

# News Release

**For Immediate Release  
August 5, 2016**

## **Pioneer Announces Business Results for 1Q Fiscal 2017**

Pioneer Corporation today announced its consolidated first-quarter business results for the period ended June 30, 2016.

### **Consolidated Financial Highlights**

	(In millions of yen except per share information)		
	Three months ended June 30		
	2016	2015	Percent change
Net sales	¥95,329	¥109,020	-12.6%
Operating income	376	69	+444.9
Ordinary income (loss)	2,023	(592)	-
Net income (loss) *	¥ 1,271	¥ (2,514)	-%
Net income (loss) * per share	¥3.46	¥(6.85)	

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

### **Consolidated Business Results**

For the first quarter of fiscal 2017, the three months ended June 30, 2016, consolidated net sales declined 12.6% year on year, to ¥95,329 million, mainly from decreased sales of Car Electronics resulting from the negative effects of the Japanese yen's appreciation and the Kumamoto Earthquake in Japan.

Operating income was ¥376 million, compared with an operating income of ¥69 million for the first quarter of fiscal 2016, reflecting a decline in selling, general and administrative (SG&A) expenses, mainly as a result of foreign exchange rate movements, and an improvement in the cost of sales ratio, despite the decrease in sales. Net income attributable to owners of Pioneer was ¥1,271 million, compared with a net loss of ¥2,514 million for the first quarter of fiscal 2016, mainly due to the increase in operating income and a larger foreign exchange gain.

During the first quarter of fiscal 2017, the average value of the Japanese yen rose 12.2% against the U.S. dollar year on year, to ¥108.14=1 U.S. dollar, and 9.9% against the euro, to ¥122.02=1 euro.

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**Car Electronics** sales declined 14.1% year on year, to ¥76,191 million, mainly from the negative effects of the Japanese yen's appreciation and the Kumamoto Earthquake.

Sales of consumers market business declined. Sales of car audio products fell due to a decrease in overseas sales, primarily in North America and Central and South America. Car navigation system sales increased because of growth in China and Japan, despite a decline mainly in Europe.

Sales of OEM business declined. Sales of car audio products fell, mainly because of a decrease in North America. Car navigation system sales decreased mainly from lower sales in China and Southeast Asia, despite higher sales in Central and South America.

OEM business sales accounted for 62% of total Car Electronics sales, compared with 61% a year earlier.

By geographic region, sales in Japan declined 4.1%, to ¥29,797 million, and overseas sales dropped 19.5%, to ¥46,394 million.

Operating income declined 38.3% year on year, to ¥952 million, due to the decline in sales, despite lower SG&A expenses and an improved cost of sales ratio, mainly as a result of foreign exchange rate movements.

In the **Others** segment, sales declined 5.7% year on year, to ¥19,138 million. Although sales of factory automation systems increased, lower sales of optical disc drive-related products and electronic devices and parts led to an overall decline.

By geographic region, sales in Japan decreased 13.5%, to ¥9,412 million, and overseas sales grew 3.3%, to ¥9,726 million.

The segment's operating loss was reduced to ¥481 million, compared with an operating loss of ¥1,329 million for the first quarter of fiscal 2016, mainly from an improved cost of sales ratio.

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

2. From the first quarter of fiscal 2017, map software, previously classified in "Others," is reclassified in "Car Electronics." Figures for the first quarter of fiscal 2016 have been reclassified accordingly.

### **Consolidated Financial Position**

Total assets as of June 30, 2016 were ¥272,666 million, a decrease of ¥25,346 million from March 31, 2016, mainly due to decreases in trade receivables and cash and deposits. Trade receivables decreased ¥12,631 million, to ¥61,965 million, mostly reflecting lower sales for the first quarter of fiscal 2017 compared with sales for the fourth quarter of fiscal 2016. Cash and deposits decreased ¥9,421 million, to ¥42,572 million.

Total liabilities were ¥189,986 million, a ¥17,540 million decrease from March 31, 2016, mainly from a ¥9,497 million decline in trade payables primarily due to the Japanese yen's appreciation, as well as decreases of ¥3,529 million in accrued expenses and ¥2,566 million in short-term borrowings.

