



Pioneer Corporation

***Business Results
for First Quarter of Fiscal 2018***

***Susumu Kotani, President and CEO
August 7, 2017***

Main Points of Today's Presentation

1. Business Results for 1Q of FY2018

- **Operating loss was recorded, resulting from lower profit due to decrease in net sales. Net loss was posted due to operating loss and foreign exchange loss.**
- **Compared with our plan, operating loss contracted as a result of the decrease in SG&A expenses due to lower net sales and improvement of cost of sales ratio owing to the business mix.**

2. Business Forecasts for FY2018

- **For the first half and the full year, net sales forecasts changed downward compared to the previous forecast, reflecting recent car OEM orders, while income forecasts remain unchanged.**

Today's Agenda

- 1. Business Results for 1Q of FY2018**
- 2. Business Forecasts for FY2018**

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 1Q of FY2018

Consolidated Business Results for 1Q of FY2018

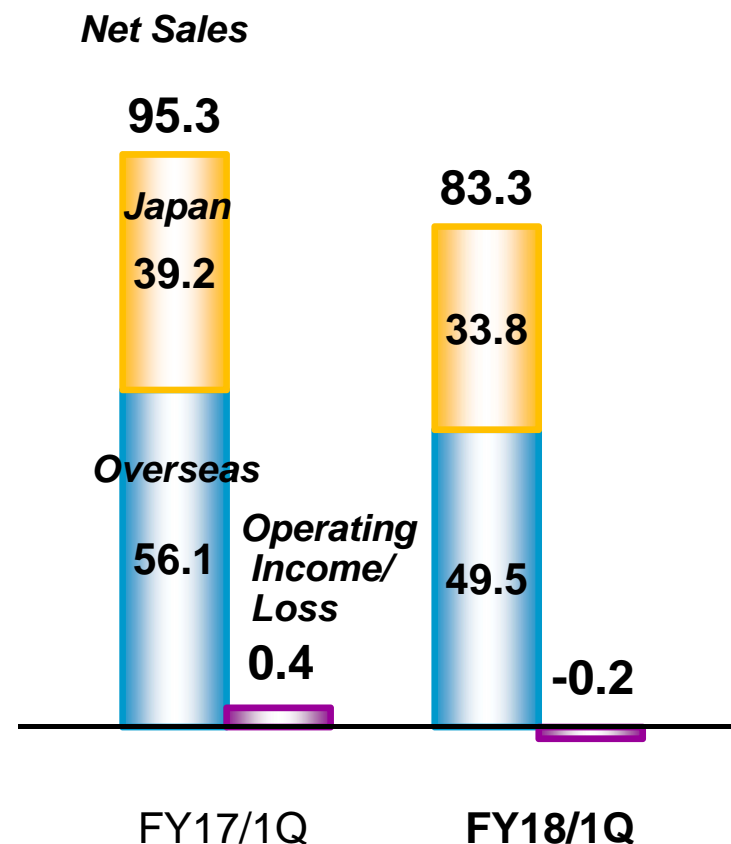
(billion yen)

	FY17/1Q	FY18/1Q	% to Prior Year
Net Sales	95.3	83.3	87.4%
Operating Income/Loss	0.4	-0.2	-
Ordinary Income/Loss	2.0	-1.2	-
Net Income/Loss*	1.3	-2.0	-
Net Income/Loss* per Share (yen)	3.46	-5.54	-9.00
ROE	6.2%	-9.9%	-16.1%
Book-value per Share (yen)	213.28	223.62	+10.34
ROA	1.8%	-2.9%	-4.7%

