

News Release

**For Immediate Release
November 9, 2017**

Pioneer Announces Business Results for 2Q Fiscal 2018

Pioneer Corporation today announced its consolidated second-quarter and six-month business results for the period ended September 30, 2017.

Consolidated Financial Highlights

(In millions of yen except per share information)

	Three months ended September 30			Six months ended September 30		
	2017	2016	Percent change	2017	2016	Percent change
Net sales	¥92,851	¥95,068	-2.3%	¥176,170	¥190,397	-7.5%
Operating income	2,292	1,140	+101.1	2,049	1,516	+35.2
Ordinary income (loss)	870	805	+8.1	(360)	2,828	-
Net income (loss) *	¥ (614)	¥ (305)	-%	¥ (2,649)	¥ 966	-%
Net income (loss) * per share	¥(1.67)	¥(0.83)		¥(7.21)	¥2.63	

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

Consolidated Business Results

For the second quarter of fiscal 2018, the three months ended September 30, 2017, consolidated net sales declined 2.3% year on year, to ¥92,851 million. This was mainly due to lower sales of the Car Electronics OEM business more than offsetting the positive effect of the Japanese yen's depreciation.

Operating income doubled year on year to ¥2,292 million, reflecting an improved cost of sales ratio mainly due to a decrease in depreciation and amortization, despite the decline in net sales. Net loss attributable to owners of Pioneer was ¥614 million, compared with ¥305 million for the second quarter of fiscal 2017. This was mainly due to recordings of foreign exchange loss and restructuring costs, despite the increase in operating income.

During the second quarter of fiscal 2018, the average value of the Japanese yen declined 7.7% against the U.S. dollar year on year, to ¥111.03=1 U.S. dollar, and declined 12.3% against the euro, to ¥130.38=1 euro.

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Car Electronics sales declined 4.8% year on year, to ¥74,580 million. This was mainly due to lower car navigation system sales in the OEM business, despite the positive effects of the Japanese yen's depreciation and the introduction of new car audio products in the consumer market business.

Sales of the consumer market business increased year on year. Sales of car audio products increased mainly because of higher sales in North America and Europe, with the effect of the introduction of new products, and higher sales in Central and South America. Car navigation system sales declined due to lower sales mainly in Japan and North America.

Sales of the OEM business declined year on year. Sales of car audio products increased because of higher sales in China, North America and Europe, with the positive effect of the Japanese yen's depreciation, despite lower sales in Japan. Car navigation system sales declined due to lower sales in Japan.

The OEM business sales accounted for 57% of total Car Electronics sales, compared with 60% a year earlier.

By geographic region, sales in Japan declined 17.5%, to ¥27,245 million, and overseas sales increased 4.5%, to ¥47,335 million.

Operating income increased 6.2% year on year, to ¥1,838 million due to the improved cost of sales ratio mainly as a result of lower depreciation and amortization as well as lower selling, general and administrative (SG&A) expenses, despite the decline in sales.

In the **Others** segment, sales increased 9.2% year on year, to ¥18,271 million, because of higher sales of factory automation systems and optical disc drive-related products, despite lower sales of home AV products and the effect of the transfer of the cable TV system-related equipment business.

By geographic region, sales in Japan increased 19.9%, to ¥10,534 million, and overseas sales declined 2.6%, to ¥7,737 million.

The segment's operating income was ¥494 million, compared with an operating loss of ¥578 million for the second quarter of fiscal 2017, primarily due to an improvement in the cost of sales ratio and the increase in sales.

For the first half of fiscal 2018, the six months ended September 30, 2017, consolidated net sales declined 7.5% year on year, to ¥176,170 million. This was mainly due to lower car navigation system sales mainly in the OEM business and lower sales of home AV products, despite the positive effect of the Japanese yen's depreciation and higher sales of car audio products in both the consumer market business and the OEM business.

Operating income increased 35.2% from the first half of fiscal 2017, to ¥2,049 million. This was due to the improved cost of sales ratio as a result of factors such as lower depreciation and amortization, as well as lower SG&A expenses, despite the decline in net sales. Net loss attributable to owners of Pioneer was ¥2,649 million, compared with a net income of ¥966 million year on year. This mainly reflected a foreign exchange loss of ¥1,235 million compared with a foreign exchange gain of ¥1,790 million for the first half of fiscal 2017, as well as a recording of restructuring costs.