Total equity was ¥82,680 million, a ¥7,806 million decline from March 31, 2016. This mainly reflected a ¥9,029 million decrease in foreign currency translation adjustments resulted from the Japanese yen's appreciation against the U.S. dollar, despite the recording of ¥1,271 million of net income attributable to owners of Pioneer for the quarter.

## **Cash Flows**

During the three months ended June 30, 2016, operating activities provided net cash in the amount of ¥4,227 million, compared with ¥8,508 million in net cash used in the same period a year ago. This was mainly because of an ¥8,860 million decline in the amount of decrease in accrued expenses primarily in the absence of the payment of special retirement benefits in the same period a year ago, and a ¥5,136 million rise in the amount of decrease in trade receivables.

Investing activities used net cash in the amount of ¥10,454 million, a ¥4,621 million increase year on year, mainly from a ¥4,057 million increase in the purchase of noncurrent assets.

Financing activities used net cash in the amount of ¥1,970 million, a ¥1,079 million increase year on year, mainly due to a rise in the amount of decrease in short-term borrowings.

Foreign currency translation adjustments on cash and cash equivalents were a negative ¥2,770 million, compared with a positive ¥561 million in the same period a year ago.

As a result, cash and cash equivalents as of June 30, 2016, totaled ¥41,026 million, a ¥10,967 million decrease from March 31, 2016.

## **Business Forecasts for Fiscal 2017**

Net sales of consolidated business forecasts for fiscal 2017, ending March 31, 2017, have been revised, for both first-half and full-year periods, from those announced on May 12, 2016, as shown below.

[First Half of Fiscal 2017]

	(In millions of yen)				
	Revised forecasts (A)	Previous forecasts (B)	Amount change (A - B)	Percent change (A-B / B)	First-half results for fiscal 2016
Net sales	¥193,000	¥200,000	¥(7,000)	-3.5%	¥222,595
Operating income	1,500	1,500	0	-	2,078
Ordinary income	1,000	1,000	0	-	1,405
Net income (loss) *	¥ (2,000)	¥ (2,000)	¥ 0	-%	¥ (1,994)

[Full Year of Fiscal 2017]

	(In millions of yen)				
	Revised forecasts (A)	Previous forecasts (B)	Amount change (A - B)	Percent change (A-B / B)	Full-year results for fiscal 2016
Net sales	¥400,000	¥420,000	¥(20,000)	-4.8%	¥449,630
Operating income	8,000	8,000	0	-	7,304
Ordinary income	7,000	7,000	0	-	7,250
Net income *	¥ 1,000	¥ 1,000	¥ 0	-%	¥ 731

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

We have revised the net sales forecasts for the first half of fiscal 2017 and full year of fiscal 2017 as per above, to reflect the recent foreign exchange rate movements. The forecasts for operating income, ordinary income and net income attributable to owners of Pioneer remain unchanged from previous forecasts.

The yen-U.S. dollar exchange rate assumption for the second quarter onward of fiscal 2017 is ¥105, an appreciation of ¥10 from the previous assumption, while the yen-euro exchange rate assumption is ¥115, an appreciation of ¥10 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, 2016.

**(1) CONSOLIDATED BALANCE SHEETS**

	(In millions of yen)	
	March 31, 2016	June 30, 2016
<b>ASSETS</b>		
Current assets:		
Cash and deposits	51,993	42,572
Trade receivables	74,596	61,965
Finished products	21,882	22,659
Work in process	12,306	12,494
Raw materials and supplies	18,649	17,305
Deferred tax assets	4,027	3,813
Other current assets	17,555	15,308
Allowance for doubtful receivables	(3,308)	(3,071)
<b>Total current assets</b>	<b>197,700</b>	<b>173,045</b>
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	52,138	49,399
Machinery, equipment and others	130,663	123,170
Lease assets	6,975	6,428
Others	11,446	11,276
Accumulated depreciation	(158,528)	(150,248)
<b>Net property, plant and equipment</b>	<b>42,694</b>	<b>40,025</b>
Intangible assets:		
Goodwill	480	469
Software	23,134	19,901
Software in progress	22,489	28,853
Others	857	614
<b>Total intangible assets</b>	<b>46,960</b>	<b>49,837</b>
Investments and other assets:		
Investment securities	6,081	5,663
Deferred tax assets	1,159	961
Net defined benefit asset	915	701
Others	2,486	2,434
Allowance for doubtful accounts	(0)	(0)
<b>Total investments and other assets</b>	<b>10,641</b>	<b>9,759</b>
<b>Total noncurrent assets</b>	<b>100,295</b>	<b>99,621</b>
Deferred assets	17	-
<b>Total assets</b>	<b>298,012</b>	<b>272,666</b>