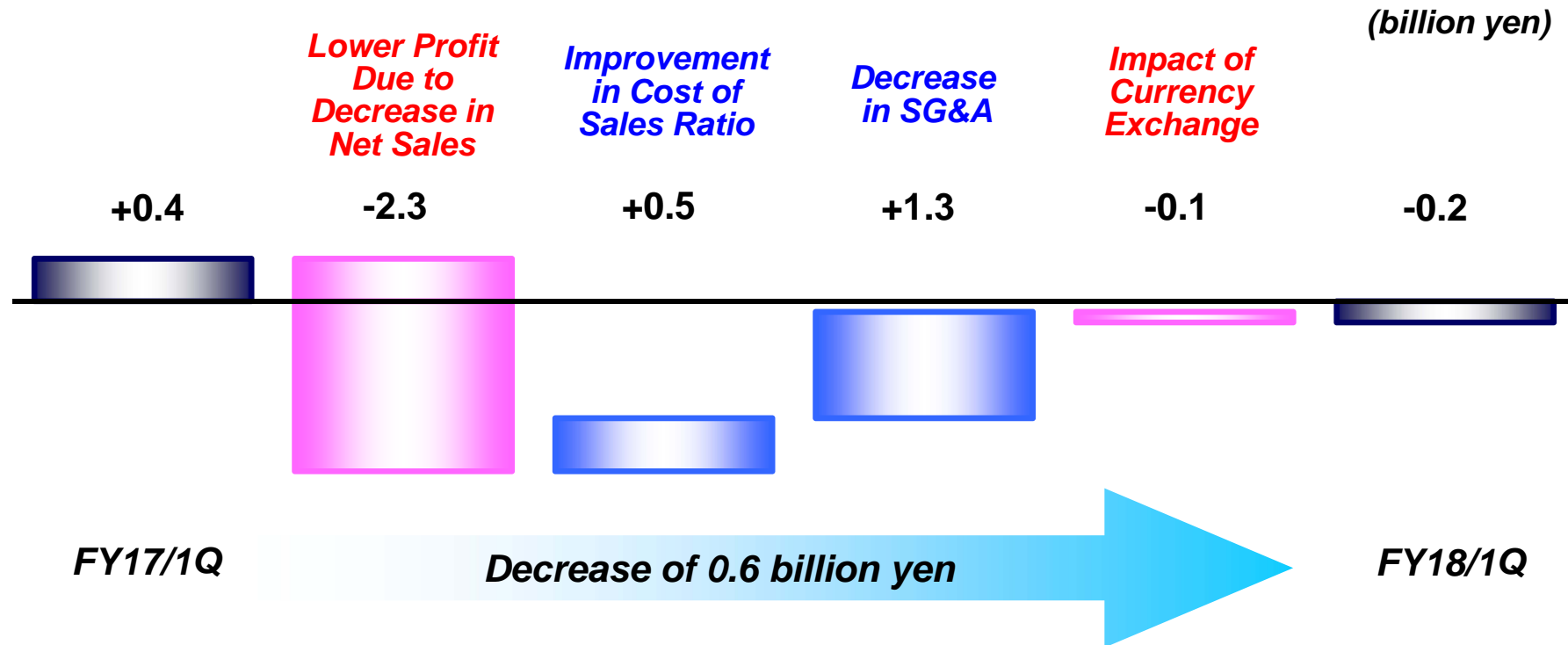
* Net income/loss attributable to owners of Pioneer Corporation

Average Currency Rate (yen)	1 US\$	108.14	111.09	+2.7%
	1 Euro	122.02	122.19	+0.1%

(billion yen)

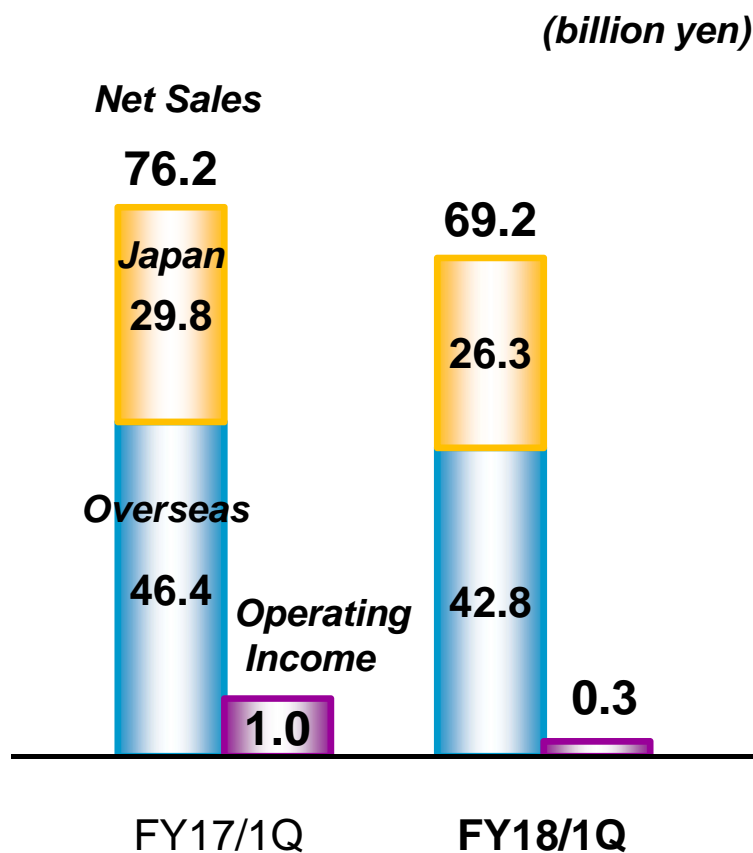


Operating Income/Loss Structure Breakdown



- **Lower profit was caused by decreased sales mainly in car OEM business.**
- **Cost of sales ratio was improved, mainly due to the impact of transfer of cable TV system-related equipment business.**
- **SG&A expenses decreased reflecting reduced marketing expenses.**

1Q Results: Car Electronics



< Net Sales > OEM Ratio to Net Sales: 60% (FY17/1Q: 63% *)

% to Prior Year	91% (Japan 88%, Overseas 92% (Local currency basis: 90%))
Increase Factors	OEM car audio products, and consumer market car audio products
Decrease Factors	OEM car navigation systems, and consumer market car navigation systems

