$	112.98	112.90	-0.1%	111.70	111.14	-0.5%
	1 Euro	133.01	128.78	-3.3%	128.53	129.49	+0.7%

Operating Income/Loss Structure Breakdown



3Q Results: Car Electronics



< Net Sales > OEM Ratio to Net Sales: 58% (FY18/3Q: 58%)

% to Prior Year	97% (Japan 112%, Overseas 88% (Local currency basis: 90%))
Increase Factors	OEM car audio products, telematics services, consumer market car navigation systems, and map software
Decrease Factors	OEM car navigation systems, and consumer market car audio products

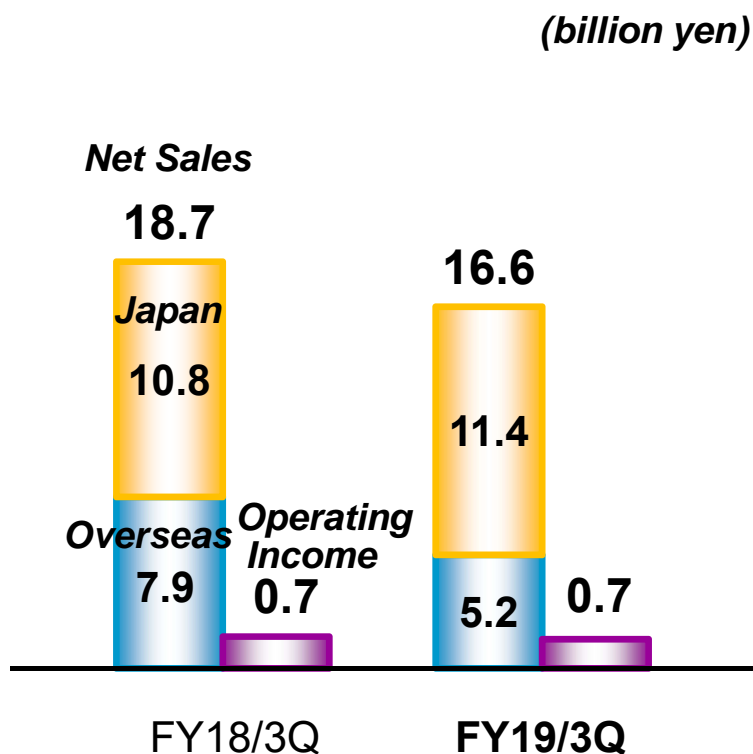
< Operating Income/Loss >

Year-on-Year	Decrease of 1.6 billion yen
Positive Factor	Decrease in SG&A
Negative Factors	Worsening of cost of sales ratio, impact of currency exchange, and lower profit due to decrease in net sales

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.

3Q Results: Others



< Net Sales >

% to Prior Year	88% (Japan 105%, Overseas 66% (Local currency basis: 68%))
Increase Factor	Optical disc drive-related products
Decrease Factors	Home AV products, FA systems (transfer of subsidiaries*1 *3), and DJ equipment (decrease in subcontracted manufacturing *2)

< Operating Income >

Year-on-Year	Decrease of 60 million yen
Positive Factors	Improvement in cost of sales ratio, and decrease in SG&A
Negative Factor	Lower profit due to decrease in net sales

