Pioneer

Annual Report 2017

For the Year Ended March 31, 2017

Group Philosophy

“Move the Heart and Touch the Soul”

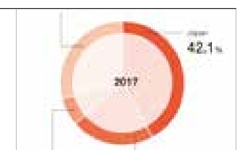
Business Strategies and Direction

A leading company in “Comprehensive Infotainment”

“Move the Heart and Touch the Soul” is our Group Philosophy that embodies Pioneer’s founding spirit. Pioneer continues to realize the philosophy by creating new markets and culture with products and services borne from innovative, unique ideas and cutting-edge technologies. These include major world firsts such as the separate home stereo system in 1962, the component car stereo in 1975, the Global Positioning System (GPS) car navigation system for the consumer market in 1990, and the car navigation system for the consumer market featuring a head-up display in 2012.

Pioneer will continue to deliver inspirational impressions to every single customer by pushing the limits of passion for “sound,” “vision” and “information.” We will make every effort to become a leading company in “Comprehensive Infotainment” that creates comfort, excitement, reliability and safety in vehicles amid great changes in the car electronics industry, anticipating the coming age of autonomous driving.

Contents



Business Profile

Fiscal 2017, Ended March 31, 2017

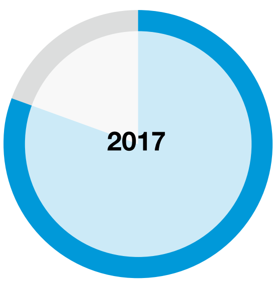
Consolidated Net Sales 386.7 billion yen

Consolidated Operating Income 4.2 billion yen

Sales by Business Segment

Car Electronics

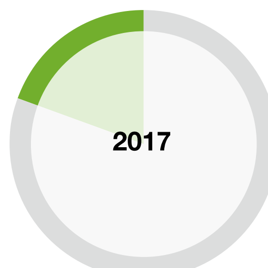
We develop, manufacture, and sell advanced car electronics products and provide information services for cars and map software. We also supply such products and services to major automakers around the world.



312.5 billion yen
80.8%

Others

In addition to factory automation systems, we are utilizing our unique optical, sound, and imaging technologies to develop new businesses in fields such as medical and health care-related devices and organic light-emitting diode (OLED) lighting.

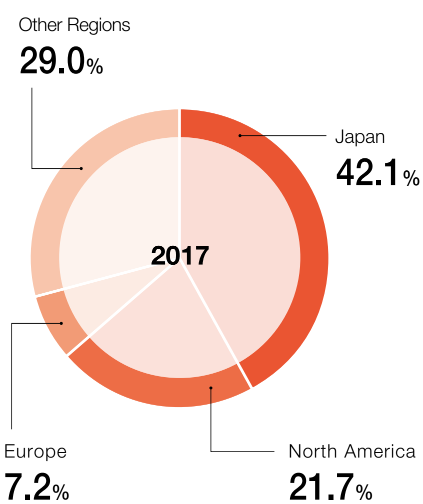


74.2 billion yen
19.2%

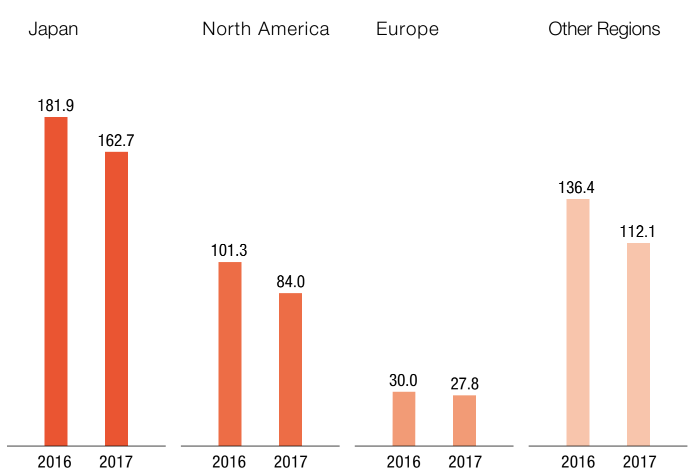
Sales by Geographic Market

The Pioneer Group is proactively developing businesses in emerging markets where continuous growth is expected. For fiscal 2017, sales outside Japan accounted for 57.9% of consolidated net sales.

Composition of Sales by Geographic Market



Sales by Geographic Market (Billion yen)



▷ To Our Stakeholders

As for the consolidated results for fiscal 2017, ended March 31, 2017, both net sales and profits were lower year on year. However, we made advance investments aggressively toward achieving our Medium-Term Plan and accelerated business selection and concentration, making fiscal 2017 a year of foundation building aimed at the future growth of the Company.

During fiscal 2018, ending March 31, 2018, we will steadily promote our growth strategy and make every effort to become a leading company in “Comprehensive Infotainment” that creates comfort, excitement, reliability and safety in vehicles.

> Consolidated Results for Fiscal 2017

Net sales in fiscal 2017 declined 14.0% year on year to ¥386.7 billion, affected by lower sales in the Car Electronics OEM business, as well as the yen’s appreciation. Operating income decreased 42.9% year on year to ¥4.2 billion, mainly due to reduced net sales. Net loss attributable to owners of Pioneer Corporation was ¥5.1 billion, compared with a net income of ¥0.7 billion a year ago, because we recorded restructuring costs and a loss on transfer of the cable TV system-related equipment business, as a result of our business selection and concentration.

> Strongly Pursuing the Growth Strategy Shown in the Medium-Term Plan

For fiscal 2018, ending March 31, 2018, we are projecting net sales of ¥390.0 billion, and expecting a significant improvement in profits with projected operating income of ¥10.0 billion, and net income attributable to owners of Pioneer Corporation of ¥3.5 billion. Although the environment such as foreign exchange rates and our business structure have undergone changes since the establishment of the Medium-Term Plan, the direction and strategy for our business will remain firm. We will strongly pursue a growth strategy to achieve our numerical targets for fiscal 2018.

In the consumer market business, we will maintain a stable earnings structure. Moreover, with the aim of expanding sales, we will bolster smartphone-linked products, while delivering new value solutions for the reliability and safety segments, such as *Multi-Drive Assist Unit*, a product released in Japan in 2016. At the same time, we will pursue sound-centric entertainment, delivering a Pioneer’s unique connected car life experience. We will also strengthen new commercial-use businesses that utilize the cloud, such as services for automobile insurance and *Vehicle Assist*, a service-offering that targets corporate vehicles, by engaging in alliances. In emerging markets, we will deliver car electronics products in affordable price ranges that are appropriate for each region’s characteristics.

Financial Highlights

Pioneer Corporation and Its Subsidiaries
Years Ended March 31

In millions of yen and thousands of U.S. dollars	2016	**2017**	**2017**
Net sales	¥449,630	**¥386,682**	**$3,452,518**
Operating income	7,304	**4,167**	**37,205**
Net (loss) income attributable to owners of Pioneer Corporation	731	**(5,054)**	**(45,125)**
Net (loss) income per share (yen/U.S. dollars)	1.99	**(13.76)**	**(0.12)**
Total assets	298,012	**281,786**	**2,515,946**
Total equity	90,486	**86,789**	**774,902**
Free cash flows	(791)	**(14,395)**	**(128,527)**

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥112=US$1.00, the approximate current rate prevailing on March 31, 2017.
2. Net (loss) income per share is calculated based on the number of shares outstanding, excluding treasury stock.
3. Free cash flows represent the sum of cash flows from operating activities and cash flows from investing activities.

In the OEM business, we launched shipments for large-scale orders that we have made advance investments in the past. To attain improved profitability, we will strive to efficiently meet increasingly more diverse customer needs. Moreover, we will effectively utilize our resources and revise operation processes, thereby raising productivity. We also aim to acquire new orders by aggressively providing advanced-technology solutions.

In the map business and autonomous driving field, we are now developing shipping samples of the 3D-LiDAR sensor, which is essential for autonomous driving. Moreover, through an alliance with HERE Technologies, a Netherlands-based global provider of mapping and location services, and by participating in Japanese governmental projects, we aim to develop high-definition maps for autonomous driving and realize "data ecosystem," which will enable the maps to be maintained and updated efficiently.

In the Others business, we will expand the factory automation systems business, accelerate the organic light-emitting diode (OLED) lighting business through a joint venture with Konica Minolta, Inc., and develop the medical and health care-related business.

Fiscal 2018 will mark the 80th anniversary of the foundation of Pioneer and will be an important year in which to strengthen the business base for future growth. We will pursue the growth strategy outlined in the Medium-Term Plan and make the utmost efforts to achieve the numerical targets for 2018.

I ask for the continued understanding and strong support of all of our stakeholders.

June 2017

Susumu Kotani
President and CEO

To Become an "Essential Company" toward the Realization of Autonomous Driving

In recent years, not only the car electronics industry but also a variety of other industries have globally accelerated initiatives for autonomous driving. In this section, President and CEO Susumu Kotani talks about Pioneer's strategies, initiatives, and determination to become an "essential company" toward the realization of autonomous driving.

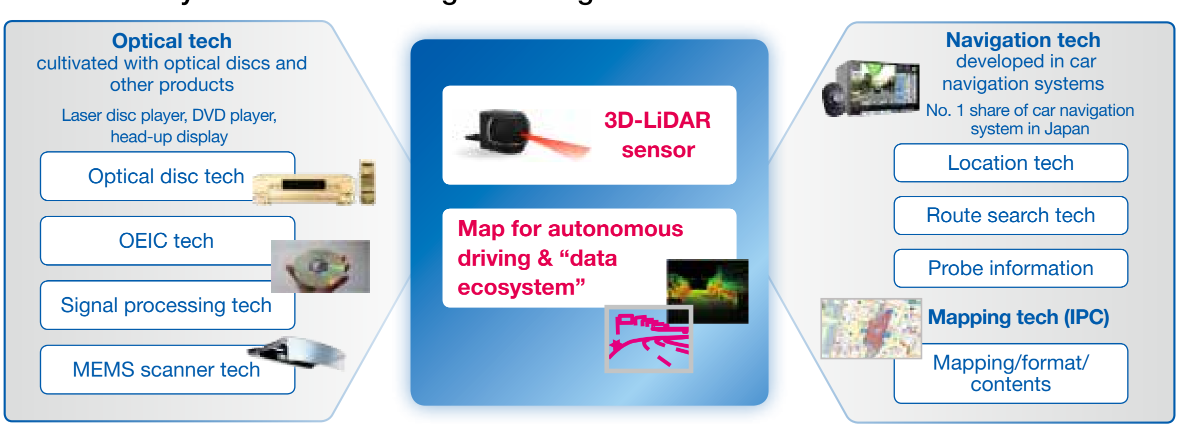
Q1 What are Pioneer's initiatives and strengths in its pursuit of the realization of autonomous driving?

A Pioneer is engaged in the development of "3D-LiDAR sensors," "maps for autonomous driving," and their combinations, "data ecosystem." We will build an advantageous position toward the realization of autonomous driving as a company possessing sensors and maps, both of which are necessary technologies for autonomous driving.

Realizing autonomous driving requires various technologies, among which Pioneer owns within its Group are optical technologies accumulated in relation to its optical disc business, high-precision vehicle location technologies and probe information developed for car navigation systems, as well as the map software subsidiary, Increment P Corporation (IPC). Among fields where these strengths and technological assets of ours are fully used, we are concentrating business resources on developing "3D-LiDAR sensors," "maps for autonomous driving," and a "data ecosystem."

The 3D-LiDAR sensor plays the role of an "eye" for recognizing the surrounding environment in autonomous driving. It uses laser beams to measure distances to objects accurately and capture information on distances and surroundings in real time and in three dimensions. To operate autonomous driving in urban areas, this 3D-LiDAR sensor, which is capable of excellent environment recognition and precisely measuring a vehicle's location, is believed to be essential. The map for autonomous driving also requires immeasurably enormous volumes of

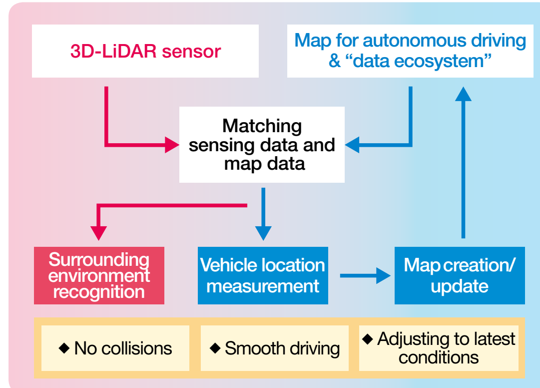
■ Pioneer's key autonomous driving technologies



high-precision information compared to conventional maps, such as attribute information about each driving lane (width, traffic signals, etc.). Their development demands an extremely high level of technology, but at the same time is the very best field for Pioneer, which has developed and accumulated digital map data for car navigation systems at IPC over the years, to leverage our strengths to the fullest.

