

News Release

For Immediate Release
February 14, 2019

Pioneer Announces Business Results for 3Q Fiscal 2019

Pioneer Corporation today announced its consolidated third-quarter and nine-month business results for the period ended December 31, 2018.

Consolidated Financial Highlights

(In millions of yen except per share information)

	Three months ended December 31			Nine months ended December 31		
	2017	2018	Percent change	2017	2018	Percent change
Net sales	¥ 94,701	¥ 89,927	-5.0%	¥270,871	¥260,855	-3.7%
Operating income (loss)	63	(1,662)	-	2,112	(3,350)	-
Ordinary income (loss)	(1,805)	(1,044)	-	(2,165)	(4,675)	-
Net income (loss) *	¥ (2,856)	¥ (753)	-%	¥ (5,505)	¥ (10,686)	-%
Net income (loss) * per share	¥(7.56)	¥(1.99)		¥(14.85)	¥(28.25)	

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

Consolidated Business Results

For the third quarter of fiscal 2019, the three months ended December 31, 2018, consolidated net sales declined 5.0% year on year, to ¥89,927 million, due to decreases in sales both of Car Electronics and Others.

Operating loss was ¥1,662 million this quarter, compared with an operating income of ¥63 million for the third quarter of fiscal 2018. This reflected a deterioration in the cost of sales ratio and the decrease in net sales, despite reduced selling, general and administrative (SG&A) expenses. Net loss attributable to owners of Pioneer was ¥753 million, compared with a net loss of ¥2,856 million for the third quarter of fiscal 2018. This was mainly due to the recording of gain on business transfer of ¥3,192 million from sales of subsidiary's shares and others, and a foreign exchange gain for this quarter against a foreign exchange loss recorded in the third quarter of fiscal 2018, despite the increase in operating loss.

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During the third quarter of fiscal 2019, the average value of the Japanese yen was almost flat against the U.S. dollar year on year, at ¥112.90=1 U.S. dollar, and rose 3.3% against the euro, to ¥128.78=1 euro.

Car Electronics sales declined 3.4% year on year, to ¥73,353 million, due to foreign exchange rate movements as well as decreases in sales both of the consumer market business and the OEM business, despite an increase in sales of telematics services.

Sales of the consumer market business declined year on year. Car audio product sales decreased due to a decline in emerging markets and Europe, despite an increase in North America. Car navigation system sales increased owing to an increase in Japan resulting from favorable performance in solutions business, despite a decrease in Europe. Sales of telematics services increased owing to favorable performance in those for automobile insurance in Japan.

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

OEM business sales accounted for 58% of total Car Electronics sales, remaining flat year earlier.

By geographic region, sales in Japan increased 12.2%, to ¥30,700 million, and overseas sales decreased 12.2%, to ¥42,653 million.

Operating loss was ¥2,179 million, compared with an operating loss of ¥609 million for the third quarter of fiscal 2018. This was due to a deterioration in the cost of sales ratio and the decrease in sales, despite reduced SG&A expenses.

In the **Others** segment, sales declined 11.5% year on year, to ¥16,574 million, because of lower sales of home AV products and DJ equipment as well as the impact of business transfer of factory automation systems, despite higher sales of optical disc drive-related products.

By geographic region, sales in Japan increased 4.8%, to ¥11,351 million, and overseas sales decreased 33.8%, to ¥5,223 million.

Operating income decreased 8.1% year on year to ¥671 million, due to the decline in sales, despite an improvement in the cost of sales ratio and reduced SG&A expenses.

For the nine months ended December 31, 2018, consolidated net sales declined 3.7% year on year, to ¥260,855 million. This was due to a decrease in sales of Car Electronics with foreign exchange rate movements and lower sales of Others mainly as a result of decreased sales of home AV products.

Operating loss was ¥3,350 million, compared with an operating income of ¥2,112 million for the corresponding period of fiscal 2018. This was due to a deterioration in the cost of sales ratio, mainly as a result of an increase in depreciation and amortization in the OEM business and foreign exchange rate movements, and the decrease in net sales, despite reduced SG&A expenses. Net loss attributable to owners of Pioneer was ¥10,686

million, compared with a net loss of ¥5,505 million for the corresponding period of fiscal 2018. This mainly reflected the increase in operating loss, as well as recordings of ¥2,061 million in loss related to litigation concerning patent license and ¥1,323 million in loss related to competition law during the fiscal 2019, despite the recording of gain on business transfer of ¥4,130 million from sales of subsidiaries' shares and others.