< Operating Income >

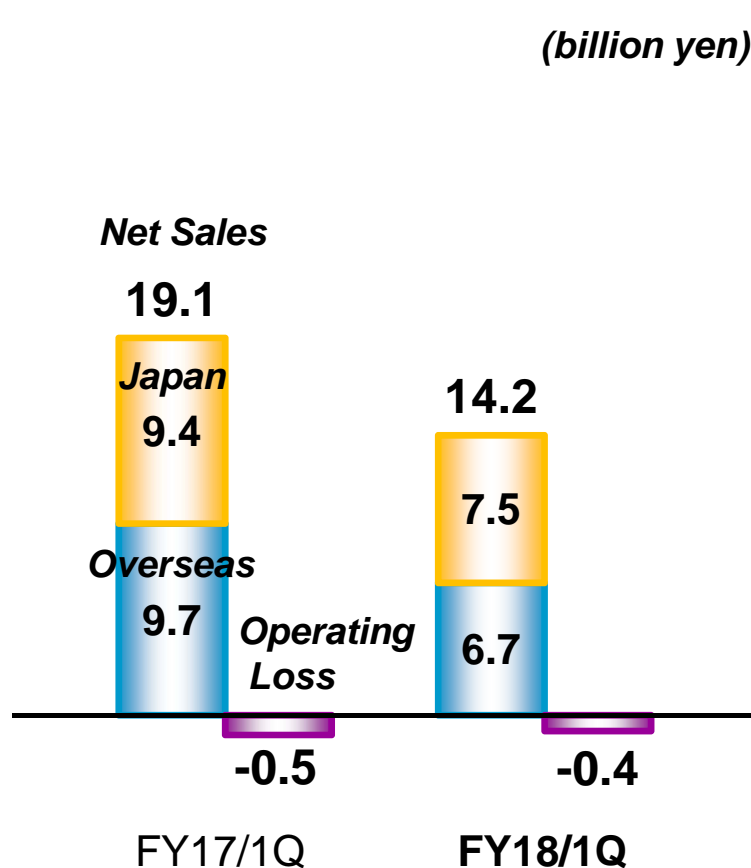
Year-on-Year	Decrease of 0.7 billion yen
Positive Factor	Decrease in SG&A
Negative Factors	Lower profit due to decrease in net sales, worsening of cost of sales ratio, and impact of currency exchange

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

* From FY18, some overseas car navigation systems are reclassified from consumer market business to OEM business. Figures shown for FY17/1Q have been reclassified accordingly.

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

1Q Results: Others



< Net Sales >

% to Prior Year	74% (Japan 79%, Overseas 69% (Local currency basis: 69%))
Increase Factors	DJ equipment (subcontracted manufacturing and sales), and electronic devices and parts
Decrease Factors	Home AV products, FA systems, and equipment for cable-TV systems (business transfer)

< Operating Loss >

Year-on-Year	Improvement of 0.1 billion yen
Positive Factors	Improvement in cost of sales ratio, decrease in SG&A, and impact of currency exchange
Negative Factor	Lower profit due to decrease in net sales

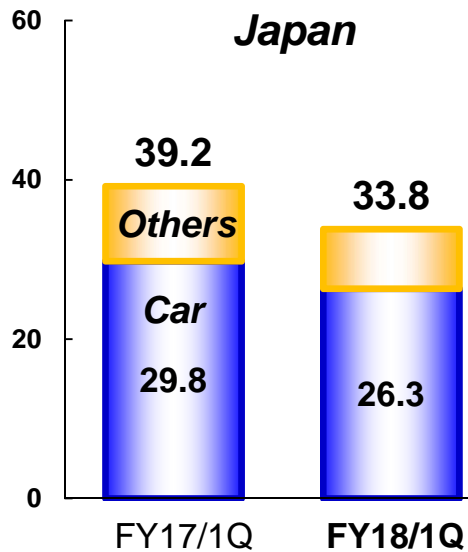
Main products are:

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.

1Q Results: Net Sales by Geographic Segment

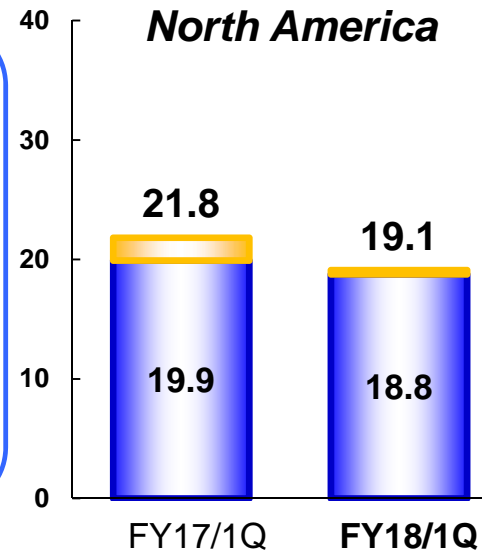
(billion yen)