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

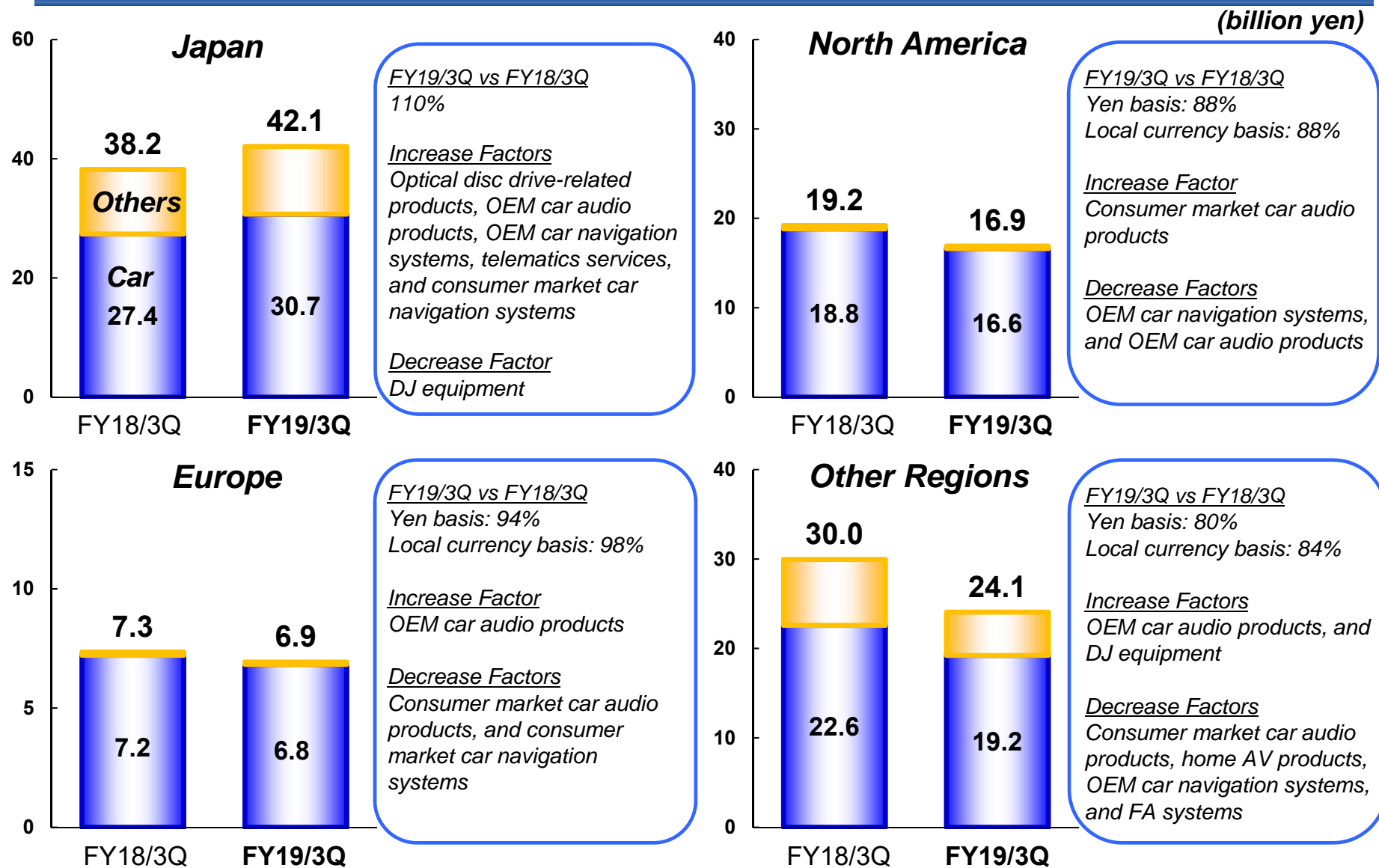
*2 Plant manufacturing DJ equipment in Malaysia was transferred in August 2018.

*3 FA system business mainly for automobile industry (Tohoku Pioneer EG Corporation) was transferred in December 2018.

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 by segment represents figures prior to elimination of transactions among segments.