With these map data for autonomous driving verified with sensing data captured by the 3D-LiDAR sensor to perform high-precision "surrounding environment recognition" and "vehicle location measurement," smooth autonomous driving is enabled even under complex traffic conditions. A key point here is the "freshness" of the map. However, it is very difficult to update enormous map data for autonomous driving in real time. As a solution, Pioneer is working to build a "data ecosystem," in which differences between the 3D-LiDAR sensor's sensing data and the map data are collected only in the quantity necessary for autonomous driving, and map data analyzed and

■ Autonomous driving elements provided based on Pioneer's key technologies



updated through the cloud are efficiently distributed to vehicles. This solution can be offered only by Pioneer as a producer of both sensors and maps. We will build an advantageous position toward the realization of autonomous driving using our own underlying technologies and by making strategic alliances.

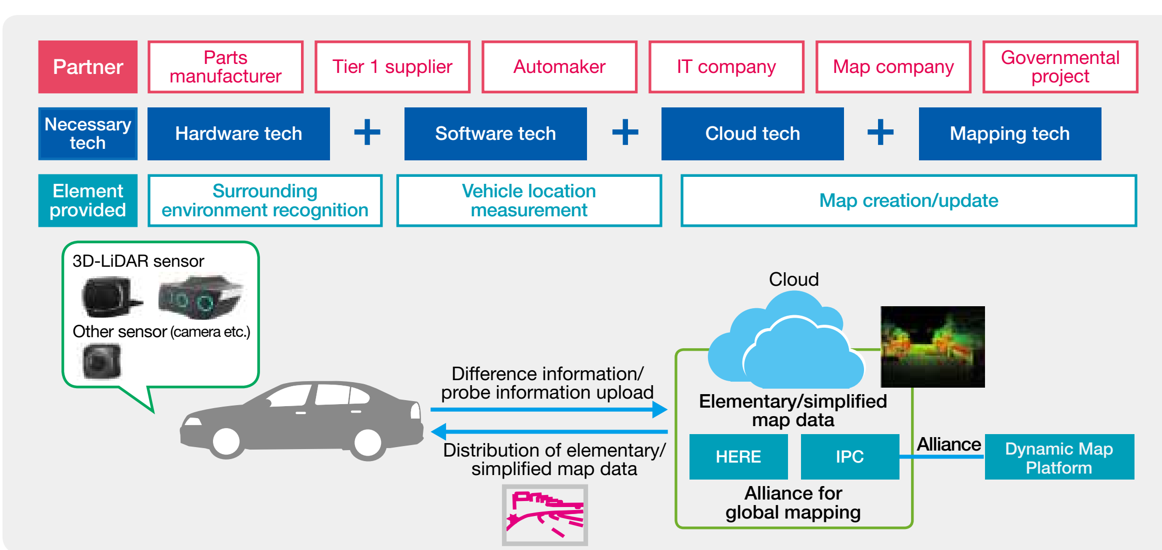
Q2 How do you approach making alliances for the realization of autonomous driving?

A Making strategic alliances with strong partners is imperative for us in terms of cost and speed of development.

To realize autonomous driving, we need to build a variety of technologies as a total system in a rapid and global manner. To this end, it is imperative that we make strategic alliances with strong partners in each technological field.

Particularly for the autonomous driving map, it

■ Basic concept of partnerships in the autonomous driving field



takes an immense amount of time and cost to cover the entire area of Japan, as well as locations overseas. To map Japan, Dynamic Map Platform Co., Ltd. (Dynamic Map Platform), a joint venture established as an all-Japan initiative by electronics, map, survey and automaker companies, is developing data that can be used as a common basis for maps used for autonomous driving on highways and expressways. Within the Pioneer Group, IPC is participating in this initiative, while uniquely developing competitive fields that can be value-adding factors. From a global point of view, we strengthen alliances with HERE Technologies (HERE), the Netherlands-based global provider of mapping and location services, toward the efficient and global creation and supply of maps for autonomous driving and the development of a "data ecosystem" using 3D-LiDAR sensors. In developing 3D-LiDAR sensors, it is absolutely necessary, in terms of hardware and software, to work with automakers as well as with Tier 1 suppliers which directly supply automakers with parts and products, and parts manufacturers. By reflecting the industry's needs definitely with taking advantage of relationships of trust fostered in the OEM business, Pioneer will develop devices and systems optimized for mass production and practical application of 3D-LiDAR sensors.

Q3 In what types of business do you expect to apply 3D-LiDAR sensors, maps for autonomous driving, and "data ecosystem"?

A We can expect them to be applied in a wide range of fields other than autonomous driving and advanced driving assist systems.

We expect 3D-LiDAR sensors to be applied in consumer products such as robots and drones, in addition to autonomous driving and advanced driving assist systems. The range of applications of the map is also expected to dramatically expand as a platform for high-definition maps in the wake of the progress of the Internet of Things (IoT). We envision its application in infrastructure management, disaster-prevention, and disaster-reduction, in addition to autonomous driving and advanced driving assist systems, and believe further expansion of this field is promising. We also see "data ecosystem" applications expanding from cloud use to a variety of fields such as providing modules, algorithms, and applications, which are components of systems, and data updates. At any rate, it is important for us to strengthen our businesses in terms of hardware, and particularly software, by making strategic alliances with powerful partners that can exploit synergies.

Q4 What is Pioneer's roadmap for the realization of autonomous driving?

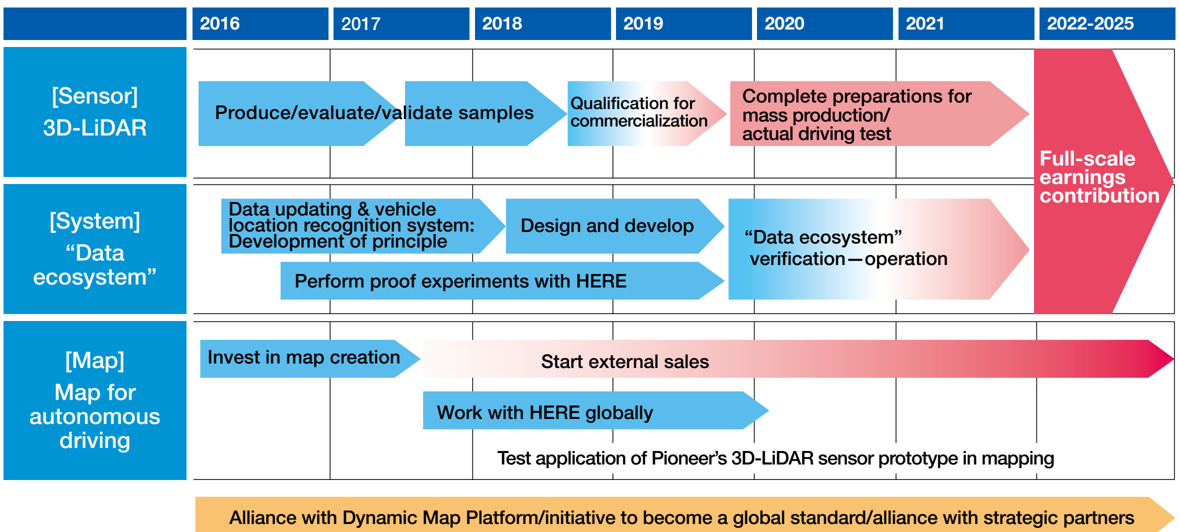
A With the target set at introducing autonomous driving on general roads from 2023, we will release maps for advanced driving assist systems in 2018, and complete our preparations for the commercialization of the 3D-LiDAR sensors and "data ecosystem" in 2019.

Pioneer's roadmap toward the realization of autonomous driving is aligned with the full-scale introduction of autonomous driving on general roads (Level 3) starting from 2023 when 3D-LiDAR sensors become essential. We will invest roughly ¥10 billion in autonomous driving-related research and development over the five years from fiscal 2017 to fiscal 2021 in an effort toward full-scale earnings contribution from 2022.

Basic development of 3D-LiDAR sensors is near completion, and we are now in the process of arranging for shipments of samples to automakers and

other companies in the fall of 2017. We will stay focused on development work for now so that we can show our achievements as soon as possible, and then expand the type and performance of samples and complete preparations for mass production by 2019. We have conducted proof experiments for the "data ecosystem" with HERE since 2016 under a plan to enter the full-scale verification and operation stage along with Pioneer's 3D-LiDAR sensors. With regard to maps, we will launch external sales for advanced driving assist systems in 2018, and will promote the business in cooperation with HERE and Dynamic Map Platform by responding flexibly to the status of proliferation.

■ Roadmap for autonomous driving



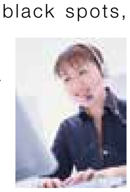
Q5 What types of business opportunity do you expect before the coming age of full-scale autonomous driving?

A We can expect an expansion of value-added proposals for safety, reliability and advanced driving assist systems in consumer car electronics products, and application of high-definition maps in corporate/GIS markets.

Until all vehicles driving in urban areas become autonomous cars, we see a vast scope of business opportunities to make value-added proposals in the field of safety, reliability and advanced driving assist systems, in the consumer market. Using in-vehicle devices, Pioneer will promote its products and services to support a "proactive safety" element that leads to the prevention of accidents. In fact, we had already introduced *Multi-Drive Assist Unit* in 2016 and started providing *Intelligent Pilot* services for Tokio Marine & Nichido Fire Insurance Co., Ltd. in April 2017. Going forward, we believe we can lay the groundwork for a

"Front Car Proximity Alert" function (Image)

Multi-Drive Assist Unit
Working with *Cyber Navi* car navigation system for the Japanese consumer market, realizes driving assists such as image/sound warnings to the driver by using Pioneer's sophisticated image recognition technologies and probe information.



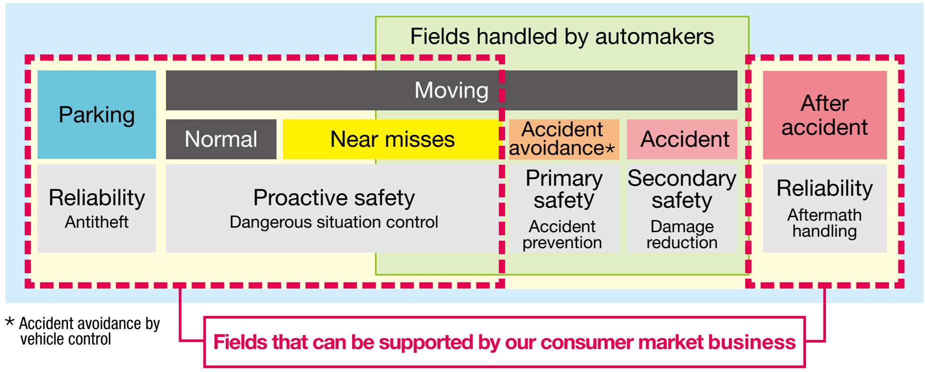
Intelligent Pilot
Predicts accidents and hazards using digital maps based on probe information such as on accident black spots, weather, personal driving tendencies, etc. Through an event data recorder device, issues heads-ups and warnings and enables communication with call centers in the event of an accident.

"data ecosystem" in the age of autonomous driving, taking advantage of our position as having a top global market share in the consumer car electronics market, in order to apply the data we collect from a large number of consumer devices in updating maps for autonomous driving. We will certainly offer a new way to enjoy entertainment, which is a pillar of our consumer market business, in a safe and reliable vehicle.

Among the initiatives for autonomous driving, we expect the high-definition map to be commercialized first at an early date. We anticipate it will be applied in advanced driving assist systems before autonomous driving is popularized and in the corporate/GIS* markets. We will also make efforts to strengthen ASEAN maps as a new growth field.

* Geographic Information System (GIS): Technologies that enable advanced analysis and rapid judgments using geographical positioning, by comprehensively managing and processing geographically referenced information data, and displaying data visually.

■ Added value "safety and reliability" that can be offered by Pioneer's consumer car electronics products



Q6 What is the challenge for achieving your goals and how determined are you?

A By making strategic alliances with strong partners and rapid management decisions, we aim to become an "essential company" toward the realization of autonomous driving.

As I explained earlier, Pioneer owns sensors and maps, both of which are technologies truly needed for the realization of autonomous driving, and engages in development activities using its own strengths and technological assets. We believe our advantageous position is secured in this way. The important thing is how effectively we use this advantage in our businesses. We are aware that the key points for us to survive in the age of autonomous driving are "technological resources," "speed," "globalization," and "investment." In addition to creating synergies and making efficient and balanced investments through strategic alliances with strong partners, we will firmly grasp the level customers want and make rapid management decisions from a global point of view.