FY18/1Q vs FY17/1Q
86%

Increase Factor
OEM car audio products

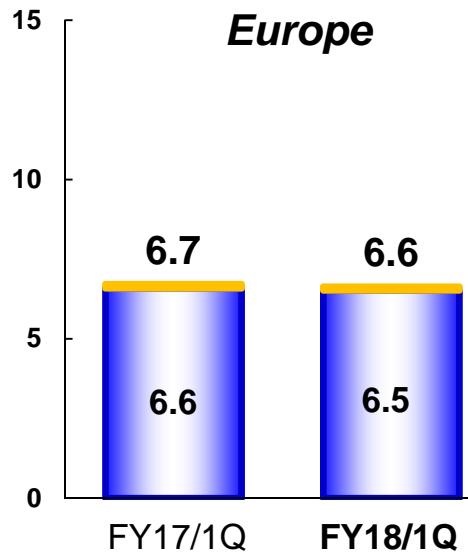
Decrease Factors
OEM car navigation systems, consumer market car navigation systems, and equipment for cable-TV systems (business transfer)



FY18/1Q vs FY17/1Q
Yen basis: 88%
Local currency basis: 85%

Increase Factor
Map software

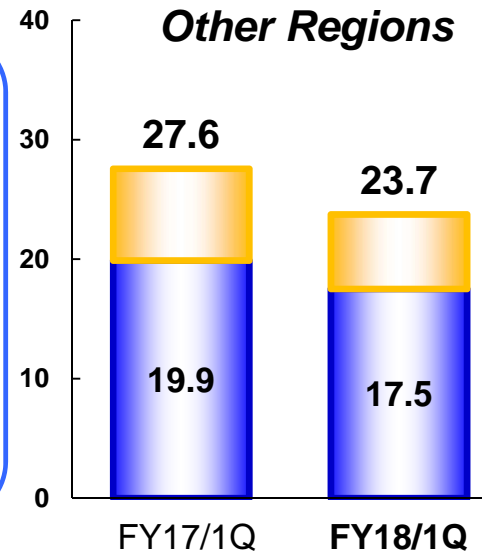
Decrease Factors
FA systems, consumer market car audio products, and OEM car audio products



FY18/1Q vs FY17/1Q
Yen basis: 99%
Local currency basis: 97%

Increase Factor
Consumer market car navigation systems

Decrease Factors
Consumer market car audio products, and OEM car audio products



FY18/1Q vs FY17/1Q
Yen basis: 86%
Local currency basis: 84%

Increase Factors
Consumer market car audio products, and FA systems

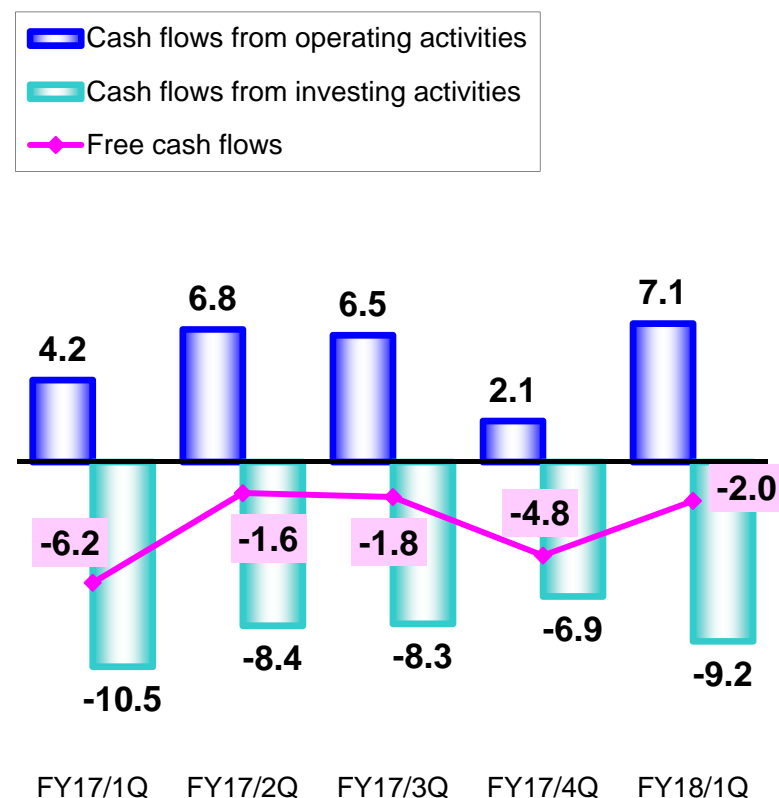
Decrease Factors
OEM car navigation systems, and home AV products

1Q Results: Cash Flows

(billion yen)

	FY17/1Q	FY18/1Q
<i>Income (loss) before income taxes</i>	1.9	-1.5
<i>Depreciation and amortization</i>	6.4	4.6
<i>Decrease in trade receivables</i>	8.7	11.5
<i>Increase in inventories</i>	-2.5	-3.3
<i>Decrease in trade payables</i>	-5.0	-1.9
<i>Decrease in accrued expenses</i>	-2.5	-3.1
<i>Others</i>	-2.8	0.9
Cash flows from operating activities	4.2	7.1
Cash flows from investing activities	-10.5	-9.2
Cash flows from financing activities	-2.0	1.4
Foreign currency translation adjustments on cash and cash equivalents	-2.8	0.3
Free cash flows	-6.2	-2.0

Net decrease in cash and cash equivalents	-11.0	-0.4
Balance of cash and cash equivalents	41.0	38.1
Net cash balance	6.3	-1.3



2. Business Forecasts for FY2018

Consolidated Business Forecasts for FY2018

Income/loss forecasts remain unchanged from those announced on May 12, 2017.