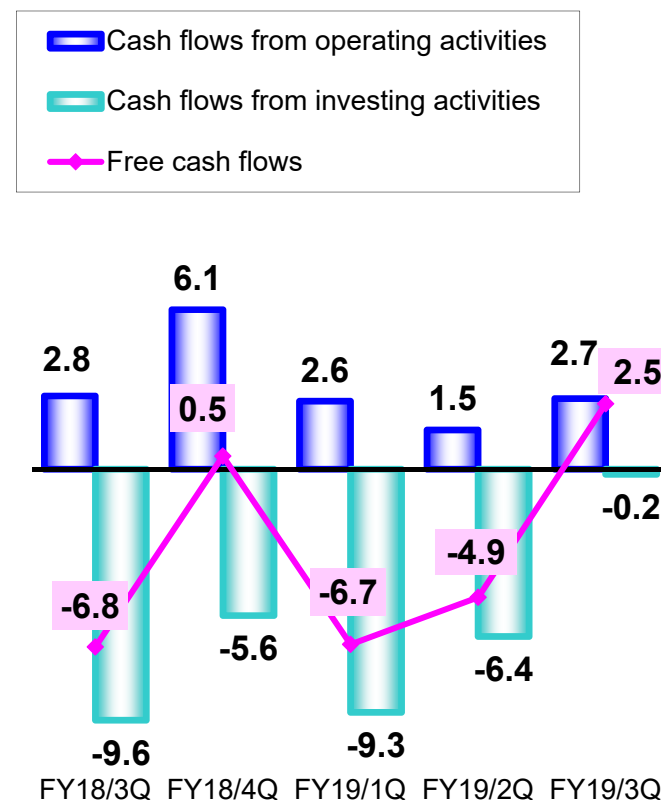
3Q Results: Net Sales by Geographic Segment



3Q & Nine Month Results: Cash Flows

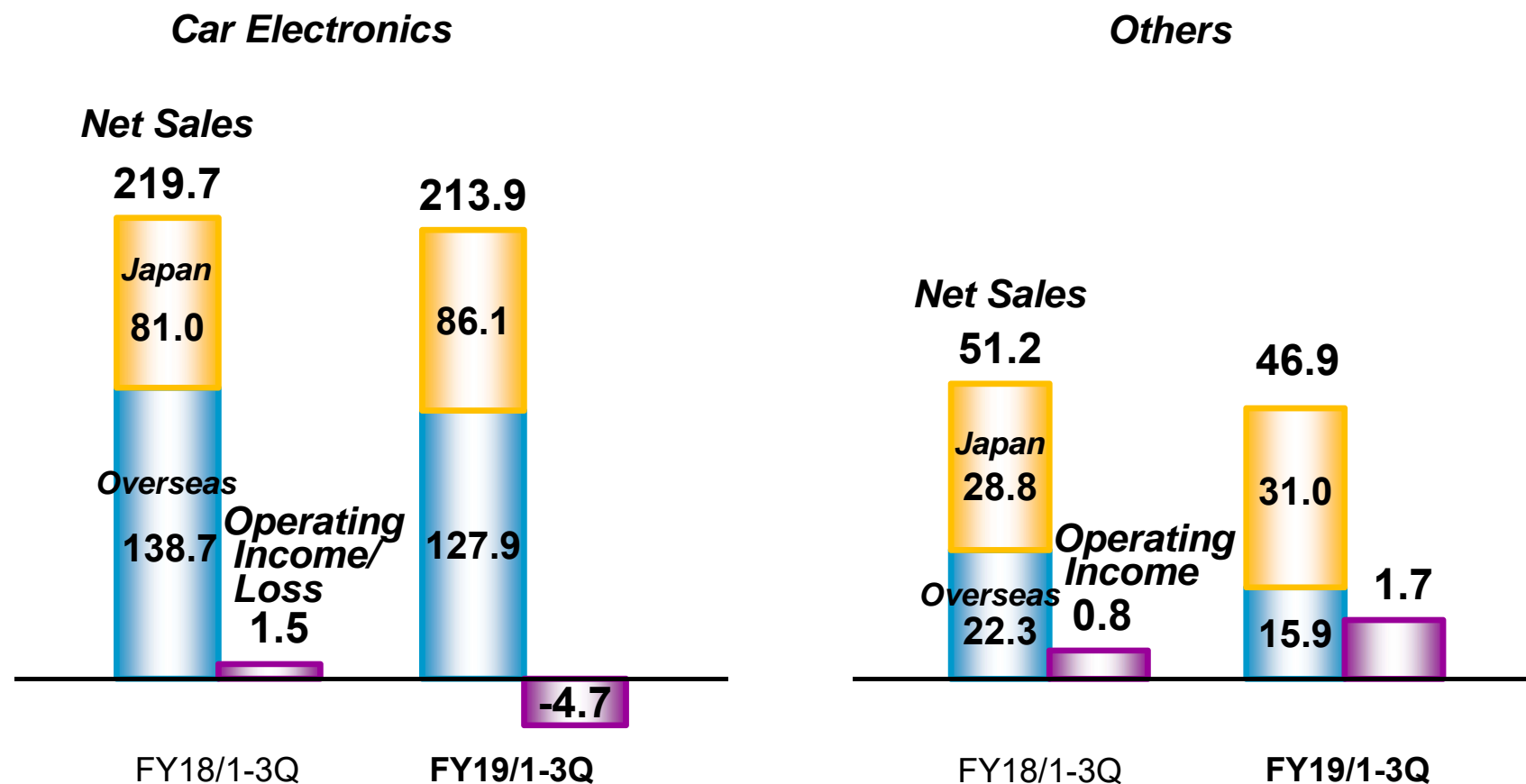
	Third Quarter		Nine Months	
	FY18	FY19	FY18	FY19
<i>Income (loss) before income taxes</i>	-1.7	0.6	-3.2	-7.7
<i>Depreciation and amortization</i>	5.5	5.0	15.1	17.1
<i>Decrease in trade receivables</i>	1.8	3.4	5.0	10.7
<i>Decrease (increase) in inventories</i>	-0.3	0.9	-4.5	-2.9
<i>Decrease in trade payables</i>	-2.2	-2.6	-1.5	-7.8
<i>Decrease in accrued expenses</i>	-2.4	-4.0	-2.5	-2.5
<i>Others</i>	2.2	-0.6	1.4	-0.1
Cash flows from operating activities	2.8	2.7	9.8	6.8
Cash flows from investing activities	-9.6	-0.2	-27.5	-15.9
Cash flows from financing activities	10.7	-3.2	16.1	0.6
Foreign currency translation adjustments on cash and cash equivalents	0.3	-0.4	1.1	-0.3
Free cash flows	-6.8	2.5	-17.7	-9.0
Net increase (decrease) in cash and cash equivalents	4.2	-1.1	-0.6	-8.7
Balance of cash and cash equivalents	37.8	26.9		
Net cash balance	-13.9	-23.3		