The direction we should take is obvious as markets are undergoing significant changes ahead of the age of autonomous driving. This change is a big opportunity for us. Please don't miss the next move Pioneer will make in a bid to become an "essential company" toward the realization of autonomous driving.

Close Up Further Expansion of Business Opportunities through a Strengthened Alliance with HERE

Alliance is being strengthened in the fields of global map solutions and next generation location-based services in anticipation of the coming age of autonomous driving

In February 2017, Pioneer and HERE agreed on a strategic partnership for global map solutions and next generation location-based services with the aim of strengthening its relationship further from the agreement in May 2016 to perform proof experiments toward establishing a "data ecosystem" using 3D-LiDAR sensors. This partnership agreement is intended to expand the scope of the alliance of both companies, in order to enhance existing businesses, in view of the age of autonomous driving, in a new cooperative relationship including Pioneer's map software subsidiary, IPC. In June 2017, we also entered into an agreement specifying the mutual supply of standard maps and the evaluation of high-definition maps, in an effort to accelerate our initiatives toward the provision of global standard maps services, and global high-definition maps services for autonomous driving.

Key Points of Alliance

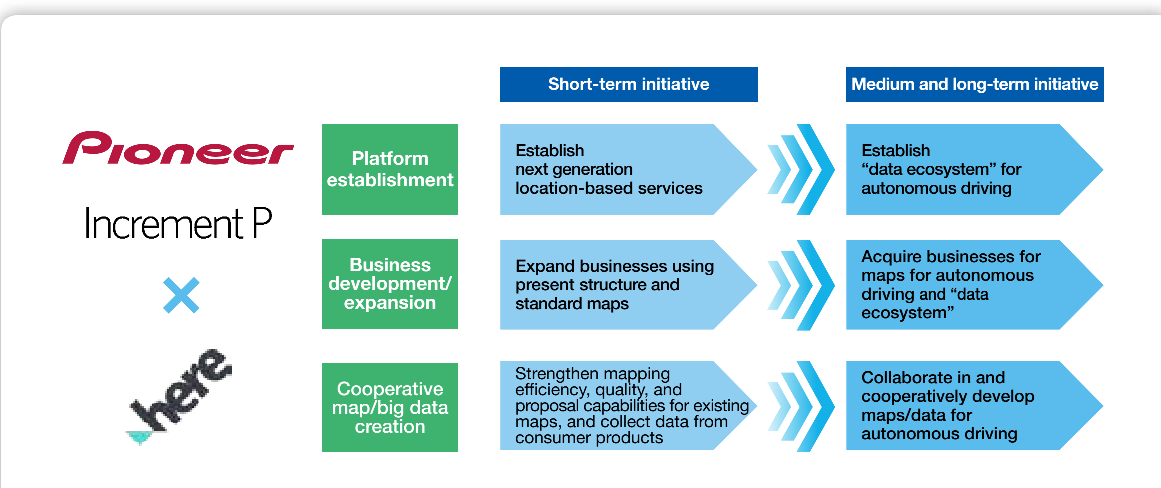
Short-term initiative Strengthen alliance by taking advantage of existing resources of both companies

Through the mutual use of standard maps by both companies, we expect the existing standard map business to expand, such as through the establishment of a structure to provide one-stop global map data services for customers operating businesses in various areas. These services are scheduled to be provided as early as the second half of the fiscal 2018. In addition, we will pursue the establishment and market launch of next generation location-based services, in which data collected from general vehicles with Pioneer's sensing devices for the consumer market are used on HERE's open location platforms.

Medium and long-term initiative Building a global "data ecosystem"

Both companies will also work with Dynamic Map Platform in a bid to realize universal high-definition map solutions for autonomous driving that meet the needs of a variety of industries such as the automotive industry. We will also pursue the application of data collected through Pioneer's 3D-LiDAR sensors in map solutions for autonomous driving and establishment of a "data ecosystem" that enables the efficient creation, updating, and operation of maps.

■ Fields of alliance with HERE



Close Up 3D-LiDAR Sensor Development

The in-vehicle sensor, which is believed to be essential for autonomous driving, is required to be “high performance” and “durable” for recognizing the surrounding environment in real time and in detail while moving, and to be “compact,” “light weight,” and “affordably priced” for installation in all vehicles in the future.

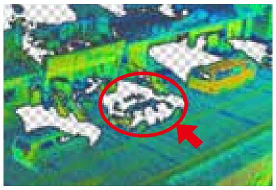
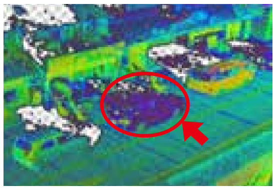
To clear these challenges, Pioneer is engaged in developing the 3D-LiDAR sensor, which combines the MEMS* mirror method, and its own optical technologies, wideband analog circuitry technologies, and digital signal processing technologies. Most LiDAR systems currently adopted in the market are based on the motorized laser beam irradiation method. Pioneer, however, by employing the MEMS mirror method, which comprises semiconductor laser processes, will eliminate the motor drive unit and enhance durability, as well as pursue downsizing and light weight. We also aim to achieve affordable prices using common parts, developing new parts on the premise of mass production, and adopting a flexible system configuration. To realize highly reliable LiDAR systems, Pioneer’s unique digital waveform signal processing technology, by boosting the precision of noise reduction, enables the detection of distant objects and black objects as well as distance measurements under bad weather conditions such as those with snow-covered roads, which existing LiDAR systems have difficulty doing.

* Micro Electro Mechanical Systems (MEMS): a device with integrated electronic circuits

We are currently exchanging various information about specifications, primarily with automakers, but the roles and levels required of the LiDAR have diversified depending on the patterns of combinations with other sensors such as a camera. To meet these customer needs, Pioneer is developing three types of LiDAR: the telescopic LiDAR to detect objects on the road relatively far away, the medium-range LiDAR for medium distances to detect and recognize moving objects in front, and the wide-view LiDAR to detect and recognize objects surrounding a vehicle.

For future practical applications, we will steadily promote making alliances with ideal partners and building sensing systems optimized for autonomous driving, including combinations with other in-vehicle sensors.

■ Pioneer’s superior digital waveform signal processing technology

Conventional signal processing	Pioneer’s signal processing
	
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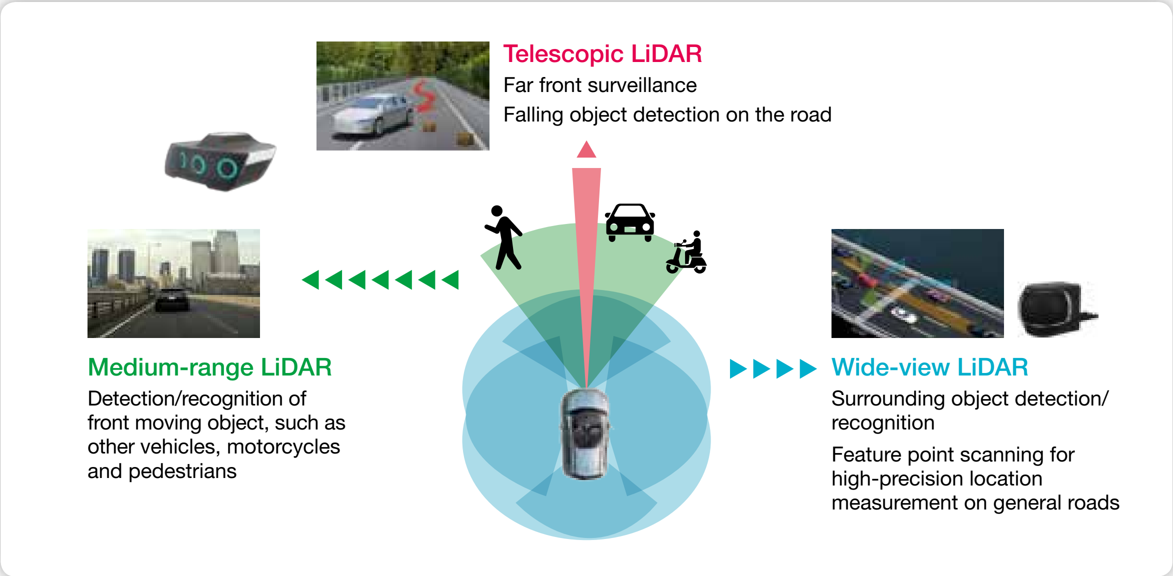
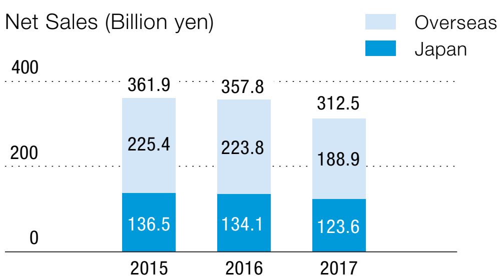
Pioneer’s signal-processing technology can detect black car, which is difficult for LiDAR to recognize.

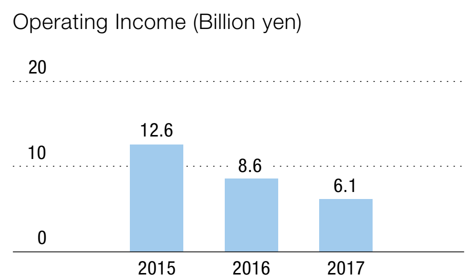
■ LiDAR development according to use



Car Electronics

Composition of Sales by Business Segment **80.8%**





Car Electronics sales declined 12.7% year on year, to ¥312.5 billion, mainly due to a decrease in sales of OEM business and the negative effects of the Japanese yen's appreciation.

Sales of consumer market business declined. Sales of car audio products fell because of a decrease overseas, primarily in North America. Car navigation system sales declined, because of a decrease in Japan and North America, despite an increase in China.

Sales of OEM business declined. Sales of car audio products fell because of a decrease overseas, primarily in North America, despite higher sales in Japan. Car navigation system sales decreased, due to lower sales in Japan and emerging markets, despite increased sales in North America.

OEM business sales accounted for 58% of total Car Electronics sales, compared with 60% in the previous fiscal year.

By geographic region, sales in Japan decreased 7.8%, to ¥123.6 billion, and overseas sales decreased 15.6%, to ¥188.9 billion.

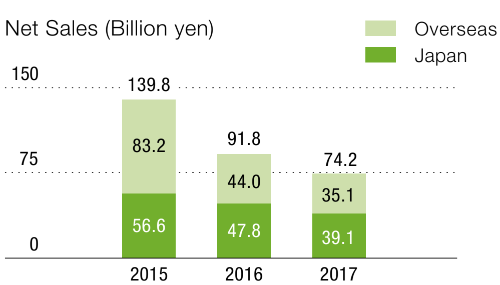
Operating income declined 29.5% year on year, to ¥6.1 billion, due to the decline in sales, despite lower SG&A expenses and an improved cost of sales ratio, both mainly as a result of foreign exchange rate movements.

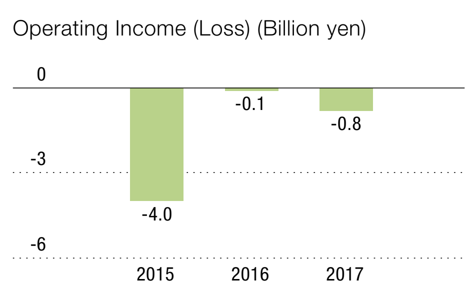
Main Products

- Car Navigation Systems
- Car Stereos
- Car AV Systems
- Car Speakers
- Map Software

Others

Composition of Sales by Business Segment **19.2%**





In the Others segment, sales declined 19.2% year on year, to ¥74.2 billion. Sales increased in factory automation systems, but decreases in sales of home AV products and optical disc drive-related products, and the negative effects of the Japanese yen's appreciation, led to an overall decline.

By geographic region, sales in Japan decreased 18.2%, to ¥39.1 billion, and overseas sales decreased 20.2%, to ¥35.1 billion.

The segment's operating loss was ¥0.8 billion, compared with a loss of ¥0.1 billion for fiscal 2016, due to the decrease in sales, despite an improvement in the cost of sales ratio.

Main Products

- Optical Disc Drive-Related Products
- Equipment for Cable-TV Systems
- Factory Automation Systems
- Electronic Devices and Parts
- Organic Light-Emitting Diode (OLED) Displays
- DJ Equipment (Subcontracted Manufacturing/Sales)
- Home AV Products

Notes: 1. Operating income (loss) in each business segment represents operating income (loss) before elimination of intersegment transactions.
2. In fiscal 2015, the home AV, telephone, headphone-related, and DJ equipment businesses were transferred. In accordance with these transfers, the business segments from fiscal 2016 are classified as "Car Electronics" and "Others." Figures shown for fiscal 2015 have been reclassified accordingly.
3. From fiscal 2017, map software, previously classified in "Others," is reclassified in "Car Electronics." Figures for fiscal 2015 and fiscal 2016 have been reclassified accordingly.
4. On March 31, 2017, the business relating to the development, manufacture and sale/marketing of cable TV system-related equipment was transferred.