During the first half of fiscal 2018, the average value of the Japanese yen declined 5.2% year on year against the U.S. dollar, to ¥111.06=1 U.S. dollar, and 6.4% against the euro, to ¥126.29=1 euro.

Notes: 1. Operating income (loss) in each business segment represents operating income (loss) before elimination of intersegment transactions.

2. In Car Electronics, some overseas car navigation systems are reclassified from “the consumer market business” to “the OEM business” from fiscal 2018. Figures shown for the second quarter of fiscal 2017 have been reclassified accordingly.

Consolidated Financial Position

Total assets as of September 30, 2017 were ¥289,245 million, an increase of ¥7,459 million from March 31, 2017, mainly due to increases in intangible assets, inventories and investment securities, despite decreases in cash and deposits as well as trade receivables. Cash and deposits decreased ¥4,808 million to ¥33,597 million. Trade receivables decreased ¥3,705 million to ¥62,351 million. Intangible assets increased ¥7,716 million to ¥64,509 million mainly due to an increase in software in progress. Inventories increased ¥5,183 million to ¥55,004 million, mainly due to an increase in Car Electronics inventories in line with sales plans for the third quarter onward. Investment securities increased ¥1,333 million to ¥8,253 million, mainly due to higher market value of equity holdings.

Total liabilities were ¥201,638 million, a ¥6,641 million increase from March 31, 2017. This was primarily due to increases of ¥3,563 million in borrowings and ¥1,879 million in trade payables.

Total equity was ¥87,607 million, a ¥818 million increase from March 31, 2017. This mainly reflected increases of ¥1,661 million in foreign currency translation adjustments and ¥1,024 million in defined retirement benefit plans as well as a turnaround to an unrealized gain on available-for-sale securities of ¥485 million as of September 31, 2017, from an unrealized loss of ¥191 million as of March 31, 2017.

Consolidated Business Forecasts for Fiscal 2018

Consolidated business forecasts for fiscal 2018, ending March 31, 2018, have not been changed from those announced on August 7, 2017.

	(In millions of yen)		
	Forecasts for fiscal 2018	Results for fiscal 2017	Percent change
Net sales	¥380,000	¥386,682	-1.7%
Operating income	10,000	4,167	+140.0
Net income (loss) *	¥ 3,500	¥ (5,054)	-%

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

Note: The yen-U.S. dollar and yen-euro exchange rate assumptions for remaining six months of fiscal 2018 remain unchanged at 110 yen and 128 yen, 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 and the six months ended September 30, 2017.

(1) CONSOLIDATED BALANCE SHEETS

	(In millions of yen)	
	March 31, 2017	September 30, 2017
ASSETS		
Current assets:		
Cash and deposits	38,405	33,597
Trade receivables	66,056	62,351
Finished products	21,245	23,588
Work in process	11,795	13,502
Raw materials and supplies	16,781	17,914
Deferred tax assets	3,696	3,311
Other current assets	16,798	17,541
Allowance for doubtful receivables	(2,896)	(1,652)
Total current assets	171,880	170,152
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	47,779	48,294
Machinery, equipment and others	126,053	119,567
Lease assets	3,574	8,597
Others	12,020	11,741
Accumulated depreciation	(148,591)	(147,492)
Net property, plant and equipment	40,835	40,707
Intangible assets:		
Goodwill	438	416
Software	16,187	18,920
Software in progress	39,544	44,569
Others	624	604
Total intangible assets	56,793	64,509
Investments and other assets:		
Investment securities	6,920	8,253
Deferred tax assets	1,142	1,480
Net defined benefit asset	838	905
Others	3,428	3,289
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	12,278	13,877
Total noncurrent assets	109,906	119,093
Total assets	281,786	289,245