(billion yen)



Nine Month Results : Net Sales & Operating Income/Loss by Segment

(billion yen)



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

2. Business Forecasts for FY2019

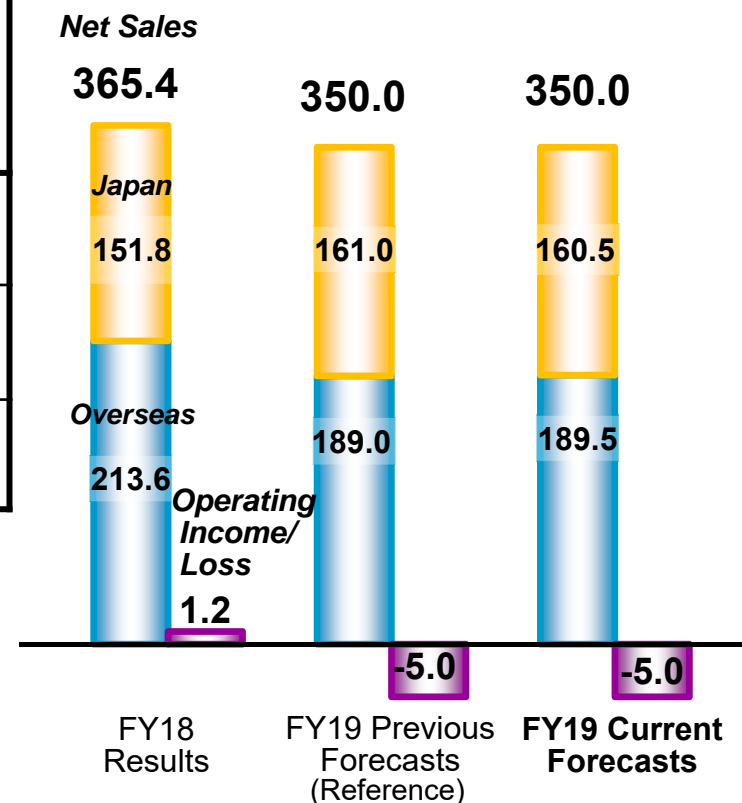
Consolidated Business Forecasts for FY2019