During the nine months ended December 31, 2018, the average value of the Japanese yen rose 0.5% year on year against the U.S. dollar, to ¥111.14=1 U.S. dollar, and declined 0.7% against the euro, to ¥129.49=1 euro.

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

Consolidated Financial Position

Total assets as of December 31, 2018 were ¥257,491 million, a decrease of ¥30,015 million from March 31, 2018, mainly due to decreases in trade receivables, cash and deposits and property, plant and equipment, despite an increase in intangible assets. Intangible assets increased ¥6,901 million, to ¥81,398 million, reflecting an increase in software, despite a decrease in software in progress. Meanwhile, trade receivables decreased ¥14,473 million, to ¥45,621 million. Cash and deposits decreased ¥8,705 million, to ¥26,937 million. Property, plant and equipment decreased ¥7,623 million, to ¥30,586 million.

Total liabilities were ¥180,720 million, a ¥21,852 million decrease from March 31, 2018. This was primarily due to a decrease of ¥9,598 million in trade payables, and a decrease of ¥7,776 million in accrued expenses.

Total equity was ¥76,771 million, an ¥8,163 million decline from March 31, 2018. This reflected the recording of ¥10,686 million in net loss attributable to owners of Pioneer for the nine months ended December 31, 2018, despite an increase of ¥1,806 million in defined retirement benefit plans.

Consolidated Business Forecasts for Fiscal 2019

	(In millions of yen)		
	Previous forecasts	Revised forecasts	Results for fiscal 2018
Net sales	¥350,000	¥350,000	¥365,417
Operating income (loss)	(5,000)	(5,000)	1,194
Net income (loss)*	-	¥ (13,000)	¥ (7,123)

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

Regarding the forecast for net income (loss) attributable to owners of Pioneer, we project a loss of ¥13,000 million, mainly due to an expected operating loss of ¥5,000 million, and the recording of extraordinary loss such as loss related to litigation concerning patent license during the nine months ended December 31, 2018. The forecasts for net sales and operating loss remain unchanged from the previous forecasts.

The yen-U.S. dollar exchange rate assumption for the fourth quarter of fiscal 2019 remains unchanged at ¥110, while the yen-euro exchange rate assumption is ¥125, an appreciation of ¥5 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 and the nine months ended December 31, 2018.

(1) CONSOLIDATED BALANCE SHEETS

	(In millions of yen)	
	March 31, 2018	December 31, 2018
ASSETS		
Current assets:		
Cash and deposits	35,642	26,937
Trade receivables	60,094	45,621
Finished products	21,590	21,965
Work in process	12,793	7,029
Raw materials and supplies	15,750	17,901
Other current assets	14,093	12,891
Allowance for doubtful receivables	(740)	(843)
Total current assets	159,222	131,501
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures	47,828	44,935
Machinery, equipment and others	117,881	106,806
Lease assets	8,620	9,522
Others	10,919	7,936
Accumulated depreciation	(147,039)	(138,613)
Net property, plant and equipment	38,209	30,586
Intangible assets:		
Goodwill	396	363
Software	25,896	34,362
Software in progress	47,606	46,212
Others	599	461
Total intangible assets	74,497	81,398
Investments and other assets:		
Investment securities	8,466	7,488
Deferred tax assets	3,006	2,813
Net defined benefit asset	973	918
Others	3,156	2,769
Allowance for doubtful accounts	(49)	(0)
Total investments and other assets	15,552	13,988
Total noncurrent assets	128,258	125,972
Total deferred assets	26	18
Total assets	287,506	257,491