	(In millions of yen)	
	March 31, 2016	June 30, 2016
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	69,821	60,324
Short-term borrowings	12,257	9,691
Income taxes payable	2,031	1,720
Accrued expenses	30,907	27,378
Warranty reserve	2,112	1,878
Other current liabilities	22,015	22,448
Total current liabilities	139,143	123,439
Long-term liabilities:		
Convertible bonds	15,071	15,068
Long-term debt	10,000	10,000
Accrued pension and severance costs	39,108	37,928
Other long-term liabilities	4,204	3,551
Total long-term liabilities	68,383	66,547
Total liabilities	207,526	189,986
<u>EQUITY</u>		
Shareholders' equity:		
Common stock	91,732	91,732
Capital surplus	56,016	56,016
Retained earnings	34,038	35,309
Treasury stock	(11,051)	(11,051)
Total shareholders' equity	170,735	172,006
Accumulated other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	(286)	(592)
Deferred gain (loss) on derivatives under hedge accounting	(88)	(607)
Foreign currency translation adjustments	(56,329)	(65,358)
Defined retirement benefit plans	(28,357)	(27,134)
Total accumulated other comprehensive income (loss)	(85,060)	(93,691)
Non-controlling interests	4,811	4,365
Total equity	90,486	82,680
Total liabilities and equity	298,012	272,666

**(2) CONSOLIDATED STATEMENTS OF OPERATIONS**

	(In millions of yen)	
	Three months ended June 30	
	2015	2016
Net sales	109,020	95,329
Cost of sales	90,545	78,485
Gross profit	18,475	16,844
Selling, general and administrative expenses	18,406	16,468
Operating income	69	376
Non-operating income:		
Interest income	72	123
Dividend income	39	36
Exchange gain	13	1,745
Equity in earnings of affiliated companies	6	-
Others	77	150
Total non-operating income	207	2,054
Non-operating expenses:		
Interest expense	407	164
Equity in losses of affiliated companies	-	57
Others	461	186
Total non-operating expenses	868	407
Ordinary income (loss)	(592)	2,023
Extraordinary income:		
Gain on sale of noncurrent assets	22	106
Total extraordinary income	22	106
Extraordinary loss:		
Loss on sale and disposal of noncurrent assets	36	65
Loss on sale of investment securities	-	9
Restructuring costs	88	160
Others	362	-
Total extraordinary loss	486	234
Income (loss) before income taxes	(1,056)	1,895
Income taxes:		
Current	1,156	708
Deferred	338	(87)
Total income taxes	1,494	621
Net income (loss)	(2,550)	1,274
Net income (loss) attributable to non-controlling interests	(36)	3
Net income (loss) attributable to owners of Pioneer Corporation	(2,514)	1,271

**(3) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

	(In millions of yen)	
	Three months ended June 30	
	2015	2016
Net income (loss)	(2,550)	1,274
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	15	(306)
Deferred gain (loss) on derivatives under hedge accounting	37	(519)
Foreign currency translation adjustments	1,405	(9,371)
Defined retirement benefit plans	316	1,223
Share of other comprehensive income (loss) in associates	3	(107)
<b>Total other comprehensive income (loss)</b>	<b>1,776</b>	<b>(9,080)</b>
<b>Comprehensive income (loss)</b>	<b>(774)</b>	<b>(7,806)</b>
Comprehensive income (loss) attributable to:		
Owners of Pioneer Corporation	(853)	(7,360)
Non-controlling interests	79	(446)