(billion yen)

(billion yen)

	FY18 Results	FY19 Previous Forecasts (Reference)	FY19 Current Forecasts	% to Prior Year
Net Sales	365.4	350.0	350.0	95.8%
Operating Income/Loss	1.2	-5.0	-5.0	-
Net Income/Loss*	-7.1	-	-13.0	-

* Net income/loss attributable to owners of Pioneer Corporation

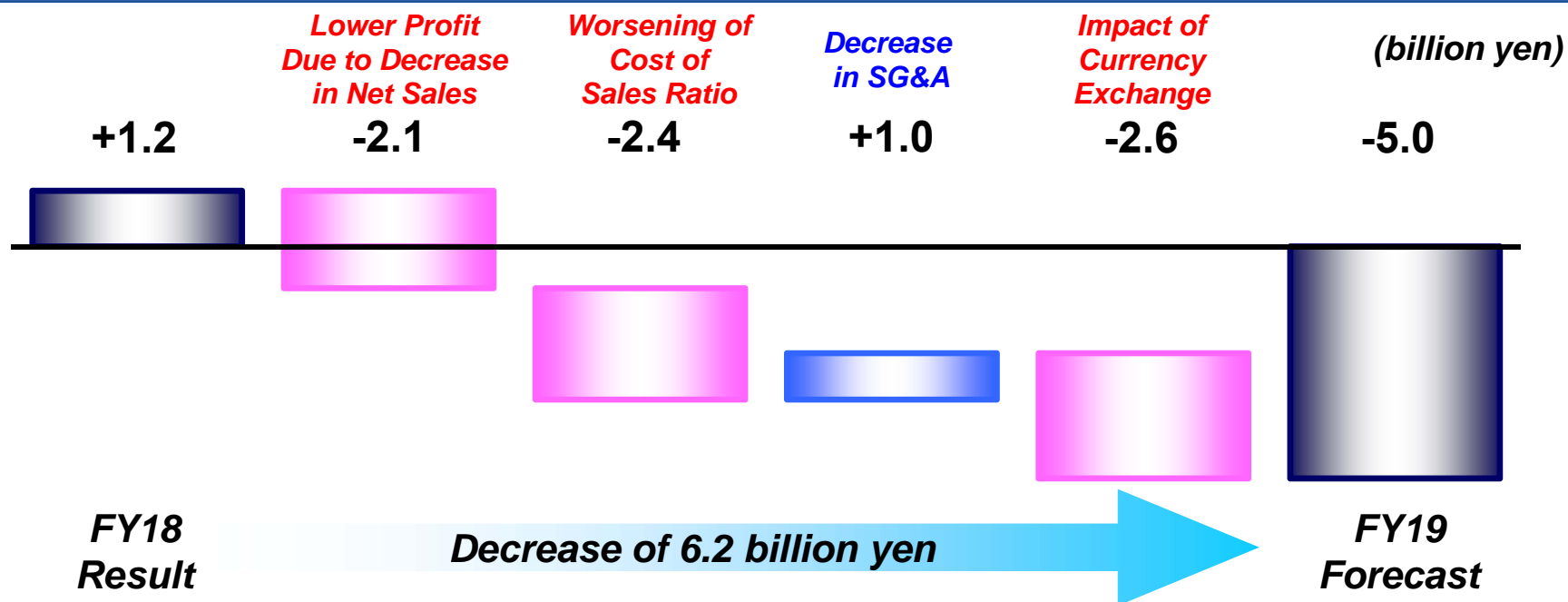


Average Currency Rate (yen)	1 US\$	110.85	110.13	110.86
	1 Euro	129.70	129.92	128.37

Notes: 1. The yen-U.S. dollar exchange rate assumption for remaining three months of FY2019 is 110 yen, while the yen-euro exchange rate assumption is 125 yen.