(billion yen)

	First Half			Full Year		
	FY17 Results	FY18 Previous Forecasts	FY18 Current Forecasts	FY17 Results	FY18 Previous Forecasts	FY18 Current Forecasts
Net Sales	190.4	182.0	177.0	386.7	390.0	380.0
Operating Income	1.5	2.0	2.0	4.2	10.0	10.0
Net Income/Loss*	1.0	-1.0	-1.0	-5.1	3.5	3.5
Net Income/Loss* per Share (yen)	2.63	-2.72	-2.72	-13.76	9.53	9.53
ROE				-6.0%	4.2%	4.1%
Book-value per Share (yen)				224.72	234.25	238.80
ROA				-1.7%	1.2%	1.2%

* Net income/loss attributable to owners of Pioneer Corporation

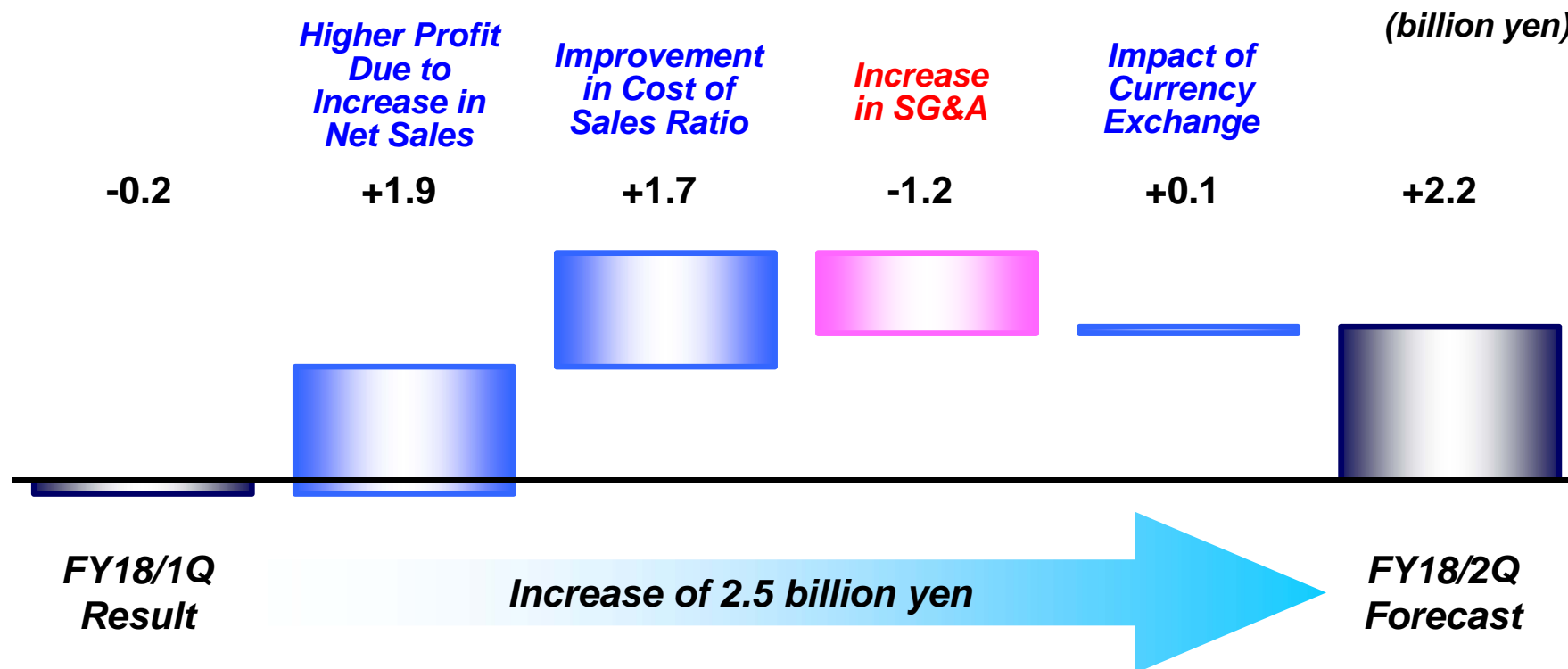
Currency Rate (yen)	1 US\$	105.29	110	110.55	108.38	110	110.27
	1 Euro	118.15	118	125.10	118.79	118	126.55

Notes: 1. The yen-U.S. dollar exchange rate assumption for remaining nine months of FY2018 is 110 yen, while the yen-euro exchange rate assumption is 128 yen.