	(In millions of yen)	
	March 31, 2017	September 30, 2017
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	62,362	64,241
Short-term borrowings	10,703	24,473
Current portion of long-term debt	11,033	1,667
Income taxes payable	1,305	1,075
Accrued expenses	30,987	31,302
Warranty reserve	1,967	1,918
Other current liabilities	20,529	18,832
Total current liabilities	138,886	143,508
Long-term liabilities:		
Convertible bonds	15,056	15,049
Long-term debt	2,500	1,666
Accrued pension and severance costs	35,106	34,317
Other long-term liabilities	3,449	7,098
Total long-term liabilities	56,111	58,130
Total liabilities	194,997	201,638
<u>EQUITY</u>		
Shareholders' equity:		
Common stock	91,732	91,732
Capital surplus	56,016	31,144
Retained earnings	28,984	51,207
Treasury stock	(11,051)	(11,052)
Total shareholders' equity	165,681	163,031
Accumulated other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	(191)	485
Deferred gain (loss) on derivatives under hedge accounting	-	(177)
Foreign currency translation adjustments	(59,149)	(57,488)
Defined retirement benefit plans	(23,825)	(22,801)
Total accumulated other comprehensive income (loss)	(83,165)	(79,981)
Noncontrolling interests	4,273	4,557
Total equity	86,789	87,607
Total liabilities and equity	281,786	289,245

(2) CONSOLIDATED STATEMENTS OF OPERATIONS - Six months ended September 30

	(In millions of yen)	
	Six months ended September 30	
	2016	2017
Net sales	190,397	176,170
Cost of sales	156,534	142,875
Gross profit	33,863	33,295
Selling, general and administrative expenses	32,347	31,246
Operating income	1,516	2,049
Non-operating income:		
Interest income	191	107
Dividend income	89	94
Exchange gain	1,790	-
Others	172	68
Total non-operating income	2,242	269
Non-operating expenses:		
Interest expense	314	306
Exchange loss	-	1,235
Equity in losses of affiliated companies	67	281
Others	549	856
Total non-operating expenses	930	2,678
Ordinary income (loss)	2,828	(360)
Extraordinary income:		
Gain on sale of noncurrent assets	291	8
Total extraordinary income	291	8
Extraordinary loss:		
Loss on sale and disposal of noncurrent assets	218	197
Impairment loss	138	-
Loss on business transfer	-	11
Restructuring costs	227	863
Loss on litigation settlement	506	61
Others	70	-
Total extraordinary loss	1,159	1,132
Income (loss) before income taxes	1,960	(1,484)
Income taxes:		
Current	1,450	1,045
Deferred	(236)	183
Total income taxes	1,214	1,228
Net income (loss)	746	(2,712)
Net income (loss) attributable to noncontrolling interests	(220)	(63)
Net income (loss) attributable to owners of Pioneer Corporation	966	(2,649)

**(3) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) - Six months ended
September 30**

	(In millions of yen)	
	Six months ended September 30	
	2016	2017
Net income (loss)	746	(2,712)
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	(253)	676
Deferred gain (loss) on derivatives under hedge accounting	(231)	(177)
Foreign currency translation adjustments	(11,167)	1,811
Defined retirement benefit plans	1,859	1,024
Share of other comprehensive income (loss) in associates	(231)	(17)
Total other comprehensive income (loss)	(10,023)	3,317
Comprehensive income (loss)	(9,277)	605
Comprehensive income (loss) attributable to:		
Owners of Pioneer Corporation	(8,523)	535
Noncontrolling interests	(754)	70

(4) CONSOLIDATED STATEMENTS OF OPERATIONS - Three months ended September 30

	(In millions of yen)	
	Three months ended September 30	
	2016	2017
Net sales	95,068	92,851
Cost of sales	78,049	74,622
Gross profit	17,019	18,229
Selling, general and administrative expenses	15,879	15,937
Operating income	1,140	2,292
Non-operating income:		
Interest income	68	56
Dividend income	53	60
Exchange gain	45	-
Others	22	21
Total non-operating income	188	137
Non-operating expenses:		
Interest expense	150	138
Exchange loss	-	561
Equity in losses of affiliated companies	10	223
Others	363	637
Total non-operating expenses	523	1,559
Ordinary income (loss)	805	870
Extraordinary income:		
Gain on sale of noncurrent assets	185	8
Total extraordinary income	185	8
Extraordinary loss:		
Loss on sale and disposal of noncurrent assets	153	167
Impairment loss	138	-
Restructuring costs	67	633
Loss on litigation settlement	506	61
Others	61	-
Total extraordinary loss	925	861
Income (loss) before income taxes	65	17
Income taxes:		
Current	742	590
Deferred	(149)	99
Total income taxes	593	689
Net income (loss)	(528)	(672)
Net income (loss) attributable to noncontrolling interests	(223)	(58)
Net income (loss) attributable to owners of Pioneer Corporation	(305)	(614)