	(In millions of yen)	
	March 31, 2018	December 31, 2018
<u>LIABILITIES</u>		
Current liabilities:		
Trade payables	59,770	50,172
Short-term borrowings	32,537	33,570
Current portion of long-term debt	1,667	1,667
Income taxes payable	893	1,471
Accrued expenses	33,107	25,331
Warranty reserve	1,841	1,667
Other current liabilities	19,528	17,757
Total current liabilities	149,343	131,635
Long-term liabilities:		
Convertible bonds	15,041	15,030
Long-term debt	833	-
Accrued pension and severance costs	31,395	28,756
Other long-term liabilities	5,960	5,299
Total long-term liabilities	53,229	49,085
Total liabilities	202,572	180,720
<u>EQUITY</u>		
Shareholders' equity:		
Common stock	92,881	92,881
Capital surplus	32,295	32,295
Retained earnings	46,733	36,049
Treasury stock	(11,052)	(11,052)
Total shareholders' equity	160,857	150,173
Accumulated other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	(393)	102
Deferred gain (loss) on derivatives under hedge accounting	11	47
Foreign currency translation adjustments	(59,446)	(59,430)
Defined retirement benefit plans	(20,509)	(18,703)
Total accumulated other comprehensive income (loss)	(80,337)	(77,984)
Noncontrolling interests	4,414	4,582
Total equity	84,934	76,771
Total liabilities and equity	287,506	257,491

(2) CONSOLIDATED STATEMENTS OF OPERATIONS - Nine months ended December 31

(In millions of yen)

	Nine months ended December 31	
	2017	2018
Net sales	270,871	260,855
Cost of sales	221,381	218,533
Gross profit	49,490	42,322
Selling, general and administrative expenses	47,378	45,672
Operating income (loss)	2,112	(3,350)
Non-operating income:		
Interest income	162	190
Dividend income	101	107
Others	123	149
Total non-operating income	386	446
Non-operating expenses:		
Interest expense	464	653
Exchange loss	1,896	95
Equity in losses of associated companies	1,071	127
Others	1,232	896
Total non-operating expenses	4,663	1,771
Ordinary income (loss)	(2,165)	(4,675)
Extraordinary income:		
Gain on sale of noncurrent assets	186	25
Gain on business transfer	–	4,130
Gain on sale of investment securities	48	–
Total extraordinary income	234	4,155
Extraordinary loss:		
Loss on sale and disposal of noncurrent assets	319	186
Loss related to litigation concerning patent license	–	2,061
Loss related to competition law	–	1,323
Loss on devaluation of investment securities	–	1,094
Impairment loss	–	1,042
Restructuring costs	880	753
Loss on sale of investment securities	–	69
Loss on business transfer	11	3
Others	61	624
Total extraordinary loss	1,271	7,155
loss before income taxes	(3,202)	(7,675)
Income taxes:		
Current	1,502	2,578
Deferred	791	43
Total income taxes	2,293	2,621
Net income (loss)	(5,495)	(10,296)
Net income (loss) attributable to noncontrolling interests	10	390
Net income (loss) attributable to owners of Pioneer Corporation	(5,505)	(10,686)

(3) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) - Nine months ended**December 31**

(In millions of yen)

	Nine months ended December 31	
	2017	2018
Net income (loss)	(5,495)	(10,296)
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	331	495
Deferred gain (loss) on derivatives under hedge accounting	(107)	36
Foreign currency translation adjustments	2,485	(133)
Defined retirement benefit plans	1,181	1,806
Share of other comprehensive income (loss) in associates	4	(9)
Total other comprehensive income (loss)	3,894	2,195
Comprehensive income (loss)	(1,601)	(8,101)
Comprehensive income (loss) attributable to:		
Owners of Pioneer Corporation	(1,815)	(8,333)
Noncontrolling interests	214	232

(4) CONSOLIDATED STATEMENTS OF OPERATIONS - Three months ended December 31

(In millions of yen)