2. In case of 1 yen appreciation against U.S. dollar and euro, impacts on remaining nine months are:

Net sales— US\$: -1,410 million yen; euro: -150 million yen / Operating income— US\$: +10 million yen; euro: -120 million yen.

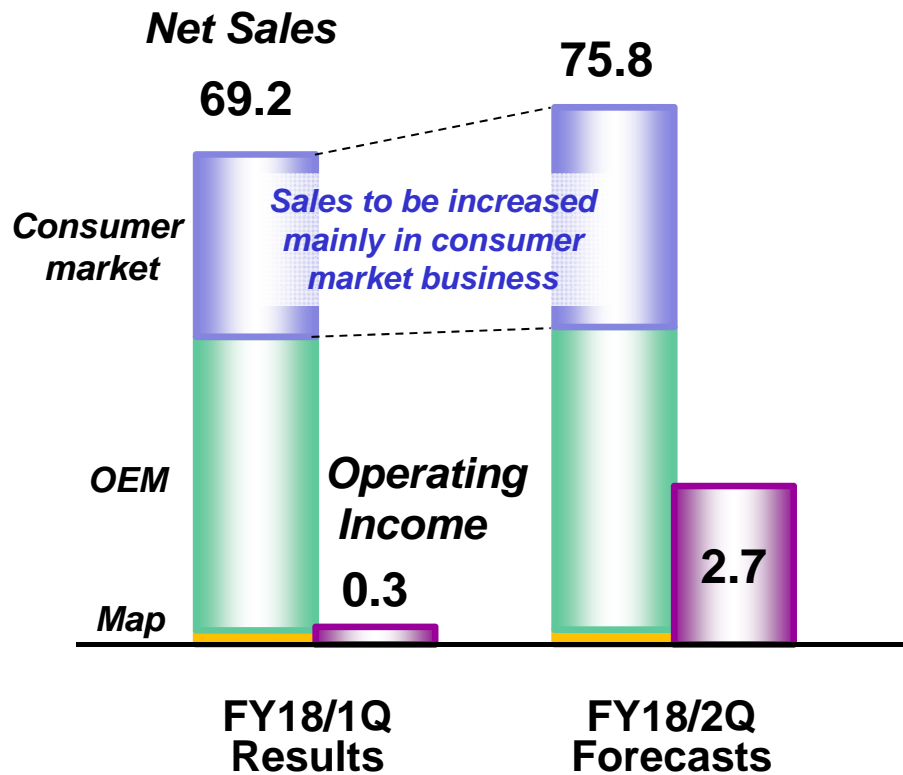
FY2018 Forecasts: 2Q Operating Income Breakdown Compared to 1Q



- Higher profit is estimated due to increase in sales mainly owing to new model introduction for consumer market in Car Electronics, and order increase in FA systems.
- Cost of sales ratio is expected to improve owing to an increase in sales and the effect of new model introduction.
- SG&A expenses are expected to increase for sales promotion.

FY2018 Forecasts: Car Electronics Strategy in 2Q

(billion yen)



Introduce new models of car AV products for overseas consumer markets centered on North America and ASEAN region

Rich lineups with advanced smartphone connectivity



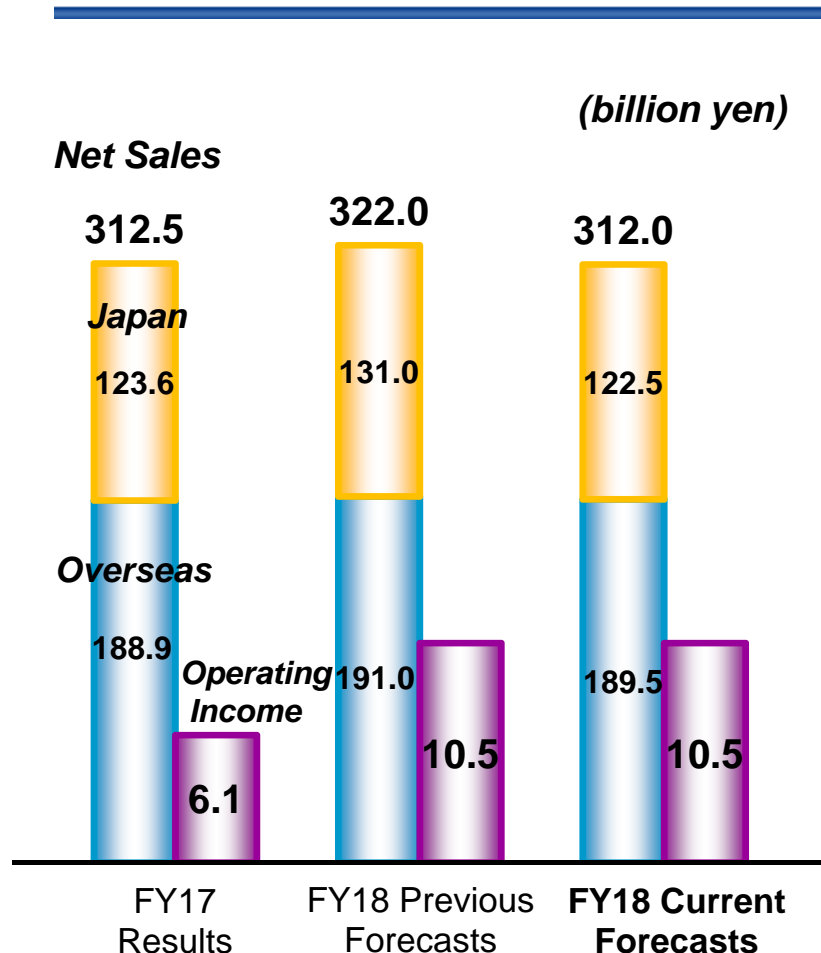
Start to introduce new models of car navigation systems for Japanese consumer market