Research and Development

Pioneer's research and development (R&D) mainly anticipate the future of the Car Electronics business. Utilizing our strengths in optics, audio, signal processing, and information processing, we are developing a range of technologies that provide a reliable, safe, and comfortable car life, and strengthening our technological competitiveness to expand our businesses in the age of autonomous driving. These technologies are related to advancing systemization of in-vehicle functions, the sensing environment inside and outside of vehicles, information network services and map data enhancement for autonomous driving that use the Internet of things (IoT) and artificial intelligence (AI). They also include technologies for assisting drivers, such as, by monitoring their biological information and predicting their behavior, and sophisticated human machine interface (HMI).

We also actively conduct R&D in the areas of organic light-emitting diode (OLED) lighting as well as medical and health care-related devices, which we are cultivating as new businesses. We seek the early creation of new value accelerating R&D by expanding our strengths in new business fields and undertaking joint research and alliances with universities, public research institutions, and other private companies.

Biometric Sound Collection, Analysis, and Visualization Technologies

We are facilitating R&D aimed at making contributions in the medical field through our proprietary and long-cultivated audio and sensor technologies.

We are currently engaging in joint research with Department of Emergency and Critical Care Medicine, Graduate School of Biomedical & Health Sciences, Hiroshima University, on the collection, analysis, and visualization of breath sounds. As part of our achievements, we have developed the "U10" series of electronic stethoscopes, which were certified as medical devices in Japan in October 2016. Under the supervision of doctors, we have adopted a design which considers the usability for doctors and medical staff such as a better grip and operability. With the use of Pioneer's audio and sensor technologies, the "U10" series offers clear auscultation sounds. The "U10" series can record and play back auscultation sounds as well as displaying their waveforms using computers and other devices through wireless communication.

We also focus on R&D aimed at further evolving electronic stethoscopes. Auscultation is an important diagnosis method with speed and simplicity. To respond to the needs for more quality and efficient auscultation in medical rooms, we are facilitating R&D for technologies to support auscultation that analyze and show auscultation sounds in real-time to doctors and medical staff.

We will continue to accelerate R&D so that we can respond to various medical needs by making the most of our audio and sensor technologies including the practical application of technologies to support auscultation.

Electronic stethoscope
MSS-U11C

Visualizing auscultatory sounds

Note: Bluetooth and the Bluetooth logo are registered trademarks of Bluetooth SIG, Inc. in the United States.

> Behavior Prediction and Image Recognition Technologies

Behavior prediction refers to technologies that predict the future behavior of drivers and passengers by combining various behavior patterns extracted from their action histories and past events inside and outside of vehicles with ever-changing current situations such as weather conditions and drivers' biological information.

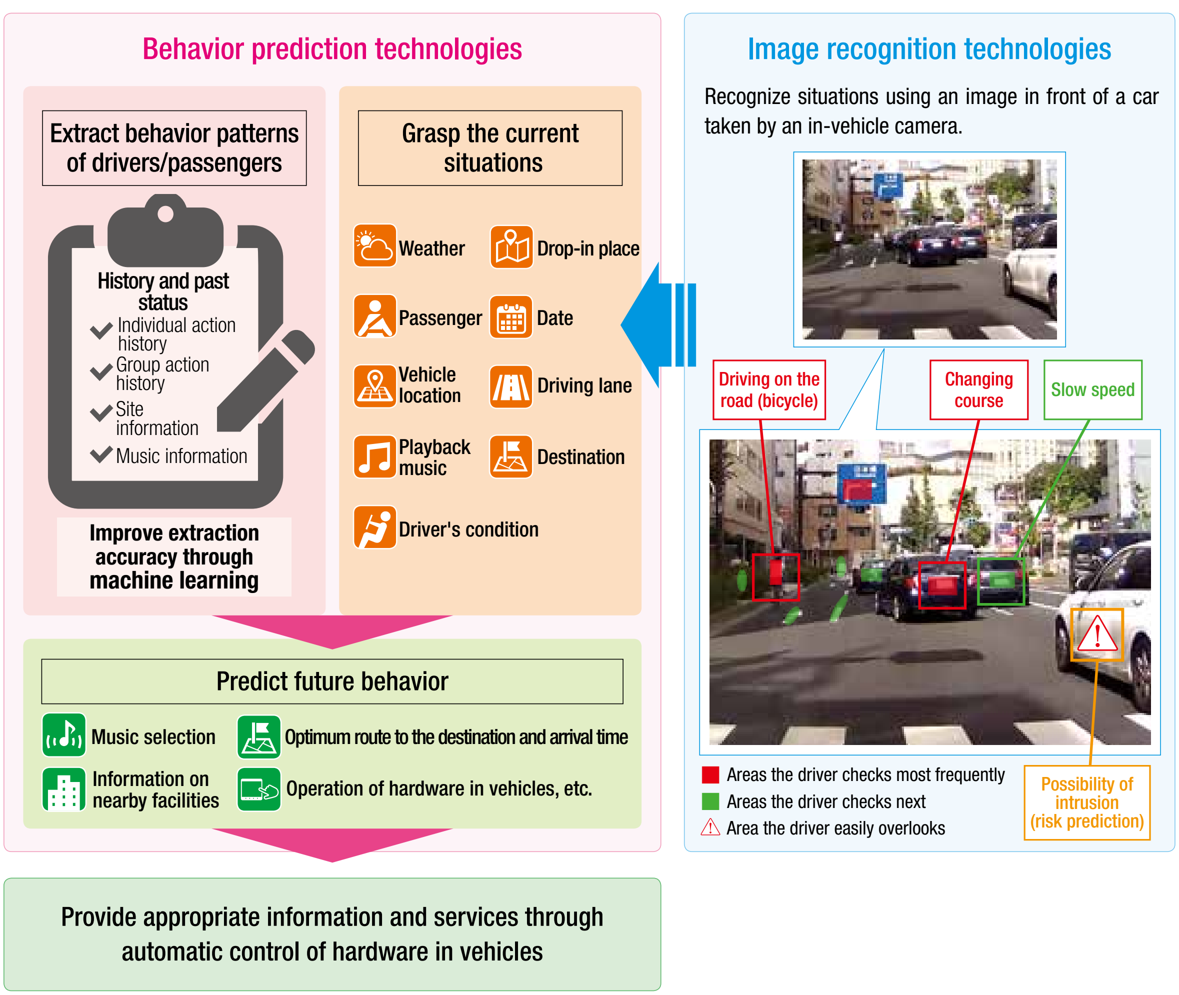
For example, when drivers start driving their car, the behavior prediction technologies automatically predict such information as the destination and arrival time without operating in-vehicle hardware vocally or by using buttons. Based on the prediction, the technologies provide information and services that are best suited to drivers and passengers at the best timing such as routes to avoid congestion, and favorite music. The technologies also predict and automatically handle operations that drivers frequently perform while driving car as exemplified by enlarging or shrinking a map displayed on a car navigation system, reducing their operational loads. The behavior prediction technologies use machine learning* to improve the accuracy of prediction.

In addition, we facilitate the R&D of image recognition technologies which infer situations that can be perceived and judged by human eyes. Based on the movement and color patterns of images in front of a car taken by an in-vehicle camera, the technologies infer the areas and priority orders that drivers pay attention to when looking ahead and make judgments on situations such as traffic congestion. Incorporating recognized information using the technologies into the aforementioned behavior prediction makes it possible to make appropriate prediction which is close to human sensibility.

We will continue developing behavior prediction and image recognition technologies, aiming to realize a reliable, safe, and comfortable car life in the age of autonomous driving.

* Machine learning: Technology to identify specific patterns by repeatedly learning accumulated data

Algorithm of behavior prediction technologies



Corporate Governance

The Company considers the realization of a transparent and fair corporate governance system as the most important issue in corporate management. As the fundamental framework for the corporate governance of the Company, we have formulated the "Basic Policy for Pioneer Group Corporate Governance" for the purpose of achieving sustainable growth and increased corporate value over the mid- to long-term through the realization of effective corporate governance.

Based on this basic policy, the Board of Directors enhances the effectiveness of the board itself and other bodies that comprise corporate governance of the Company, through such measures as conducting a self-evaluation of each director on the operation of the Board of Directors, enriching the information provided to outside directors, and strengthening to cooperate between outside directors and outside audit & supervisory board members. Furthermore, by continuously and periodically reviewing and revising this basic policy, Pioneer will creatively develop corporate governance.

Board of Directors, Audit & Supervisory Board and Executive Officers

Pioneer has adopted an Audit & Supervisory Board system of corporate governance. Under this system, the Company has established the Board of Directors as a decision-making body for matters of the highest importance, such as management policies, and as a supervisory body. The representative directors are responsible for business execution, while the Audit & Supervisory Board is responsible for auditing. In addition, Pioneer has elected several highly independent outside directors, who have no significant transactional relationships with the Pioneer Group, and has shortened the term of office of directors to one year, in order to further clarify their responsibilities and respond promptly to changes in the business environment.

The Board of Directors has elected executive officers to expedite business execution and clarify the responsibilities for each business. Under the supervision of the Board of Directors, a Group Executive Committee comprising executive officers elected by the Board of Directors has been established and charged with decision-making regarding important issues that arise in the course of business promotion. Through these initiatives, Pioneer's corporate governance is strengthened by the fact that directors focus on their decision-making and supervisory functions from a Group-wide perspective, while executive officers enhance their business execution functions. Furthermore, every year, each director conducts self-evaluation regarding the operation of the Board of Directors. Based on the results of the self-evaluations by each director, the effectiveness of the Board of Directors is considered and the operation of the Board of Directors is reviewed, further strengthening the supervisory function of the Board of Directors. The Audit & Supervisory Board, half or more of which consists of highly independent outside audit & supervisory board members, audits the directors' performance of their duties and monitors audits by the Independent Auditor. In fiscal 2017, the Board of Directors held 12 meetings, while the Audit & Supervisory Board held 18 meetings.

Group Executive Committee

Established under the supervision of the Board of Directors, the Group Executive Committee is a body charged primarily with decision-making or reporting to the Board of Directors regarding important issues that emerge in the course of business promotion or pertain to overall Group management strategy. In this capacity, the committee serves to enhance both the speed and effectiveness of business execution by the directors, as well as to strengthen the decision-making and oversight functions of the board itself. In fiscal 2017, the Group Executive Committee held 20 meetings and deliberated approximately 30 issues.

Voluntary Advisory Committees

To realize effective corporate governance, Pioneer has established a Nominating Committee, a Compensation Committee, and a Special Committee, each chaired by an outside director, as advisory committees designed to heighten management transparency and strengthen the oversight function of the Board of Directors. The Nominating Committee discusses matters concerning the election and dismissal of directors and executive officers, and the election of audit & supervisory board members. The Compensation Committee discusses issues related to remuneration and other benefits for directors and executive officers. The Special Committee discusses matters that have a significant impact on corporate value, including mergers and acquisitions. The respective outside directors who chair these committees report on the results of their deliberations and make related recommendations to the Board of Directors, and the Board of Directors gives full consideration to these reports and recommendations in the course of its related decision-making.

Ensuring Appropriate Execution of Business

In order for the Company to remain trusted and respected by society as a good corporate citizen, the "Pioneer Group Charter for Corporate Operations" is foremost in importance among the "Rules of the Pioneer Group." These rules also include the "Pioneer Group Code of Conduct," which stipulates specific decision-making and behavioral standards for Group directors, officers, and employees in the performance of their business duties, and the "Rules of the Pioneer Group," a collection of rules outlining the scope of authority and responsibilities for each Group company, and other rules related to compliance.

To ensure appropriate disclosure of corporate information and accuracy of financial reporting, Pioneer has formulated basic rules and principles, designated responsible departments, and coordinated with external specialists, with the aim of strengthening its information management system.

Furthermore, to ensure proper responses, we have developed a system necessary for ensuring proper operations by establishing a response policy in the event of a crisis, designating the authority and responsibilities of each Group company, and setting a policy for the approval process.

Regarding internal audits, the Audit Division audits the status of the Group's entire management and operations, and confirms compliance with laws and internal regulations. The Audit Division also works with the internal audit staff at Group companies and the Audit & Supervisory Board to enhance the internal audit function with regard to internal control systems, risk management, and areas related to corporate ethics, quality control, and environmental protection.

To safeguard the effectiveness of audits performed by the audit & supervisory board members, the Audit & Supervisory Board meets regularly with the representative directors, and ensures opportunities for audit & supervisory board members to periodically receive explanations and reports from the Audit Division and the Independent Auditor.