(5) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) - Three months ended**September 30**

	(In millions of yen)	
	Three months ended September 30	
	2016	2017
Net income (loss)	(528)	(672)
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	53	(406)
Deferred gain (loss) on derivatives under hedge accounting	288	83
Foreign currency translation adjustments	(1,796)	1,483
Defined retirement benefit plans	636	474
Share of other comprehensive income (loss) in associates	(124)	9
Total other comprehensive income (loss)	(943)	1,643
Comprehensive income (loss)	(1,471)	971
Comprehensive income (loss) attributable to:		
Owners of Pioneer Corporation	(1,163)	939
Noncontrolling interests	(308)	32

(6) CONSOLIDATED STATEMENTS OF CASH FLOWS

	(In millions of yen)	
	Six months ended September 30	
	2016	2017
Cash flows from operating activities:		
Income (loss) before income taxes	1,960	(1,484)
Depreciation and amortization	12,643	9,648
Impairment loss	138	-
Loss (gain) on business transfer—net	-	11
Increase (decrease) in accrued pension and severance costs	(580)	(1,043)
Interest and dividend income	(280)	(201)
Interest expense	314	306
Loss (gain) on sales and disposals of noncurrent assets—net	(73)	189
Decrease (increase) in trade receivables	6,325	3,220
Decrease (increase) in inventories	(4,203)	(4,211)
Increase (decrease) in trade payables	84	658
Increase (decrease) in accrued expenses	(380)	(93)
Other—net	(3,026)	1,330
Subtotal	12,922	8,330
Interest and dividend income received	280	201
Interest expense paid	(333)	(305)
Income taxes paid	(1,840)	(1,231)
Net cash provided by (used in) operating activities	11,029	6,995
Cash flows from investing activities:		
Decrease (increase) in time deposits	(1,192)	(6)
Payment for purchase of noncurrent assets	(17,785)	(17,108)
Proceeds from sale of noncurrent assets	312	124
Payment for purchase of investment securities	(20)	(352)
Payment for purchase of shares of associated companies	-	(501)
Payment for business transfer	-	(118)
Other—net	(159)	3
Net cash provided by (used in) investing activities	(18,844)	(17,958)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings—net	555	13,459
Proceeds from long-term debt	3,333	-
Repayment of long-term debt	-	(10,200)
Purchase of treasury stock	(0)	(1)
Proceeds from stock issuance to noncontrolling interests	-	214
Repayment of lease obligations	(598)	(674)
Proceeds from sale and lease back transactions	-	2,563
Net cash provided by (used in) financing activities	3,290	5,361
Foreign currency translation adjustments on cash and cash equivalents	(3,253)	788
Net increase (decrease) in cash and cash equivalents	(7,778)	(4,814)
Cash and cash equivalents, beginning of period	51,993	38,405
Cash and cash equivalents, end of period	44,215	33,591

(7) ADDITIONAL INFORMATION

Software for sale has been amortized by the straight-line method over its expected salable period by related product group of one to three years, in view of the trends of the expected sales volume based on the life cycle of its related product group. However, a portion of software for sale newly recorded during the second quarter of fiscal 2018, ending March 31, 2018, is amortized at the larger of either the amount calculated based on its expected sales volume over its expected salable period by related product group of five years, or the amount calculated based on the straight-line method over its remaining salable period by related product group. This is because the trends of the expected sales volume based on the life cycle of the related product group of the said portion of software for sale are different from those of conventional ones.

(8) NOTE WITH RESPECT TO SIGNIFICANT CHANGES IN SHAREHOLDERS' EQUITY

On July 31, 2017, the Company reduced its additional paid-in capital on a non-consolidated basis, and appropriated surplus in accordance with the resolution at its Ordinary General Meeting of Shareholders held on June 28, 2017. Accordingly, on its consolidated balance sheets, capital surplus decreased by ¥24,872 million, while retained earnings increased by the same amount.