	Three months ended December 31	
	2017	2018
Net sales	94,701	89,927
Cost of sales	78,506	76,495
Gross profit	16,195	13,432
Selling, general and administrative expenses	16,132	15,094
Operating income (loss)	63	(1,662)
Non-operating income:		
Interest income	55	56
Dividend income	7	7
Exchange gain	-	1,091
Others	55	43
Total non-operating income	117	1,197
Non-operating expenses:		
Interest expense	158	192
Exchange loss	661	-
Equity in losses of associated companies	790	105
Others	376	282
Total non-operating expenses	1,985	579
Ordinary income (loss)	(1,805)	(1,044)
Extraordinary income:		
Gain on sale of noncurrent assets	178	15
Gain on business transfer	-	3,192
Gain on sale of investment securities	48	-
Total extraordinary income	226	3,207
Extraordinary loss:		
Loss on sale and disposal of noncurrent assets	122	51
Impairment loss	-	1,042
Loss on devaluation of investment securities	-	303
Loss on sale of investment securities	-	69
Restructuring costs	17	47
Loss related to litigation concerning patent license	-	40
Loss on business transfer	-	2
Total extraordinary loss	139	1,554
loss before income taxes	(1,718)	609
Income taxes:		
Current	457	793
Deferred	608	314
Total income taxes	1,065	1,107
Net income (loss)	(2,783)	(498)
Net income (loss) attributable to noncontrolling interests	73	255
Net income (loss) attributable to owners of Pioneer Corporation	(2,856)	(753)

(5) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) - Three months ended**December 31**

(In millions of yen)

	Three months ended December 31	
	2017	2018
Net income (loss)	(2,783)	(498)
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale securities	(345)	(146)
Deferred gain (loss) on derivatives under hedge accounting	70	47
Foreign currency translation adjustments	674	(1,924)
Defined retirement benefit plans	157	736
Share of other comprehensive income (loss) in associates	21	24
Total other comprehensive income (loss)	577	(1,263)
Comprehensive income (loss)	(2,206)	(1,761)
Comprehensive income (loss) attributable to:		
Owners of Pioneer Corporation	(2,350)	(1,934)
Noncontrolling interests	144	173

(6) CONSOLIDATED STATEMENTS OF CASH FLOWS

	(In millions of yen)	
	Nine months ended December 31	
	2017	2018
Cash flows from operating activities:		
Income (loss) before income taxes	(3,202)	(7,675)
Depreciation and amortization	15,130	17,145
Impairment loss	–	1,042
Loss (gain) on business transfer—net	11	(4,127)
Increase (decrease) in accrued pension and severance costs	(3,553)	(2,630)
Interest and dividend income	(263)	(297)
Interest expense	464	653
Equity in losses (earnings) of associated companies	1,071	127
Loss (gain) on sale and disposal of noncurrent assets—net	133	161
Loss (gain) on sale of investment securities	(48)	69
Loss (gain) on devaluation of investment securities	–	1,094
Loss related to litigation concerning patent license	–	2,061
Loss related to competition law	–	1,323
Decrease (increase) in trade receivables	5,044	10,699
Decrease (increase) in inventories	(4,536)	(2,904)
Increase (decrease) in trade payables	(1,493)	(7,828)
Increase (decrease) in accrued expenses	(2,531)	(2,523)
Other—net	5,524	5,367
Subtotal	11,751	11,757
Interest and dividend income received	263	297
Interest expense paid	(464)	(669)
Loss related to litigation concerning patent license paid	–	(1,720)
Loss related to competition law paid	–	(1,310)
Income taxes paid	(1,722)	(1,530)
Net cash provided by (used in) operating activities	9,828	6,825
Cash flows from investing activities:		
Decrease (increase) in time deposits	(6)	(2)
Payment for purchase of noncurrent assets	(25,289)	(27,746)
Proceeds from sale of noncurrent assets	937	92
Payment for purchase of investment securities	(2,692)	(135)
Proceeds from sale of investment securities	134	–
Payment for purchase of shares of associated companies	(513)	(250)
Payment for business transfer	(118)	–
Proceeds from business transfer	–	11,613
Proceeds from liquidation of associated companies	–	581
Other—net	6	(21)
Net cash provided by (used in) investing activities	(27,541)	(15,868)
Income (loss) before income taxes		
Increase (decrease) in short-term borrowings—net	22,204	1,407
Repayment of long-term debt	(10,200)	(833)
Proceeds from sale and lease back transactions	2,563	1,285
Repayment of lease obligations	(979)	(1,156)
Proceeds from issuance of new shares	2,267	–
Purchase of treasury stock	(1)	–
Proceeds from stock issuance to noncontrolling interests	214	–
Dividends paid to noncontrolling interests	–	(64)
Net cash provided by (used in) financing activities	16,068	639
Foreign currency translation adjustments on cash and cash equivalents	1,065	(304)
Net increase (decrease) in cash and cash equivalents	(580)	(8,708)
Cash and cash equivalents, beginning of period	38,405	35,634
Cash and cash equivalents, end of period	37,825	26,926