Furthermore, the supervising and monitoring functions of outside directors and outside audit & supervisory board members over the management are strengthened by offering opportunities for regular cooperation between them, enhancing the information on business execution provided to outside directors, and holding communication meetings between outside directors and the Audit & Supervisory Board.

> Business Ethics Committee

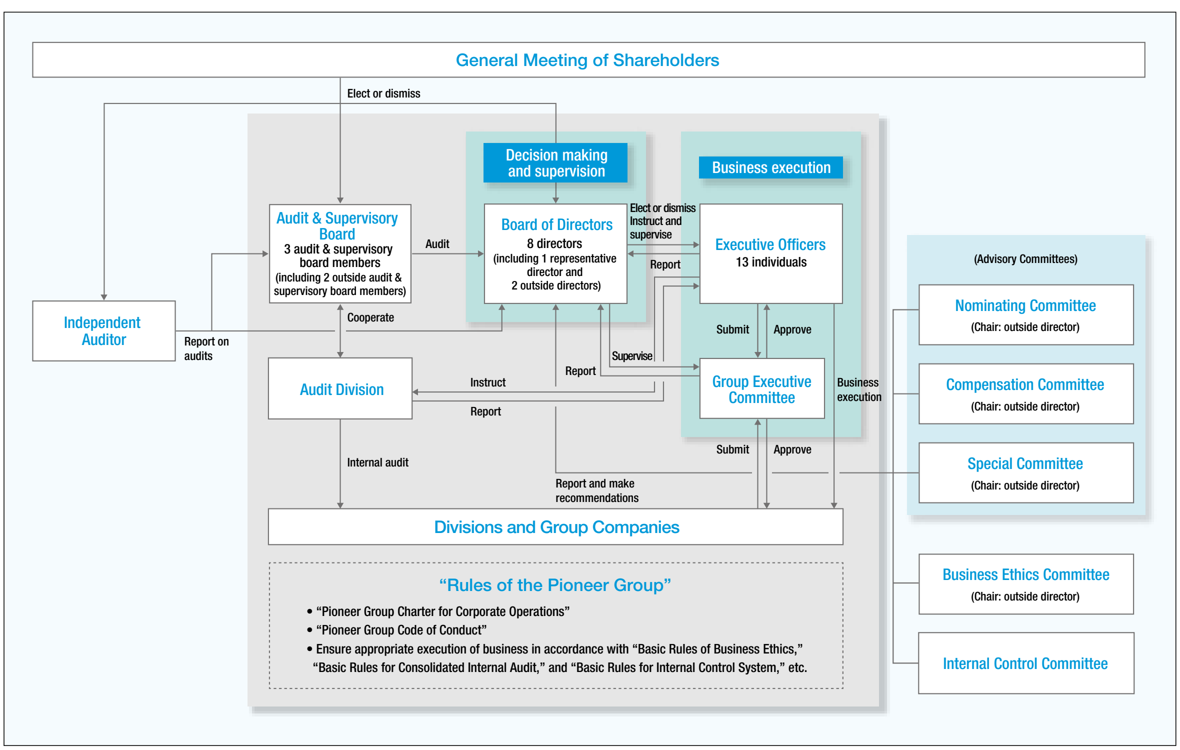
The Company has established a Business Ethics Committee, chaired by an outside director, to ensure legal compliance as well as thorough observance of the "Pioneer Group Charter for Corporate Operations" and the "Pioneer Group Code of Conduct." The committee met twice in fiscal 2017.

In addition, the "Business Ethics Hotline" has been established as an internal reporting system, to quickly detect and appropriately address behavior that is in violation of the "Pioneer Group Code of Conduct." The hotline is set up outside the Company to ensure the anonymity of persons making reports and to clarify the details of those reports. The details of reports received by the hotline are simultaneously referred to the Business Ethics Committee and audit & supervisory board members, making it possible to respond to that information resolutely and in good faith.

> Internal Control Committee

The Company has established an Internal Control Committee, chaired by an executive officer in charge of risk management, to identify possible risks associated with business activities and to prevent such risks from occurring. The committee met twice in fiscal 2017.

> Corporate Governance Structure (As of June 28, 2017)



Corporate Governance website:
http://global.pioneer/en/info/governance/

Human Resources Management, Corporate Citizenship Activities, Environmental Activities

Under the Group Philosophy “Move the Heart and Touch the Soul,” Pioneer aims to continue to be a company trusted by society, through human resources management that supports the sustainable growth of both individuals and organizations, and sound corporate activities that meet the social demands of our various stakeholders.

Human Resources Management

Under the philosophy “Mutual Growth: Individuals and organizations growing together,” Pioneer has established “Vision 3C” as a guide for human resources management (the development and utilization of human resources). Through various initiatives based on these guidelines, we will develop the growing power of individual employees into sustainable growth of the company.

Human Resources Management Guidelines — Vision 3C —

1	**Positive Challenge**	Encouraging employees to take on the **Challenge** of fulfilling their own ambitions
2	**Productive Chemistry**	Fostering productive **Chemistry** between individuals and between individuals and organizations by providing opportunities for employees to display their creativity and innovation
3	**Open Door Communication**	Encouraging **Communication** as the key to human resources management

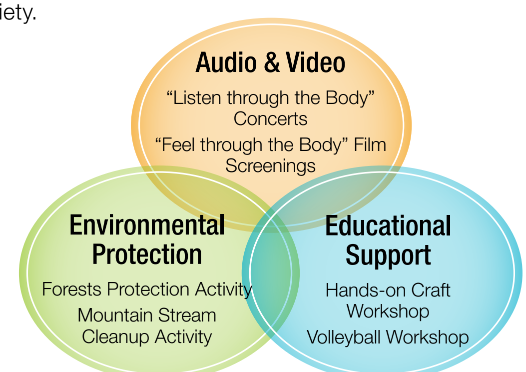
Vision C3
Challenge
Chemistry
Communication

Corporate Citizenship Activities

Carrying on Pioneer’s founder, Nozomu Matsumoto’s vision of “better sound for more people,” Pioneer uses proprietary sound-related technologies, experience and expertise for corporate citizenship activities, with the aim of living in harmony with local communities and creating a rich society.

Corporate citizenship focusing on audio & video, environmental protection, and educational support

Pioneer actively engages in corporate citizenship activities, with a focus on audio & video, environmental protection, and educational support. In addition, the Company conducts various activities in response to the demands of local communities, such as activities related to social welfare and disaster relief.



Environmental Activities

Pioneer recognizes that responding to environmental problems including global warming, environmental pollution, and the loss of resources and biodiversity is our social responsibility as we carry out our businesses, and we promote environmental preservation and proactive disclosure of information on its results with the aim of realizing a sustainable society together with our stakeholders.

Basic Concept of Environmental Activities

The range of social responsibility in continuing business exceeds our business fields, where we are expected to achieve activities related to environmental preservation throughout entire product lifecycles, and to contribute to the environment through our products and services. Pioneer promotes its group-wide strategies in light of laws as well as regulations, and social contributions in response to the issues of both environmental preservation and environmental contribution. In addition, we proactively disclose information on the results on our website.

The CSR Report, which provides information on various topics, including human resources management, corporate citizenship activities, and environmental activities is available at the following website.
http:// global.pioneer/en/society/csr/report/

Management (As of June 28, 2017)

Board of Directors

Representative Director

Susumu Kotani

Directors

Kunio Kawashiri

Harumitsu Saito

Koichi Moriya

Satoshi Ohdate

Shinsuke Nishimura

Masahiro Tanizeki

Shunichi Sato

Audit & Supervisory Board

Full Time Audit & Supervisory Board Member

Mikio Shimoda

Audit & Supervisory Board Members

Keiichi Nishikido

Hiroyuki Wakamatsu

Executive Officers

President and CEO

Susumu Kotani

Senior Executive Officers

Kunio Kawashiri

Harumitsu Saito

Masao Kase

Koichi Moriya

Satoshi Ohdate

Executive Officers

Minoru Maruyama

Ichio Kitamura

Naoto Takashima

Shinsuke Nishimura

Mitsumasa Kato

Gregory R. Pierson

Steven R. Moerner

Notes: 1. Messrs. Masahiro Tanizeki and Shunichi Sato are outside directors pursuant to the Companies Act of Japan, and are independent directors satisfying the requirements of the Tokyo Stock Exchange.

2. Messrs. Keiichi Nishikido and Hiroyuki Wakamatsu are outside audit & supervisory board members pursuant to the Companies Act of Japan, and are independent audit & supervisory board members satisfying the requirements of the Tokyo Stock Exchange.

Financial Section

Contents

Five-Year Summary of Operations

Pioneer Corporation and Its Subsidiaries
Years Ended March 31

In millions of yen and thousands of U.S. dollars	2013	2014	2015	2016	**2017**	**2017**
Net sales	¥451,841	¥498,051	¥501,676	¥449,630	**¥386,682**	**$3,452,518**
Operating income	5,997	11,169	7,778	7,304	**4,167**	**37,205**
Net income (loss) attributable to owners of Pioneer Corporation	(19,552)	531	14,632	731	**(5,054)**	**(45,125)**
Total assets	311,325	327,913	328,277	298,012	**281,786**	**2,515,946**
Total equity	81,576	77,816	107,066	90,486	**86,789**	**774,902**
Equity ratio (%)	24.5	22.1	31.0	28.7	**29.3**	
Net income (loss) per share (yen/U.S. dollars)	(60.90)	1.49	39.85	1.99	**(13.76)**	**(0.12)**
Total equity per share (yen/U.S. dollars)	237.97	197.33	277.05	233.32	**224.72**	**2.01**
Inventories	76,466	70,371	63,295	52,837	**49,821**	**444,830**
Capital expenditures	34,965	26,053	25,046	30,442	**35,209**	**314,366**
Depreciation and amortization	25,413	24,883	23,543	27,122	**24,938**	**222,661**
R&D expenses	33,671	26,891	28,196	24,804	**23,863**	**213,063**
R&D expenses to net sales (%)	7.5	5.4	5.6	5.5	**6.2**	
Cash flows from operating activities	1,179	34,242	34,564	19,292	**19,614**	**175,125**
Cash flows from investing activities	(35,239)	(21,862)	36,880	(20,083)	**(34,009)**	**(303,652)**
Cash flows from financing activities	7,018	(887)	(55,424)	3,408	**1,446**	**12,911**
Cash and cash equivalents at end of year	20,967	33,904	51,676	51,993	**38,405**	**342,902**
Borrowings	96,212	87,448	34,238	37,328	**39,292**	**350,821**
D/E ratio (times)	1.3	1.2	0.3	0.4	**0.5**	
Return on assets (ROA) (%)	(6.2)	0.2	4.5	0.2	**(1.7)**	
Return on equity (ROE) (%)	(24.4)	0.7	16.8	0.8	**(6.0)**	
Return on sales (%)	(4.3)	0.1	2.9	0.2	**(1.3)**	
Total assets turnover ratio (times)	1.4	1.6	1.5	1.4	**1.3**	
Average foreign exchange rate (yen/U.S. dollars)	83.10	100.24	109.93	120.14	**108.38**	
Average foreign exchange rate (yen/euro)	107.14	134.37	138.77	132.58	**118.79**	
Number of employees	23,926	22,193	19,404	17,046	**16,763**	

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥112=U.S. $1.00, the approximate current rate prevailing on March 31, 2017.
2. Amounts less than presentation units are rounded.
3. Net income (loss) per share and total equity per share are calculated by using the number of issued shares after deducting treasury stock.
4. Cash and cash equivalents at end of year exclude time deposits which become due over three months of the date of acquisition.
5. The amount of borrowings includes convertible bonds and excludes capital lease obligations.
6. Return on assets (ROA) is calculated by dividing net income (loss) attributable to owners of Pioneer Corporation for the term by the average amount of total assets during the term, and return on equity (ROE) is calculated by dividing net income (loss) attributable to owners of Pioneer Corporation for the term by the average amount of equity (equity calculated as total equity minus non-controlling interests) during the term.
7. Total assets turnover ratio is calculated by dividing net sales for the term by the average amount of total assets during the term.
8. The number of employees excludes contract employees with a contract period of less than one year and temporary/other contract employees.

Year Ended March 31, 2017,
Compared with Year Ended March 31, 2016

Management's Discussion and Analysis of Financial Position, Results of Operations, and Cash Flows

Financial Position

Total assets as of March 31, 2017, were ¥281,786 million, a decrease of ¥16,226 million from March 31, 2016, mainly due to decreases in cash and deposits, trade receivables, and inventories, despite an increase in software in progress. Software in progress increased ¥17,055 million, to ¥39,544 million. Meanwhile, cash and deposits decreased ¥13,588 million, to ¥38,405 million. Trade receivables decreased ¥8,540 million, to ¥66,056 million. Inventories decreased ¥3,016 million, to ¥49,821 million.