**(4) CONSOLIDATED STATEMENTS OF CASH FLOWS**

	(In millions of yen)	
	Three months ended June 30	
	2015	2016
Cash flows from operating activities:		
Income (loss) before income taxes	(1,056)	1,895
Depreciation and amortization	6,918	6,399
Increase (decrease) in accrued pension and severance costs	(371)	(509)
Interest and dividend income	(111)	(159)
Interest expense	407	164
Decrease (increase) in trade receivables	3,567	8,703
Decrease (increase) in inventories	(4,469)	(2,450)
Increase (decrease) in trade payables	(47)	(5,029)
Increase (decrease) in accrued expenses	(11,347)	(2,487)
Other—net	(824)	(1,219)
<b>Subtotal</b>	<b>(7,333)</b>	<b>5,308</b>
Interest and dividend income received	111	159
Interest expense paid	(318)	(151)
Income taxes paid	(968)	(1,089)
<b>Net cash provided by (used in) operating activities</b>	<b>(8,508)</b>	<b>4,227</b>
Cash flows from investing activities:		
Decrease (increase) in time deposits	489	(1,653)
Purchase of noncurrent assets	(4,986)	(9,043)
Proceeds from sale of noncurrent assets	40	306
Net decrease from payments for transfer of business	(1,665)	-
Other—net	289	(64)
<b>Net cash provided by (used in) investing activities</b>	<b>(5,833)</b>	<b>(10,454)</b>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings—net	(273)	(1,636)
Repayment of lease obligation	(618)	(334)
<b>Net cash provided by (used in) financing activities</b>	<b>(891)</b>	<b>(1,970)</b>
Foreign currency translation adjustments on cash and cash equivalents	561	(2,770)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(14,671)</b>	<b>(10,967)</b>
Cash and cash equivalents, beginning of period	51,676	51,993
<b>Cash and cash equivalents, end of period</b>	<b>37,005</b>	<b>41,026</b>

**(5) CHANGE IN ACCOUNTING POLICY**

Effective from the beginning of the first quarter of fiscal 2017, the year ending March 31, 2017, the Company adopted the “Practical Solution on a change in depreciation methods due to TAX Reform 2016” (Accounting Standard Board of Japan Practical Issues Task Force No.32 issued on June 17, 2016) in accordance with the revision of the Corporation Tax Act of Japan. In applying the revised accounting standard, the Company changed the depreciation method for facilities attached to buildings and for structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method. The impact of this change on profit and loss for the first quarter of fiscal 2017 is immaterial.

**(6) ADDITIONAL INFORMATION**

Effective from the beginning of the first quarter of fiscal 2017, the year ending March 31, 2017, the Company adopted the “Guidance on Recoverability of Deferred Tax Assets” (Accounting Standard Board of Japan Guidance No. 26 issued on March 28, 2016).

**(7) SEGMENT INFORMATION**

<Net Sales by Segment>

(In millions of yen)

	Three months ended June 30				
	2015		2016		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	31,079	28.5 %	29,797	31.3 %	-4.1 %
Overseas	57,648	52.9	46,394	48.6	-19.5
Total	88,727	81.4	76,191	79.9	-14.1
Others:					
Japan	10,878	10.0	9,412	9.8	-13.5
Overseas	9,415	8.6	9,726	10.3	+3.3
Total	20,293	18.6	19,138	20.1	-5.7
Consolidated:					
Japan	41,957	38.5	39,209	41.1	-6.5
Overseas	67,063	61.5	56,120	58.9	-16.3
Total	109,020	100.0 %	95,329	100.0 %	-12.6 %

## &lt;Sales and Income (Loss) by Segment&gt;

Three months ended June 30, 2015			(In millions of yen)		
	Car Electronics	Others	Total	Reconciliations * 1	Consolidated * 2
Sales:					
Sales to external customers	88,727	20,293	109,020	–	109,020
Intersegment sales	6	860	866	(866)	–
Total sales	88,733	21,153	109,886	(866)	109,020
Segment income (loss)	1,543	(1,329)	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.

Three months ended June 30, 2016			(In millions of yen)		
	Car Electronics	Others	Total	Reconciliations * 1	Consolidated * 2
Sales:					
Sales to external customers	76,191	19,138	95,329	–	95,329
Intersegment sales	105	802	907	(907)	–
Total sales	76,296	19,940	96,236	(907)	95,329
Segment income (loss)	952	(481)	471	(95)	376

## Notes:

1. Reconciliations of ¥(95) million recorded for segment income (loss) include elimination of intersegment transactions of ¥58 million and corporate expenses of ¥(153) 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.

## &lt;Change in Segment&gt;

From the first quarter of fiscal 2017, map software, previously classified in “Others,” is reclassified in “Car Electronics.” Figures for the first quarter of fiscal 2016 have been reclassified accordingly.