(9) SEGMENT INFORMATION

<Net Sales by Segment>

(In millions of yen)

	Six months ended September 30				
	2016		2017		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	62,837	33.0 %	53,593	30.4 %	-14.7 %
Overseas	91,692	48.2	90,137	51.2	-1.7
Total	154,529	81.2	143,730	81.6	-7.0
Others:					
Japan	18,199	9.6	18,005	10.2	-1.1
Overseas	17,669	9.2	14,435	8.2	-18.3
Total	35,868	18.8	32,440	18.4	-9.6
Consolidated:					
Japan	81,036	42.6	71,598	40.6	-11.6
Overseas	109,361	57.4	104,572	59.4	-4.4
Total	190,397	100.0 %	176,170	100.0 %	-7.5 %

(In millions of yen)

	Three months ended September 30				
	2016		2017		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	33,040	34.8 %	27,245	29.3 %	-17.5 %
Overseas	45,298	47.6	47,335	51.0	+4.5
Total	78,338	82.4	74,580	80.3	-4.8
Others:					
Japan	8,787	9.2	10,534	11.4	+19.9
Overseas	7,943	8.4	7,737	8.3	-2.6
Total	16,730	17.6	18,271	19.7	+9.2
Consolidated:					
Japan	41,827	44.0	37,779	40.7	-9.7
Overseas	53,241	56.0	55,072	59.3	+3.4
Total	95,068	100.0 %	92,851	100.0 %	-2.3 %

<Sales and Income (Loss) by Segment> - Six months ended September 30

Six months ended September 30, 2016	Car		Total	(In millions of yen)	
	Electronics	Others		Reconciliations * 1	Consolidated * 2
Sales:					
Sales to external customers	154,529	35,868	190,397	-	190,397
Intersegment sales	201	1,599	1,800	(1,800)	-
Total sales	154,730	37,467	192,197	(1,800)	190,397
Segment income (loss)	2,683	(1,059)	1,624	(108)	1,516

Notes:

1. Reconciliations of ¥(108) million recorded for segment income (loss) include elimination of intersegment transactions of ¥114 million and corporate expenses of ¥(222) 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.

Six months ended September 30, 2017	Car		Total	(In millions of yen)	
	Electronics	Others		Reconciliations * 1	Consolidated * 2
Sales:					
Sales to external customers	143,730	32,440	176,170	-	176,170
Intersegment sales	208	1,579	1,787	(1,787)	-
Total sales	143,938	34,019	177,957	(1,787)	176,170
Segment income	2,095	90	2,185	(136)	2,049

Notes:

1. Reconciliations of ¥(136) million recorded for segment income include elimination of intersegment transactions of ¥83 million and corporate expenses of ¥(219) 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 to operating income presented in the accompanying consolidated statements of operations.

<Sales and Income (Loss) by Segment> - Three months ended September 30

Three months ended September 30, 2016	Car		Total	(In millions of yen)	
	Electronics	Others		Reconciliations * 1	Consolidated * 2
Sales:					
Sales to external customers	78,338	16,730	95,068	–	95,068
Intersegment sales	96	797	893	(893)	–
Total sales	78,434	17,527	95,961	(893)	95,068
Segment income (loss)	1,731	(578)	1,153	(13)	1,140

Notes:

1. Reconciliations of ¥(13) million recorded for segment income (loss) include elimination of intersegment transactions of ¥56 million and corporate expenses of ¥(69) 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.

Three months ended September 30, 2017	Car		Total	(In millions of yen)	
	Electronics	Others		Reconciliations * 1	Consolidated * 2
Sales:					
Sales to external customers	74,580	18,271	92,851	–	92,851
Intersegment sales	99	836	935	(935)	–
Total sales	74,679	19,107	93,786	(935)	92,851
Segment income	1,838	494	2,332	(40)	2,292

Notes:

1. Reconciliations of ¥(40) million recorded for segment income include elimination of intersegment transactions of ¥257 million and corporate expenses of ¥(297) 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 to operating income presented in the accompanying consolidated statements of operations.

(10) SUBSEQUENT EVENTS

On October 5, 2017, the Company issued new shares through a third-party allotment to HERE Global B.V. Accordingly, on its consolidated balance sheets, common stock and capital surplus each increased by ¥1,149 million, resulting in common stock of ¥92,881 million and capital surplus of ¥32,294 million on the same date.