Total liabilities were ¥194,997 million, a ¥12,529 million decrease from March 31, 2016. This was primarily due to a decrease in long-term debt of ¥7,962 million, a decrease in trade payables of ¥7,459 million, mainly owing to a decline in purchases, and a decrease of ¥4,002 million in accrued pension and severance costs, despite a ¥10,549 million increase in current portion of long-term debt.

Total equity was ¥86,789 million, a ¥3,697 million decline from March 31, 2016. This mainly reflected a recording of ¥5,054 million in net loss attributable to owners of Pioneer Corporation for fiscal 2017 and a ¥2,820 million decrease in foreign currency translation adjustments, despite a ¥4,532 million increase in defined retirement benefit plans.

Results of Operations

• Net sales

In fiscal 2017, consolidated net sales declined 14.0% year on year, to ¥386,682 million, mainly from a decrease in sales of Car Electronics, particularly in OEM business, and the negative effects of the Japanese yen's appreciation.

Car Electronics sales declined 12.7% year on year, to ¥312,489 million, mainly due to a decrease in sales of OEM business and the negative effects of the Japanese yen's appreciation.

Sales of consumer market business declined. Sales of car audio products fell because of a decrease overseas, primarily in North America. Car navigation system sales declined, because of a decrease in Japan and North America, despite an increase in China.

Sales of OEM business declined. Sales of car audio products fell because of a decrease overseas, primarily in North America, despite higher sales in Japan. Car navigation system sales decreased, due to lower sales in Japan and emerging markets, despite increased sales in North America.

OEM business sales accounted for 58% of total Car Electronics sales, compared with 60% in the previous fiscal year.

By geographic region, sales in Japan decreased 7.8%, to ¥123,631 million, and overseas sales decreased 15.6%, to ¥188,858 million.

In the Others segment, sales declined 19.2% year on year, to ¥74,193 million. Sales increased in factory automation systems, but decreases in sales of home AV products and optical disc drive-related products, and the negative effects of the Japanese yen's appreciation, led to an overall decline.

By geographic region, sales in Japan decreased 18.2%, to ¥39,083 million, and overseas sales decreased 20.2%, to ¥35,110 million.

• Operating income

Cost of sales decreased to ¥317,497 million from ¥372,715 million a year earlier. Cost of sales accounted for 82.1% of net sales, improving by 0.8 percentage points from the 82.9% recorded in fiscal 2016. Also, selling, general and administrative (SG&A) expenses decreased to ¥65,018 million from ¥69,611 million in fiscal 2016, mainly due to foreign exchange rate movements. Despite the decrease in SG&A expenses and the improvement of cost of sales ratio, operating income decreased to ¥4,167 million in fiscal 2017, compared with ¥7,304 million in fiscal 2016, because of the decline in net sales. R&D expenses, which were included in cost of sales and SG&A expenses, decreased 3.8% to ¥23,863 million, representing 6.2% of net sales.

• Other income (expenses)—net

In fiscal 2017, other income (expenses)—net deteriorated by ¥4,076 million, to other expenses—net of ¥6,480 million, compared with other expenses—net of ¥2,404 million in fiscal 2016. This mainly reflected a ¥1,191 million loss on the transfer of the cable TV system-related equipment business, as well as ¥3,014 million of restructuring costs in fiscal 2017.

• (Loss) income before income taxes

As a result of the foregoing, loss before income taxes was ¥2,313 million, compared with a ¥4,900 million income in fiscal 2016.

• Income taxes

Income taxes for fiscal 2017 decreased to ¥2,949 million, compared with ¥4,161 million for fiscal 2016, principally due to the recording of loss before income taxes, compared with a recording of income before income taxes in fiscal 2106.

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

As a result of the above, net loss attributable to owners of Pioneer Corporation was ¥5,054 million, compared with a net income of ¥731 million in fiscal 2016.

Cash Flows

During fiscal 2017, operating activities provided net cash in the amount of ¥19,614 million, on par with the previous fiscal year. This was mainly due to a ¥9,458 million decline in the amount of a decrease in accrued expenses, primarily due to the payment of special retirement benefits in fiscal 2016, despite a ¥6,125 million increase in the amount of decrease in trade payables.

Investing activities used net cash in the amount of ¥34,009 million, a ¥13,926 million increase year on year. This was mainly due to a ¥10,100 million decrease in proceeds from sales of property, plant and equipment and a ¥4,767 million increase in the purchase of property, plant and equipment.

Financing activities provided net cash in the amount of ¥1,446 million, a decrease of ¥1,962 million compared with the previous fiscal year. This was mainly due to a ¥15,060 million inflow from the issuance of convertible bonds in the previous fiscal year, although net proceeds of borrowings were recorded, compared with net repayments in the previous fiscal year.

Foreign currency translation adjustments on cash and cash equivalents were a negative ¥639 million, compared with a negative ¥2,300 million in fiscal 2016.

As a result, cash and cash equivalents as of March 31, 2017, totaled ¥38,405 million, a ¥13,588 million decrease from March 31, 2016.

Consolidated Balance Sheet

Pioneer Corporation and Its Subsidiaries
March 31, 2017

ASSETS	Millions of Yen 2017	Millions of Yen 2016	Thousands of U.S. Dollars (Note 1) 2017
Current Assets:			
Cash and cash equivalents (Note 15)	**¥ 38,405**	¥ 51,993	**$ 342,902**
Receivables (Note 15):			
Trade receivables	**66,056**	74,596	**589,786**
Inventories (Note 4)	**49,821**	52,837	**444,830**
Deferred tax assets (Note 9)	**3,696**	4,027	**33,000**
Other current assets	**16,798**	17,555	**149,982**
Allowance for doubtful receivables (Note 15)	**(2,896)**	(3,308)	**(25,857)**
Total current assets	**171,880**	197,700	**1,534,643**
Property, Plant and Equipment (Notes 5 and 6)**:**			
Land	**11,121**	11,103	**99,295**
Buildings and structures	**47,779**	52,138	**426,598**
Machinery, equipment and others	**63,501**	66,185	**566,973**
Lease assets	**3,574**	6,975	**31,911**
Construction in progress	**899**	343	**8,027**
Others	**62,552**	64,478	**558,500**
Total	**189,426**	201,222	**1,691,304**
Accumulated depreciation	**(148,591)**	(158,528)	**(1,326,706)**
Net property, plant and equipment	**40,835**	42,694	**364,598**
Investments and Other Assets:			
Investment securities (Notes 3, 6 and 15)	**4,334**	4,164	**38,696**
Investments in associated companies (Note 15)	**2,586**	1,917	**23,089**
Software	**16,187**	23,134	**144,527**
Software in progress	**39,544**	22,489	**353,071**
Goodwill	**438**	480	**3,911**
Deferred tax assets (Note 9)	**1,142**	1,159	**10,196**
Net defined benefit asset (Note 7)	**838**	915	**7,482**
Other assets	**4,052**	3,360	**36,179**
Allowance for doubtful accounts	**(50)**	–	**(446)**
Total investments and other assets	**69,071**	57,618	**616,705**
Total	**¥ 281,786**	¥ 298,012	**$ 2,515,946**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2017	2016	Thousands of U.S. Dollars (Note 1) 2017
Current Liabilities:			
Short-term borrowings (Notes 6 and 15)	**¥ 10,703**	¥ 12,257	**$ 95,562**
Current portion of long-term debt (Notes 6 and 15)	**11,520**	971	**102,857**
Trade payables (Note 15)	**62,362**	69,821	**556,804**
Income taxes payable (Note 15)	**1,305**	2,031	**11,652**
Accrued expenses	**30,987**	30,907	**276,670**
Warranty reserve	**1,967**	2,112	**17,562**
Other current liabilities	**20,042**	21,044	**178,946**
Total current liabilities	**138,886**	139,143	**1,240,053**
Long-term Liabilities:			
Long-term debt (Notes 6 and 15)	**2,735**	10,697	**24,420**
Accrued pension and severance costs (Note 7)	**35,106**	39,108	**313,446**
Convertible bonds (Notes 6 and 15)	**15,056**	15,071	**134,429**
Other long-term liabilities (Note 9)	**3,214**	3,507	**28,696**
Total long-term liabilities	**56,111**	68,383	**500,991**
Commitments and Contingent Liabilities (Notes 11 and 16)**:**			
Equity (Note 8)**:**			
Common stock, no par value			
Authorized: 800,000,000 shares;			
Issued: 372,223,436 shares in 2017 and 2016	**91,732**	91,732	**819,036**
Capital surplus	**56,016**	56,016	**500,143**
Retained earnings	**28,984**	34,038	**258,786**
Treasury stock—at cost, 5,030,886 shares in 2017 and 5,029,993 shares in 2016	**(11,051)**	(11,051)	**(98,670)**
Accumulated other comprehensive income (loss):			
Unrealized loss on available-for-sale securities	**(191)**	(286)	**(1,706)**
Deferred loss on derivatives under hedge accounting	**–**	(88)	**–**
Foreign currency translation adjustments	**(59,149)**	(56,329)	**(528,116)**
Defined retirement benefit plans (Note 7)	**(23,825)**	(28,357)	**(212,723)**
Total accumulated other comprehensive loss	**(83,165)**	(85,060)	**(742,545)**
Noncontrolling interests	**4,273**	4,811	**38,152**
Total equity	**86,789**	90,486	**774,902**
Total	**¥281,786**	¥298,012	**$2,515,946**

See notes to consolidated financial statements.

Consolidated Statement of Operations

Pioneer Corporation and Its Subsidiaries
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	**2017**
Net Sales (Note 21)	**¥386,682**	¥449,630	**$3,452,518**
Cost of Sales (Notes 7, 10 and 21)	**317,497**	372,715	**2,834,795**
Gross profit	**69,185**	76,915	**617,723**
Selling, General and Administrative Expenses (Notes 7, 10 and 21)	**65,018**	69,611	**580,518**
Operating income (Note 21)	**4,167**	7,304	**37,205**
Other Income (Expenses):			
Interest and dividend income	**405**	340	**3,616**
Interest expense	**(671)**	(1,161)	**(5,991)**
Gain (loss) on sales and disposals of property, plant and equipment—net	**255**	(607)	**2,277**
Loss on impairment of property, plant and equipment (Note 21)	**(138)**	(131)	**(1,232)**
Foreign exchange gain	**605**	1,560	**5,402**
Gain on sales of investment securities—net (Note 3)	**–**	702	**–**
Gain on business transfer (Note 13)	**–**	351	**–**
Restructuring costs (Note 12)	**(3,014)**	(1,936)	**(26,911)**
Loss on business transfer (Notes 14, 19 and 20)	**(1,191)**	–	**(10,634)**
Loss on litigation settlement	**(1,180)**	–	**(10,536)**
Others—net	**(1,551)**	(1,522)	**(13,848)**
Other expenses—net	**(6,480)**	(2,404)	**(57,857)**
(Loss) income before income taxes	**(2,313)**	4,900	**(20,652)**
Income Taxes (Note 9)**:**			
Current	**2,798**	3,642	**24,982**
Deferred	**151**	519	**1,348**
Total income taxes	**2,949**	4,161	**26,330**
Net (loss) income	**(5,262)**	739	**(46,982)**
Net (loss) income attributable to noncontrolling interests	**(208)**	8	**(1,857)**
Net (loss) income attributable to owners of Pioneer Corporation	**¥ (5,054)**	¥ 731	**$ (45,125)**

	Yen		U.S. Dollars
Per Share of Common Stock (Note 18)**:**			
Basic net (loss) income	**¥(13.76)**	¥1.99	**$(0.12)**
Diluted net income	**–**	1.93	**–**
Cash dividends, applicable to the year	**–**	–	**–**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Pioneer Corporation and Its Subsidiaries
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	**2016**	**2017**
Net (Loss) Income	**¥(5,262)**	¥ 739	**$(46,982)**
Other Comprehensive Income (Loss) (Note 17)**:**			
Unrealized gain (loss) on available-for-sale securities	**95**	(181)	**848**
Deferred gain (loss) on derivatives under hedge accounting	**88**	(88)	**786**
Foreign currency translation adjustments	**(2,940)**	(9,454)	**(26,250)**
Defined retirement benefit plans	**4,532**	(7,590)	**40,464**
Share of other comprehensive loss in associates	**(66)**	(35)	**(589)**
Total other comprehensive income (loss)	**1,709**	(17,348)	**15,259**
Comprehensive loss	**¥(3,553)**	¥(16,609)	**$(31,723)**
Total comprehensive loss attributable to:			
Owners of Pioneer Corporation	**¥(3,159)**	¥(16,088)	**$(28,205)**
Noncontrolling interests	**¥ (394)**	¥ (521)	**$ (3,518)**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Pioneer Corporation and Its Subsidiaries
Year Ended March 31, 2017