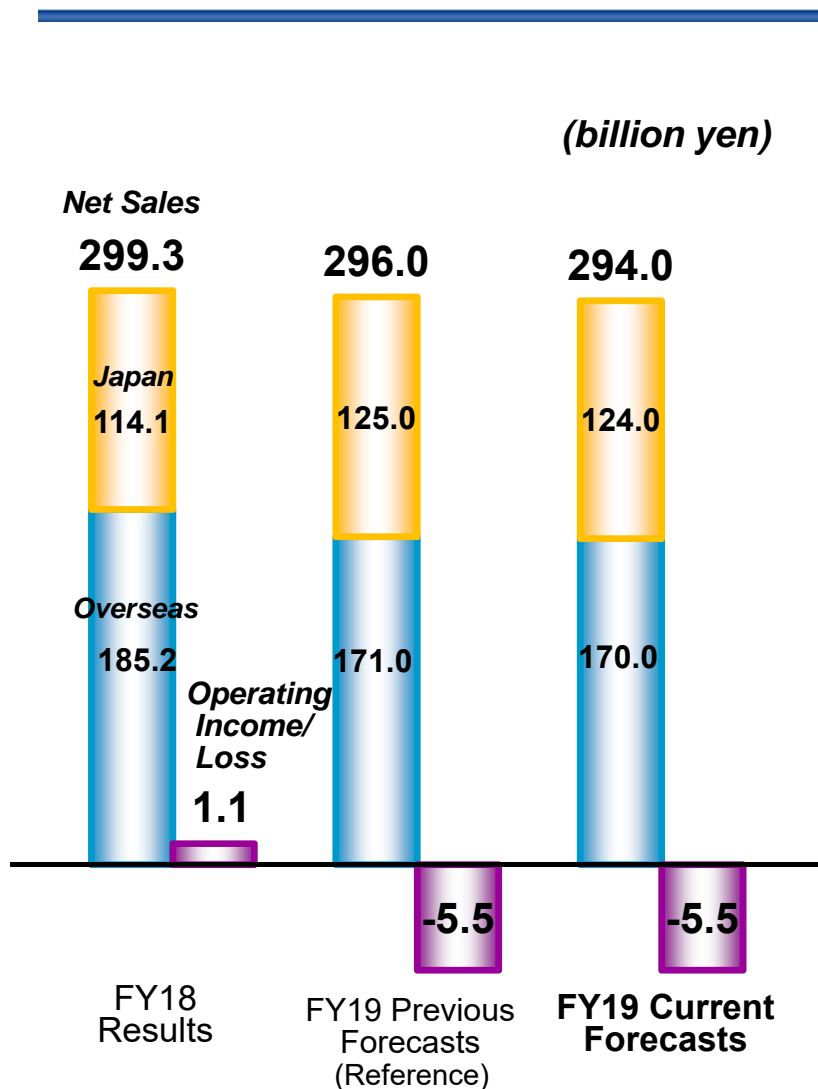
2. In case of 1 yen appreciation against US\$ and euro, impacts on remaining three months are:
 Net sales— US\$: -370 million yen; euro: -50 million yen / Operating income— US\$: +80 million yen; euro: -40 million yen.

FY2019 Forecasts: Operating Income/Loss Structure Breakdown



- Lower profit due to the impact of partial business transfer of FA systems and DJ equipment, and sales decrease in consumer market business of Car Electronics.
- Worsening of cost of sales ratio mainly due to an increase in depreciation and amortization in the OEM business in Car Electronics.
- Decrease in SG&A due to sales decline and cost reduction, despite an increase in R&D expenses for autonomous driving.
- Negative impact of currency exchange due to exchange rate movements of emerging market currencies.