Large-screen, high-resolution imaging and high-quality audio



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

FY2018 Forecasts: Car Electronics



< Net Sales > OEM Ratio to Net Sales: 56% (FY17: 60% *1)

% to Prior Year	100% (Japan 99%, Overseas 100% (Local currency basis: 98%))
Increase Factor	Consumer market car audio products
Decrease Factor	OEM car navigation systems
% to Prev. Forecasts	97% (Japan 94%, Overseas 99%)
Increase Factor	None
Decrease Factor	OEM car navigation systems

< Operating Income >

Year-on-Year	Increase of 4.4 billion yen
Positive Factor	Improvement in cost of sales ratio
Negative Factors	Increase in SG&A, lower profit due to decrease in net sales, and impact of currency exchange
vs. Prev. Forecasts	No change
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

< Shipment to Consumer Market > (thousand units)

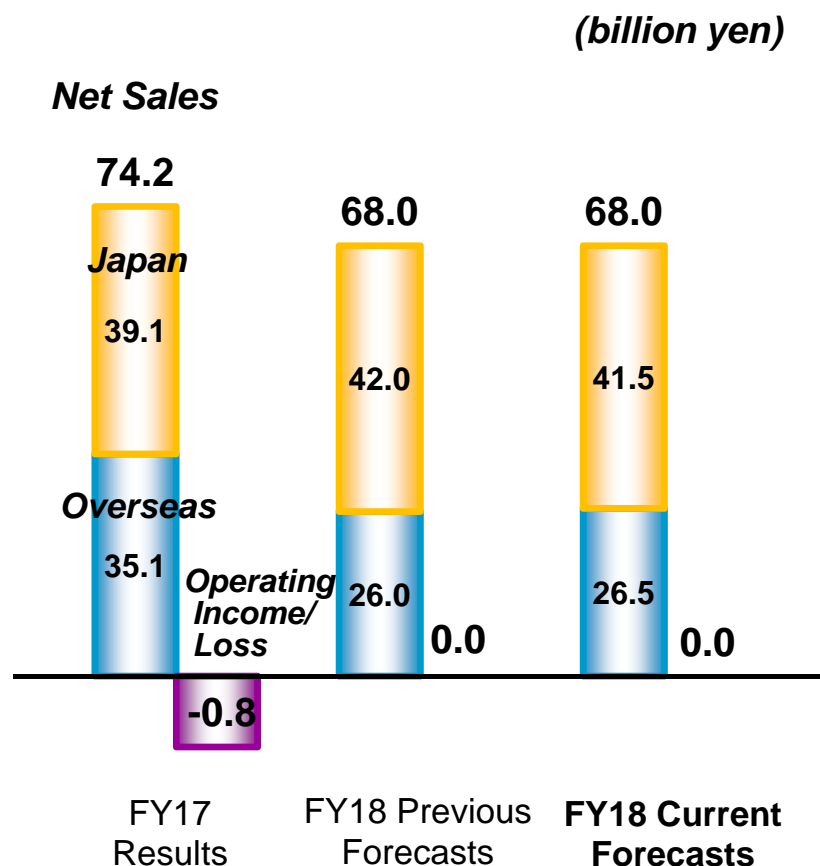
	FY2017 Results	FY2018 Forecasts *2
Car navigation systems	568 *1	580
Car CD players	5,834	6,200
Car AV products	1,367	1,650

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

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

*2 No change from the previous forecasts announced on May 12, 2017.