	Millions of Yen											
		Shareholders' Equity				Accumulated Other Comprehensive Income (Loss)						
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Loss on Available-for-Sale Securities	Deferred Loss on Derivatives Under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
Balance, April 1, 2015	**367,194,709**	**¥91,732**	**¥56,016**	**¥33,277**	**¥(11,051)**	**¥(105)**	**–**	**¥(47,369)**	**¥(20,767)**	**¥(68,241)**	**¥5,333**	**¥107,066**
Net income attributable to owners of Pioneer Corporation	–	–	–	731	–	–	–	–	–	–	–	731
Purchase of treasury stock	(1,301)	–	–	–	–	–	–	–	–	–	–	–
Disposal of treasury stock	35	–	–	–	–	–	–	–	–	–	–	–
Change of scope of equity method	–	–	–	30	–	–	–	–	–	–	–	30
Net changes in the year	–	–	–	–	–	(181)	(88)	(8,960)	(7,590)	(16,819)	(522)	(17,341)
Balance, March 31, 2016	**367,193,443**	**91,732**	**56,016**	**34,038**	**(11,051)**	**(286)**	**(88)**	**(56,329)**	**(28,357)**	**(85,060)**	**4,811**	**90,486**
Net loss attributable to owners of Pioneer Corporation	–	–	–	(5,054)	–	–	–	–	–	–	–	(5,054)
Purchase of treasury stock	(893)	–	–	–	–	–	–	–	–	–	–	–
Net changes in the year	–	–	–	–	–	95	88	(2,820)	4,532	1,895	(538)	1,357
Balance, March 31, 2017	**367,192,550**	**¥91,732**	**¥56,016**	**¥28,984**	**¥(11,051)**	**¥(191)**	**–**	**¥(59,149)**	**¥(23,825)**	**¥(83,165)**	**¥4,273**	**¥ 86,789**

	Thousands of U.S. Dollars (Note 1)										
	Shareholders' Equity				Accumulated Other Comprehensive Income (Loss)						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Loss on Available-for-Sale Securities	Deferred Loss on Derivatives Under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity
Balance, April 1, 2016	**$819,036**	**$500,143**	**$303,911**	**$(98,670)**	**$(2,554)**	**$(786)**	**$(502,937)**	**$(253,187)**	**$(759,464)**	**$42,955**	**$807,911**
Net loss attributable to owners of Pioneer Corporation	–	–	(45,125)	–	–	–	–	–	–	–	(45,125)
Purchase of treasury stock	–	–	–	–	–	–	–	–	–	–	–
Net changes in the year	–	–	–	–	848	786	(25,179)	40,464	16,919	(4,803)	12,116
Balance, March 31, 2017	**$819,036**	**$500,143**	**$258,786**	**$(98,670)**	**$(1,706)**	**–**	**$(528,116)**	**$(212,723)**	**$(742,545)**	**$38,152**	**$774,902**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Pioneer Corporation and Its Subsidiaries
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	**2017**
Operating Activities:			
(Loss) income before income taxes	**¥ (2,313)**	¥ 4,900	**$ (20,652)**
Adjustments for:			
Income taxes—paid	**(3,431)**	(4,548)	**(30,634)**
Depreciation and amortization	**24,938**	27,122	**222,661**
(Gain) loss on sales and disposals of property, plant and equipment—net	**(255)**	607	**(2,277)**
Loss on impairment of property, plant and equipment	**138**	131	**1,232**
Gain on sales of investment securities—net	**–**	(702)	**–**
Loss (gain) on business transfer—net	**1,191**	(130)	**10,634**
Changes in assets and liabilities:			
Decrease in receivables	**7,270**	912	**64,911**
Decrease in inventories	**2,915**	6,011	**26,027**
Decrease in trade payables	**(6,658)**	(533)	**(59,446)**
Decrease in accrued expenses	**(144)**	(9,602)	**(1,286)**
(Decrease) increase in accrued pension and severance costs	**(3,798)**	7,644	**(33,911)**
Increase (decrease) in defined retirement benefit plans	**4,221**	(7,449)	**37,688**
Others—net	**(4,460)**	(5,071)	**(39,822)**
Net cash provided by operating activities	**19,614**	19,292	**175,125**
Investing Activities:			
Decrease in time deposits	**–**	489	**–**
Payment for purchase of property, plant and equipment and intangible assets	**(35,209)**	(30,442)	**(314,366)**
Proceeds from sales of property, plant and equipment	**1,279**	11,379	**11,420**
Proceeds from sale of investment securities	**–**	845	**–**
Payment for business transfer (Note 20)	**–**	(2,074)	**–**
Proceeds from business transfer (Note 20)	**111**	–	**991**
Others—net	**(190)**	(280)	**(1,697)**
Net cash used in investing activities	**(34,009)**	(20,083)	**(303,652)**
Financing Activities:			
Decrease in short-term borrowings—net	**(812)**	(4,524)	**(7,250)**
Increase in long-term debt	**3,333**	–	**29,759**
Repayments of long-term debt	**–**	(6,367)	**–**
Proceeds from issuance of convertible bonds	**–**	15,060	**–**
Proceeds from sale and leaseback transactions	**–**	1,023	**–**
Repayments of lease obligations	**(931)**	(1,784)	**(8,312)**
Dividends paid to noncontrolling interests	**(144)**	–	**(1,286)**
Net cash provided by financing activities	**1,446**	3,408	**12,911**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**(639)**	(2,300)	**(5,705)**
Net (Decrease) Increase in Cash and Cash Equivalents	**(13,588)**	317	**(121,321)**
Cash and Cash Equivalents, Beginning of Year	**51,993**	51,676	**464,223**
Cash and Cash Equivalents, End of Year	**¥ 38,405**	¥ 51,993	**$ 342,902**

See notes to consolidated financial statements.

Pioneer Corporation and Its Subsidiaries
Year Ended March 31, 2017

1. Basis of Presentation

a. Basis of Consolidated Financial Statements
The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2016 consolidated financial statements to conform to the classifications used in 2017.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Pioneer Corporation (Pioneer Kabushiki Kaisha; the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112 to $1.00, the approximate rate of exchange as of March 31, 2017. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

b. Nature of Operations
The Company and its subsidiaries (together, the "Group") are engaged in the development, manufacture and sale of electronic products. The Group is a leading global manufacturer of car electronics products. The principal production activities of the Group are carried out in Asia including Japan, Brazil, and the United States. The Group's products are generally sold under its own brand names, principally "Pioneer." The Group sells its products to customers in consumer and commercial markets through its sales offices in Japan, and its sales subsidiaries and independent distributors overseas. On an OEM (original equipment manufacturing) basis, the Group markets certain products, such as car electronics products to other companies.

2. Summary of Significant Accounting Policies

a. Consolidation
The consolidated financial statements as of March 31, 2017 include the accounts of the Company and its 73 (71 in 2016) subsidiaries.

Under the control and influence concepts, those companies in which the Company directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in eight (seven in 2016) associated companies are accounted for by the equity method.

The excess of the cost of an acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period not exceeding 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements
Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c)

expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

d. Business Combination

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits which become due within three months of the date of acquisition.

f. Investment Securities

Available-for-sale securities for which market quotations are available are stated at fair value. Unrealized gain (loss) on these securities is stated at net of tax effect and noncontrolling interest as "unrealized gain (loss) on available-for-sale securities" in a separate component of equity. Available-for-sale securities for which market quotations are unavailable are stated at cost by using the moving average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. Allowance for Doubtful Receivables

The Group has provided an allowance for doubtful receivables by the method based on the percentage of its own historical bad debt loss against the balance of total receivables, plus the amount deemed necessary to cover individual accounts receivables estimated to be uncollectible.

h. Inventories

Inventories are stated at the lower of cost, determined by the average cost method for finished products, work in process and raw materials and supplies, or net selling value.

i. Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment (other than leased property) of the Company and its Japanese subsidiaries is computed principally using the declining-balance method while the straight-line method is applied to buildings acquired on or after April 1, 1998 and buildings improvements and structures acquired on or after April 1, 2016. The declining-balance method is based on the estimated useful lives of the assets, while the straight-line method based on the estimated useful lives of the assets is applied to property, plant and equipment of foreign subsidiaries. The useful lives for lease assets are the terms of the respective leases.

Pursuant to an amendment to the Corporate Tax Act, the Company and its Japanese subsidiaries adopted Accounting Standards Board of Japan Practical Issues Task Force No. 32 “Practical Solution on a change in depreciation method due to Tax Reform 2016” and changed the depreciation method for building improvements and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. The effect of this change is immaterial on profit and loss for the year ended March 31, 2017.

j. Long-lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

k. Warranty Reserve

Provisions for warranty costs are recognized on the date of sales of the relevant products, based on the best estimate of the expenditure required to settle the Group’s after-sales service obligation.

l. Retirement and Pension Plans

The Group sponsors both defined benefit pension plans and defined contribution pension plans.

With respect to the defined benefit pension plan, the Group accounts for the “Accrued pension and severance costs” based on projected benefit obligations and plan assets at the consolidated balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Prior service cost is amortized using the straight-line method over 10–20 years within the average of the estimated remaining service years. Actuarial gain or loss is primarily amortized using the straight-line method over 9–30 years, the average of the estimated remaining service years. The Group’s net periodic retirement benefit costs consist of service cost, interest cost, expected return on plan assets and amortization of such deferred amounts.

With respect to the defined contribution plans, the Group charges contributions to expenses when they are paid or accrued.

Certain consolidated subsidiaries apply the simplified method in computing net defined benefit assets or accrued pension and severance costs and retirement benefit costs. Under this method, the severance payment amount to be required at the year-end for voluntary termination is deemed as projected benefit obligation.

m. Asset Retirement Obligations

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. Research and Development Costs and Intangible Assets

Research and development costs are charged to income as incurred. Software for sale is amortized by the straight-line method over the expected salable period by product group of one–three years, considering the expected sales volume trend based on the life cycle of related products, while software for internal use is amortized by the straight-line method over the estimated useful life of five years. Intangible assets other than software are amortized using the straight-line method.

o. Leases

The depreciation method for lease assets involving finance lease transactions of which the ownership is transferred to lessees is the same as that which applies to property, plant and equipment owned by the Company.

The depreciation method for lease assets involving finance lease transactions of which the ownership is not transferred to lessees is the straight-line method with their residual values being zero over their leased periods used as the number of years for useful life.

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the former accounting standard for lease transactions issued in June 1993, and ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions," which revised the former guidance issued in January 1994. The adoption of the revised accounting standard was permitted for fiscal years beginning on or after April 1, 2008.

All financial lease transactions are capitalized based on the revised accounting standard. All other leases are accounted for as operating leases.

p. Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences. A valuation allowance is established to reduce deferred tax assets if they are not considered to be recoverable.

The Company applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from this for the year ended March 31, 2017.

q. Foreign Currency Translations

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of operations to the extent that they are not hedged by forward exchange contracts.

r. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translations are shown as "Foreign currency translation adjustments" and "Noncontrolling interest" in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

s. Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts and currency option (zero cost option) are utilized by the Group to reduce foreign currency exchange risks associated with trade receivables and payables denominated in foreign currencies expected to arise from forecasted transactions, while foreign exchange forward contracts, currency swaps and interest rate swaps are utilized to reduce foreign currency exchange risks and interest rate risks associated with borrowings, loan receivables and trade receivables denominated in foreign currencies. The Group does not enter into derivatives for trading or speculative purposes. Evaluation of the effectiveness of each derivative transaction is not performed since the derivatives used in hedging transactions are deemed to be highly effective.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of operations and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions. Foreign currency forward contracts, currency options and currency swaps are utilized to hedge foreign currency exposures in export sales and procurements from overseas suppliers. Trade receivables and trade payables denominated in foreign currencies are translated at the contracted rates if the foreign currency forward contracts, currency options and currency swaps qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

t. Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of shares of common stock outstanding for the period, after deduction of treasury stock, retroactively adjusted for stock splits. Diluted net income (loss) per share for the year ended March 31, 2017 is not disclosed due to the recording of net loss per share although there were potentially dilutive securities.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statement of operations are dividends applicable to the respective fiscal years including dividends to be paid after the end of the year.

u. Consolidated Corporate Tax System

The Group files a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned Japanese subsidiaries.

v. Changes in the Method of Presentation

Consolidated Statement of Operations

Prior to April 1, 2016, "Maintenance expense for idle assets" was disclosed separately. Considering the materiality, "Maintenance expense for idle assets" is included in "Others—net" of "Other Income (Expenses)" from the year ended March 31, 2017.