FY2019 Forecasts: Car Electronics



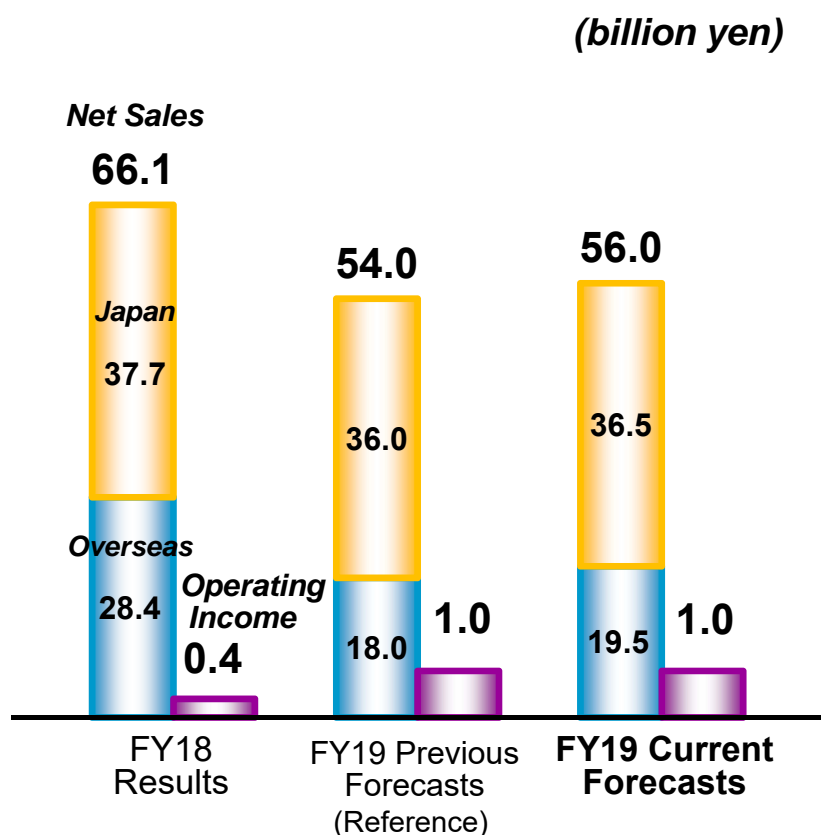
< Net Sales >		OEM Ratio to Net Sales: 59% (FY18: 58%)
% to Prior Year	98% (Japan 109%, Overseas 92% (Local currency basis: 94%))	
Increase Factors	OEM car audio products, telematics services, and map software	
Decrease Factors	OEM car navigation systems, and consumer market car audio products	
% to Prev. Forecasts	99% (Japan 99%, Overseas 99% (Local currency basis: 99%))	
Increase Factor	OEM car audio products	
Decrease Factors	Consumer market car navigation systems, and OEM car navigation systems	

< Operating Income/Loss >	
Year-on-Year	Decrease of 6.6 billion yen
Negative Factors	Worsening of cost of sales ratio, impact of currency exchange, and lower profit due to decrease in net sales
vs. Prev. Forecasts	No change
Positive Factor	Decrease in SG&A
Negative Factors	Worsening of cost of sales ratio, 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	545	495	
Car CD players	5,324	4,350	4,250	
Car AV products	1,486	1,760	1,700	

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

FY2019 Forecasts: Others



< Net Sales >

% to Prior Year	85% (Japan 97%, Overseas 69% (Local currency basis: 70%))
Increase Factor	Optical disc drive-related products
Decrease Factors	Home AV products, FA systems (transfer of subsidiaries ^{*1*}), and DJ equipment (decrease in subcontracted manufacturing ^{*2})
% to Prev. Forecasts	104% (Japan 101%, Overseas 108% (Local currency basis: 108%))
Increase Factor	Optical disc drive-related products
Decrease Factor	None

< 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	Higher profit due to increase in net sales, and improvement in cost of sales ratio
Negative Factor	Increase in SG&A