(7) NOTE REGARDING GOING CONCERN ASSUMPTION

None

(8) CHANGE IN ACCOUNTING POLICY

Effective from 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 six months ended December 31, 2018 is immaterial.

(9) 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.

(10) SEGMENT INFORMATION

<Net Sales by Segment>

(In millions of yen)

	Nine months ended December 31				
	2017		2018		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	80,959	29.9 %	86,068	33.0 %	+6.3 %
Overseas	138,743	51.2	127,870	49.0	-7.8
Total	219,702	81.1	213,938	82.0	-2.6
Others:					
Japan	28,839	10.6	31,045	11.9	+7.6
Overseas	22,330	8.3	15,872	6.1	-28.9
Total	51,169	18.9	46,917	18.0	-8.3
Consolidated:					
Japan	109,798	40.5	117,113	44.9	+6.7
Overseas	161,073	59.5	143,742	55.1	-10.8
Total	270,871	100.0 %	260,855	100.0 %	-3.7 %

(In millions of yen)

	Three months ended December 31				
	2017		2018		Percent change
	Amount	Ratio	Amount	Ratio	
Car Electronics:					
Japan	27,366	28.9 %	30,700	34.1 %	+12.2 %
Overseas	48,606	51.3	42,653	47.5	-12.2
Total	75,972	80.2	73,353	81.6	-3.4
Others:					
Japan	10,834	11.4	11,351	12.7	+4.8
Overseas	7,895	8.4	5,223	5.7	-33.8
Total	18,729	19.8	16,574	18.4	-11.5
Consolidated:					
Japan	38,200	40.3	42,051	46.8	+10.1
Overseas	56,501	59.7	47,876	53.2	-15.3
Total	94,701	100.0 %	89,927	100.0 %	-5.0 %

<Sales and Income (Loss) by Segment> - Nine months ended December 31

Nine months ended December 31,2017				(In millions of yen)	
	Car Electronics	Others	Total	Reconciliations * 1	Consolidated * 2
Sales:					
Sales to external customers	219,702	51,169	270,871	-	270,871
Intersegment sales	270	2,355	2,625	(2,625)	-
Total sales	219,972	53,524	273,496	(2,625)	270,871
Segment income	1,486	820	2,306	(194)	2,112

Notes:

1. Reconciliations of ¥(194) million recorded for segment income include elimination of intersegment transactions of ¥179 million and corporate expenses of ¥(373) 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.

Nine months ended December 31,2018				(In millions of yen)	
	Car Electronics	Others	Total	Reconciliations * 1	Consolidated * 2
Sales:					
Sales to external customers	213,938	46,917	260,855	-	260,855
Intersegment sales	224	2,461	2,685	(2,685)	-
Total sales	214,162	49,378	263,540	(2,685)	260,855
Segment income (loss)	(4,686)	1,699	(2,987)	(363)	(3,350)

Notes:

1. Reconciliations of ¥(363) million recorded for segment income (loss) include elimination of intersegment transactions of ¥133 million and corporate expenses of ¥(496) 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.

<Sales and Income (Loss) by Segment> - Three months ended December 31

(In millions of yen)

Three months ended December 31,2017	Car Electronics	Others	Total	Reconciliations * 1	Consolidated * 2
Sales:					
Sales to external customers	75,972	18,729	94,701	-	94,701
Intersegment sales	62	776	838	(838)	-
Total sales	76,034	19,505	95,539	(838)	94,701
Segment income (loss)	(609)	730	121	(58)	63

Notes:

1. Reconciliations of ¥(58) million recorded for segment income (loss) include elimination of intersegment transactions of ¥96 million and corporate expenses of ¥(154) 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.