FY2018 Forecasts: Others



< Net Sales >

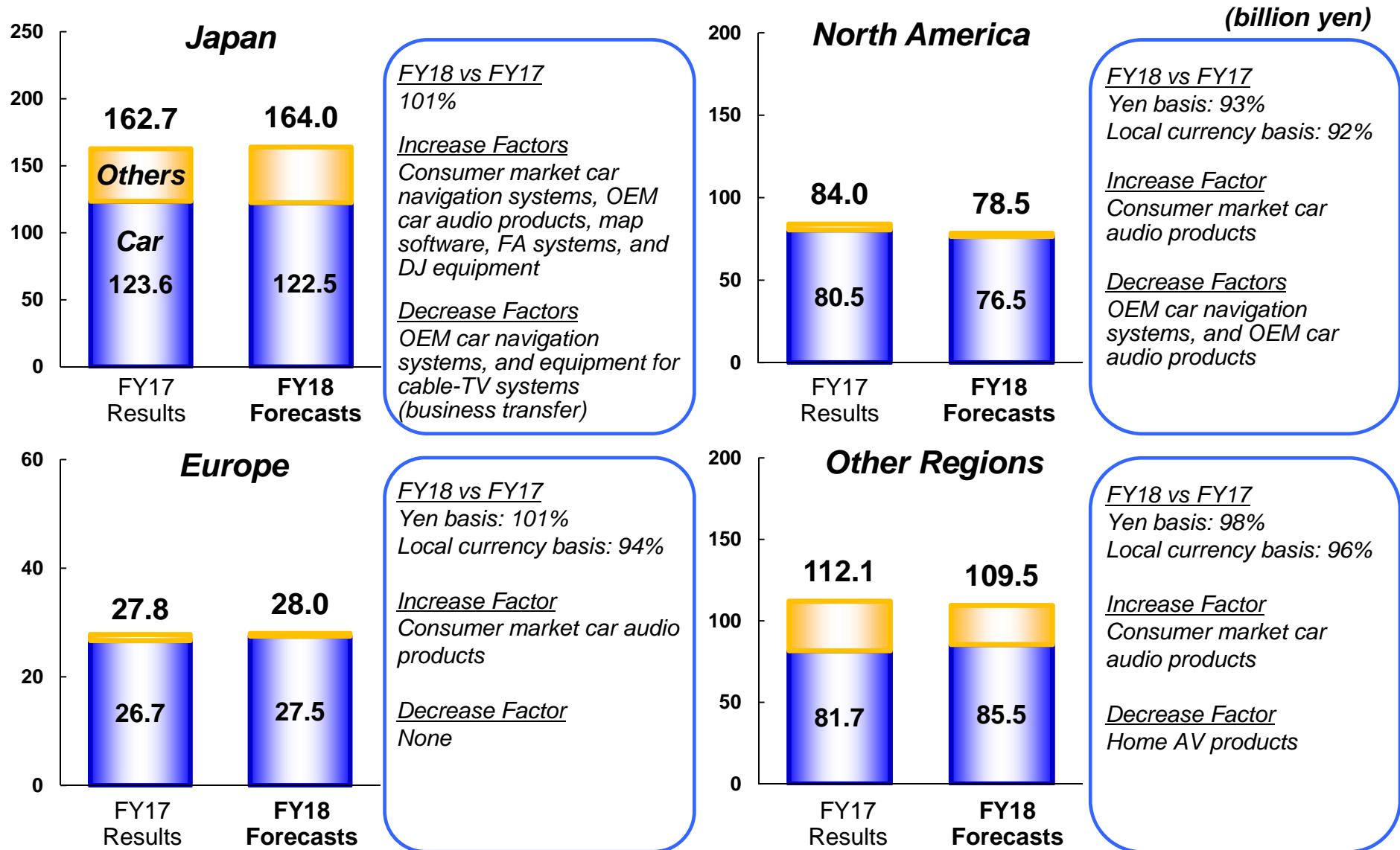
% to Prior Year	92% (Japan 106%, Overseas 75% (Local currency basis: 74%))
Increase Factors	DJ equipment (subcontracted manufacturing and sales), and FA systems
Decrease Factors	Home AV products, and equipment for cable-TV systems (business transfer)
% to Prev. Forecasts	No change

< Operating Income/Loss >

Year-on-Year	Improvement of 0.8 billion yen
Positive Factors	Improvement in cost of sales ratio, decrease in SG&A, and impact of currency exchange
Negative Factor	Lower profit due to decrease in net sales
vs. Prev. Forecasts	No change

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

FY2018 Forecasts: Net Sales by Geographic Segment



FY2018 Forecasts: Financial Data

(billion yen)

	<i>FY17 Results</i>	<i>FY18 Previous Forecasts</i>	<i>FY18 Current Forecasts</i>
R&D Expenses (% to net sales)	23.9 (6.2%)	25.0 (6.4%)	25.0 (6.6%)
Capital Expenditures	35.2	35.0	35.0
Depreciation & Amortization	24.9	21.5	21.5
Inventories	49.8	52.0	52.0
Cash Flows from Operating Activities	19.6	23.0	23.0
Cash Flows from Investing Activities	-34.0	-36.0	-36.0
Cash Flows from Financing Activities	1.4	-0.5	-0.5
Free Cash Flows	-14.4	-13.0	-13.0
Equity	86.8	90.0	92.0
Equity Ratio	29%	30%	30%
D/E Ratio	0.5 times	0.4 times	0.4 times
Net Cash Balance	-0.8	-13.0	-13.0

Note: D/E Ratio = Debt ÷ (Equity – Noncontrolling Interests)

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