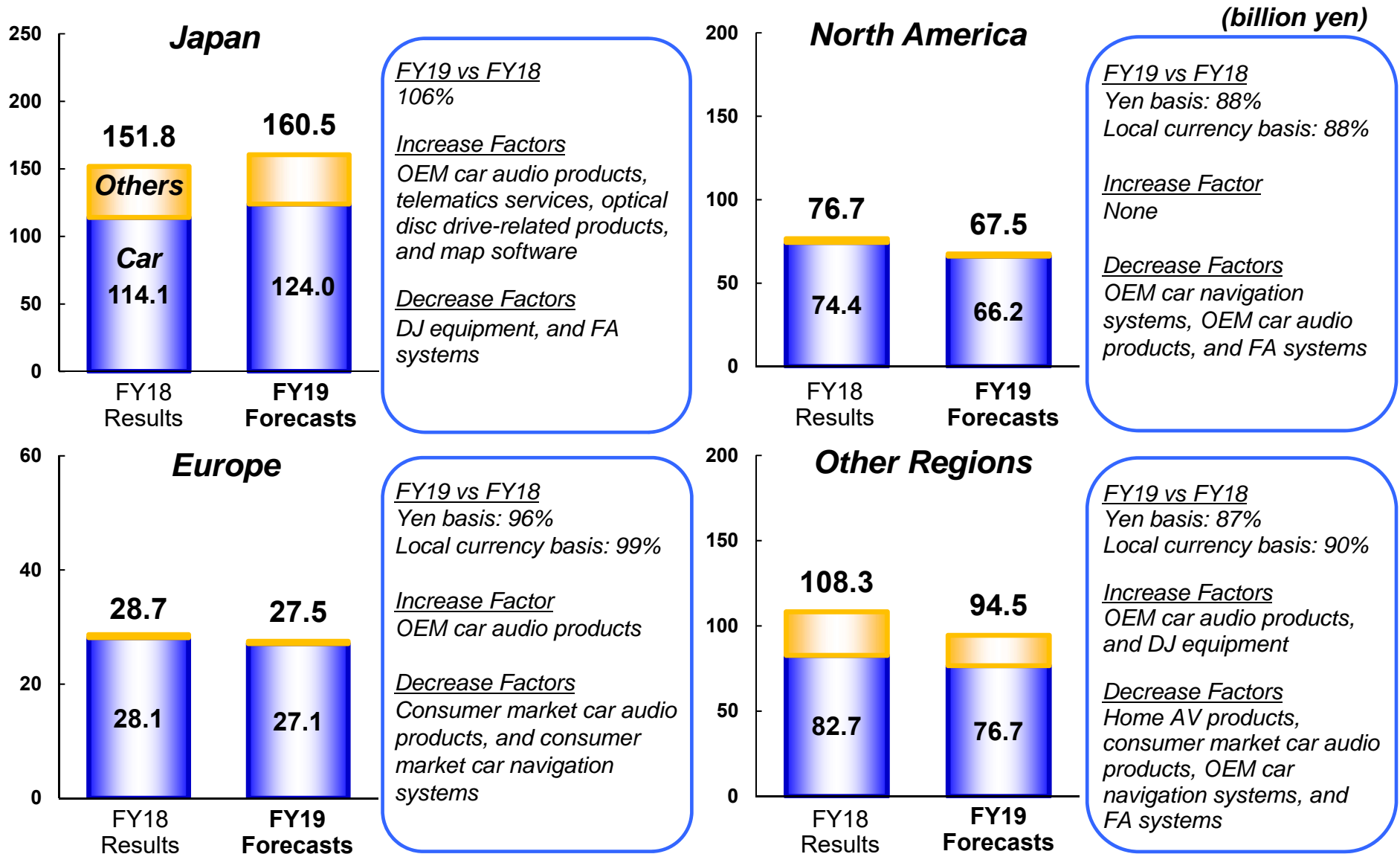
Note: Operating income by segment represents figures prior elimination of transactions among segments.

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

FY2019 Forecasts: Net Sales by Geographic Segment



FY2019 Forecasts: Financial Data

(billion yen)

	FY18 Results	FY19 Previous Forecasts	FY19 Current Forecasts
R&D Expenses (% to net sales)	25.9 (7.1%)	28.5 (8.1%)	28.0 (8.0%)
Capital Expenditures	31.0	-	37.0
Depreciation & Amortization	20.6	25.0	23.0
Inventories	50.1	46.0	44.0
Cash Flows from Operating Activities	15.9	-	7.5
Cash Flows from Investing Activities	-33.2	-	-24.5
Cash Flows from Financing Activities	14.3	-	-1.5
Free Cash Flows	-17.2	-	-17.0
Equity	84.9	-	74.5
Equity Ratio	28%	-	28%
D/E Ratio	0.6 times	-	0.7 times
Net Cash Balance	-14.4	-	-31.5

Notes: 1. D/E Ratio = Debt ÷ (Equity – Noncontrolling Interests)

2. Above forecasts do not include the scheduled capital contribution of 77.0 billion yen from Baring Private Equity Asia.

Pioneer