(In millions of yen)

Three months ended December 31,2018	Car Electronics	Others	Total	Reconciliations * 1	Consolidated * 2
Sales:					
Sales to external customers	73,353	16,574	89,927	-	89,927
Intersegment sales	69	781	850	(850)	-
Total sales	73,422	17,355	90,777	(850)	89,927
Segment income (loss)	(2,179)	671	(1,508)	(154)	(1,662)

Notes:

1. Reconciliations of ¥(154) million recorded for segment income (loss) include elimination of intersegment transactions of ¥95 million and corporate expenses of ¥(249) 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.

(11) Information with Respect to Going Concern Assumption

Pioneer Corporation (hereinafter “Pioneer”) recorded a net loss attributable to owners of Pioneer Corporation for fiscal 2018 of ¥7.1 billion, and free cash flows, which represent net cash provided by operating activities plus net cash used in investing activities, were outflows of ¥17.2 billion.

Moreover, while forecasting a consolidated operating loss and a net loss attributable to owners of Pioneer Corporation for fiscal 2019, Pioneer had not obtained an agreement on refinancing from the banks, and accordingly, there existed substantial uncertainties with respect to the going concern assumption and, as a result, Pioneer made statements in the “Note regarding going concern assumption” in the notes section of Pioneer’s consolidated quarterly financial statements for the first quarter for fiscal 2019, dated August 8, 2018. In order to resolve this situation, Pioneer examined the group-wide management improvement measures such as disposals of its business and assets as a result of a review of its business portfolio, restructuring of core business and shift of resource to growth business. In the course of such examination, Pioneer concluded that it would be the best option for stable operation of the business to thoroughly solve the issues with respect to its high-cost structure and development of areas of growth business in business and financial affairs at an early stage, by newly selecting a sponsor who can provide support including funding through capital contribution, etc., to Pioneer, and utilizing the funding and other support, provided by such sponsor to regulate financing and cash flows at present and to secure funds to repay the existing borrowings and to invest for future growth.

Pioneer has received a loan of ¥25 billion (hereinafter the “Bridge Loan”) from Kamerig B.V. (hereinafter the “Fund”), a fund under Baring Private Equity Asia (hereinafter “BPEA”) on September 18, 2018, and executed with Wolfcrest Limited (hereinafter the “Allottee”), a fund under BPEA, a contribution agreement (hereinafter the “Agreement”) concerning issuance of new shares of Pioneer to the Allottee through third party allotment (hereinafter the “Third Party Allotment”), the aggregate amount to be paid in for which is 77 billion yen, on December 7, 2018.

(Outline of the Third Party Allotment)

1. Issuance of new shares (DES)

(1) Class and number of offered shares:

500,000,000 common shares

(2) Amount to be paid in:

50 yen per share

(3) Total amount to be paid in:

25 billion yen

The total amount shall be paid in the form of contribution in kind (DES).

(4) Details and value of property to be contributed in kind:

Loan receivable held by the Allottee against Pioneer (Note)

25 billion yen in total

Note: The loan receivable relating to the Bridge Loan. The loan receivable is scheduled to be transferred from the Fund to the Allottee prior to the implementation of the contribution for the Third Party Allotment (DES).

(5) Payment period:

From March 1, 2019 to June 30, 2019

2. Issuance of new shares (cash contribution)

(1) Class and number of offered shares:

1,040,000,000 common shares

(2) Amount to be paid in:

50 yen per share

(3) Total amount to be paid in:

52 billion yen

(4) Payment period:

From March 1, 2019 to June 30, 2019

In the Agreement, the Third Party Allotment is subject to the approval of a series of proposals pertaining to the Third Party Allotment at Pioneer’s extraordinary general meeting of shareholders. The proposals were all approved at the extraordinary general meeting of shareholders held on January 25, 2019.

The Third Party Allotment is also subject to obtaining clearances from relevant authorities in each jurisdiction that is required for the implementation of the Third Party Allotment, such as each local competition authority’s permission or notification regarding business combinations. As the procedure to obtain such clearances is practically on schedule, Pioneer assesses that there are no substantial uncertainties over the Third Party Allotment, and believes that the situation raising substantial uncertainties with respect to its future going concern assumption will be resolved.