The amount included in "Others—net" of "Other Income (Expenses)" for the year ended March 31, 2016, was ¥278 million.

Prior to April 1 2016, "Loss on business transfer" and "Loss on litigation settlement" were included in "Others—net" of "Other Income (Expenses)".

Considering the materiality, "Loss on business transfer" and "Loss on litigation settlement" are disclosed separately from the year ended March 31, 2017.

The amounts of "Loss on business transfer" and "Loss on litigation settlement" included in "Others—net" of "Other Income (Expenses)" for the year ended March 31, 2016 were ¥221 million and ¥286 million, respectively.

Consolidated Statement of Cash Flows

Prior to April 1 2016, "Payment for purchase of investment securities" of "Investing Activities" was disclosed separately.

Considering the materiality, "Payment for purchase of investment securities" is included in "Other—net" of "Investing Activities" from the year ended March 31, 2017.

The amount included in "Other—net" of "Investing Activities" for the year ended March 31, 2016, was ¥277 million.

w. Additional Information

The ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets" is applied from the year ended March 31, 2017.

3. Investment Securities

Cost, unrealized gains and losses and aggregate fair values of investment securities as of March 31, 2017 and 2016, were as follows:

	Millions of Yen				Millions of Yen			
	2017				2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:								
Equity securities	**¥1,967**	**¥112**	**¥282**	**¥1,797**	¥1,966	¥165	¥401	¥1,730
Total	**¥1,967**	**¥112**	**¥282**	**¥1,797**	¥1,966	¥165	¥401	¥1,730

	Thousands of U.S. Dollars			
	2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$17,562**	**$1,000**	**$2,518**	**$16,044**
Total	**$17,562**	**$1,000**	**$2,518**	**$16,044**

Unlisted securities are not included above because they do not have a quoted market price in an active market. The information for these investments is disclosed in Note 15.

Available-for-sale securities that the Group sold during the year ended March 31, 2017 is omitted due to immateriality.

Available-for-sale securities that the Group sold during the year ended March 31, 2016 were as follows:

	Millions of Yen
	2016
Proceeds from sales:	
Equity securities	¥539
Others	–
Total	¥539
Gains on sales:	
Equity securities	¥524
Others	–
Total	¥524

4. Inventories

Inventories as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Finished products	**¥21,245**	¥21,882	**$189,688**
Work in process	**11,795**	12,306	**105,312**
Raw materials and supplies	**16,781**	18,649	**149,830**
Total	**¥49,821**	¥52,837	**$444,830**

5. Investment Property

In November 2008, the ASBJ issued ASBJ Statement No. 20, "Accounting Standard for Investment Property and Related Disclosures" and ASBJ Guidance No. 23, "Guidance on Accounting Standard for Investment Property and Related Disclosures."

As of March 31, 2017 and 2016, the Group held certain idle properties in Yamanashi and other areas in Japan.

Gain on sales of idle properties for the years ended March 31, 2017 and 2016, was nil and ¥123 million, respectively.

The carrying amounts, changes in such balances and fair value of such properties as of March 31, 2017 and 2016 were as follows:

	Millions of Yen			
	Carrying Amount			Fair Value
	April 1, 2016	Increase/Decrease	**March 31, 2017**	**March 31, 2017**
Idle property	¥3,065	**¥(1)**	**¥3,064**	**¥3,265**
Total	¥3,065	**¥(1)**	**¥3,064**	**¥3,265**

	Millions of Yen			
	Carrying Amount			Fair Value
	April 1, 2015	Increase/Decrease	March 31, 2016	March 31, 2016
Idle property	¥3,075	¥(10)	¥3,065	¥5,271
Total	¥3,075	¥(10)	¥3,065	¥5,271

	Thousands of U.S. Dollars			
	Carrying Amount			Fair Value
	April 1, 2016	Increase/Decrease	**March 31, 2017**	**March 31, 2017**
Idle property	$27,366	**$(9)**	**$27,357**	**$29,152**
Total	$27,366	**$(9)**	**$27,357**	**$29,152**

Notes: 1. Carrying amount reported in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2. Decrease during the fiscal year ended March 31, 2016, principally represents the sales of idle property of ¥7 million.
3. Fair value is principally based on the values provided by third-party real estate appraisers.

6. Short-term Borrowings and Long-term Debt

Short-term borrowings as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Short-term borrowings:			
Weighted-average interest rate of 2.93% as of March 31, 2017, and 3.50% as of March 31, 2016			
Collateralized	**¥ 3,543**	¥ 2,909	**$31,634**
Uncollateralized	**7,160**	9,348	**63,928**
Total	**¥10,703**	¥12,257	**$95,562**

Long-term debt as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Long-term debt:			
Collateralized	**¥ 3,533**	–	**$ 31,545**
Uncollateralized	**10,000**	¥10,000	**89,286**
Convertible bonds, due 2020	**15,056**	15,071	**134,429**
Long-term capital lease obligation, due principally in 2022	**722**	1,668	**6,446**
Total	**29,311**	26,739	**261,706**
Less—portion due within one year	**11,520**	971	**102,857**
Long-term debt, less current portion	**¥17,791**	¥25,768	**$158,849**

Annual maturities of long-term debt and long-term capital lease obligation as of March 31, 2017, and for the next five years and thereafter were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥11,520	$102,857
2019	1,896	16,929
2020	836	7,464
2021	2	18
2022	1	9
2023 and thereafter	–	–
Total	¥14,255	$127,277

Under specific conditions, the convertible bonds outstanding at March 31, 2017, are convertible into 32,895 thousand shares of common stock of the Company from December 25, 2015 to December 11, 2020 at ¥456 ($4.07) per share.

The conversion prices of the convertible bonds are subject to adjustments in certain circumstances.

As of March 31, 2017 and 2016, the following assets were pledged as collateral for short-term borrowings and long-term debt of the Group:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Land	**¥ 4,809**	¥ 4,614	**$ 42,938**
Building and structures	**5,720**	5,395	**51,071**
Investment securities	**2,090**	2,090	**18,661**
Total	**¥12,619**	¥12,099	**$112,670**

The current portion of long-term debt amounting to ¥10,000 million ($89,286 thousand) as of March 31, 2017, was borrowed by the Company in accordance with the syndicated loan agreement entered into with the banks on September 25, 2014. This agreement includes certain financial covenants which require the Company to maintain certain levels of equity on a consolidated and nonconsolidated basis.

In addition, short-term borrowings amounting to ¥633 million ($5,652 thousand), current portion of long-term debt amounting to ¥1,033 million ($9,223 thousand) and long-term debt amounting to ¥2,500 million ($22,321 thousand) were borrowed by the Company and Tohoku Pioneer Corporation in accordance with the syndicated loan agreement entered into with the banks on September 28, 2016. This agreement includes certain financial covenants which require the Company to maintain certain levels of equity on a consolidated basis.

Long-term debt amounting to ¥10,000 million as of March 31, 2016, was borrowed by the Company in accordance with the syndicated loan agreement entered into with the banks on September 25, 2014. This agreement includes certain financial covenants which require the Company to maintain certain levels of equity on a consolidated and nonconsolidated basis.

7. Retirement and Pension Plans

The Company and major Japanese subsidiaries have defined benefit pension plans and defined contribution pension plans. The benefits are determined based on the sum of cumulative points and conditions under which retirement occurred. The cumulative points are accumulated based on years of service and job class. In some cases, additional retirement benefits are paid when an employee retires.

The Company and certain consolidated subsidiaries have joined multi-employer pension fund plans. Each company's portion of plan assets corresponding to its contributions has been reasonably computed and included in the tables below for defined benefit pension plans.

Certain consolidated subsidiaries apply the simplified method in computing accrued pension and severance costs and retirement benefit costs for their defined benefit pension plans and lump-sum severance payment plans.

Substantially all of the employees of U.S. and European subsidiaries are covered by defined benefit pension plans. Under such plans, the related cost of benefit is funded or accrued. The benefits are based on the level of salary at retirement or earlier termination of employment, the years of service and conditions under which termination occurs. Certain other foreign subsidiaries sponsor defined contribution pension plans or lump-sum payment plans.

Defined benefit pension plans

(1) The changes in projected benefit obligation for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Balance at beginning of year	**¥87,360**	¥87,270	**$780,000**
Service cost	**2,129**	1,354	**19,009**
Interest cost	**836**	1,575	**7,464**
Actuarial (gains) losses	**(1,109)**	8,238	**(9,902)**
Benefits paid	**(3,431)**	(9,571)	**(30,634)**
Others	**(1,028)**	(1,506)	**(9,178)**
Balance at end of year	**¥84,757**	¥87,360	**$756,759**

(2) The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Balance at beginning of year	**¥49,167**	¥56,186	**$438,991**
Expected return on plan assets	**1,691**	2,140	**15,098**
Actuarial gains (losses)	**318**	(1,782)	**2,839**
Contributions from the employer	**3,755**	3,331	**33,527**
Benefits paid	**(3,431)**	(9,541)	**(30,634)**
Others	**(1,011)**	(1,167)	**(9,026)**
Balance at end of year	**¥50,489**	¥49,167	**$450,795**

(3) The reconciliation between the liability recorded in the consolidated balance sheet and the balances of projected benefit obligation and plan assets as of March 31, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Funded projected benefit obligation	**¥ 83,927**	¥ 86,578	**$ 749,348**
Plan assets	**(50,489)**	(49,167)	**(450,795)**
	33,438	37,411	**298,553**
Unfunded projected benefit obligation	**830**	782	**7,411**
Net liability for projected benefit obligation	**¥ 34,268**	¥ 38,193	**$ 305,964**

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Accrued pension and severance costs	**¥35,106**	¥39,108	**$313,446**
Asset for retirement benefits	**(838)**	(915)	**(7,482)**
Net liability for projected benefit obligation	**¥34,268**	¥38,193	**$305,964**

Note: This table includes plans to which the simplified method is applied.

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Service cost	**¥ 2,129**	¥ 1,354	**$ 19,009**
Interest cost	**836**	1,575	**7,464**
Expected return on plan assets	**(1,691)**	(2,140)	**(15,098)**
Recognized actuarial losses	**3,624**	3,227	**32,357**
Amortization of prior service gain	**(791)**	(867)	**(7,063)**
Net periodic retirement benefit costs	**¥ 4,107**	¥ 3,149	**$ 36,669**

Notes: 1. Net periodic retirement benefit costs for consolidated subsidiaries which apply the simplified method are included in the service cost.
2. In addition to the above, additional retirement benefit costs as an early retirement incentive plan was ¥503 million ($4,491 thousand) and ¥1,067 million for the years ended March 31, 2017 and 2016, respectively.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Prior service cost	**¥ 790**	¥ 883	**$ 7,054**
Actuarial (gains) losses	**(5,872)**	6,535	**(52,429)**
Total	**¥(5,082)**	¥7,418	**$(45,375)**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Unrecognized prior service gain	**¥ 3,730**	¥ 4,520	**$ 33,303**
Unrecognized actuarial losses	**(28,766)**	(34,638)	**(256,839)**
Total	**¥(25,036)**	¥(30,118)	**$(223,536)**

(7) Plan assets

(a) Components of plan assets
Plan assets as of March 31, 2017 and 2016, consisted of the following:

	2017	2016
Debt investments securities	**41%**	43%
Equity investments securities	**31**	29
Cash and cash equivalents	**1**	4
Others	**27**	24
Total	**100%**	100%

(b) Method of determining the expected rate of return on plan assets
The expected rate of return on plan assets is determined considering the current and expected plan asset allocations and long-term rates of return which are expected currently and in the future from various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2017 and 2016, were set forth as follows:

	2017	2016
Discount rate	**0.3%–3.65%**	0.3%–3.85%
Expected rate of return on plan assets	**2.55%–7.25%**	3.0%–7.25%
Expected rate of salary increase	**3.0%–14.1%**	3.0%–14.1%

Note: Expected fluctuation on salary increase is calculated based on the guidance for corporate pension funds provided by the Japanese Society of Certified Pension Actuaries.

Defined contribution pension plan

The required contribution amount to the defined contribution plan of the Company and its consolidated subsidiaries is ¥399 million ($3,563 thousand) and ¥475 million as of March 31, 2017 and 2016, respectively.

8. Equity

Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution of the shareholders' meeting. For companies that meet certain criteria such as: (1) having a board of directors, (2) having independent auditors, (3) having an audit & supervisory board, and (4) the term of service of directors being prescribed as one year rather than two years by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. The Company meets all of the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the board of directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as an additional paid-in capital (a component of capital surplus) or as a legal reserve (a component of retained earnings), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of additional paid-in capital and legal reserve equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders' meeting.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specified formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. Income Taxes

The Company and its Japanese subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 31% and 33% for the years ended March 31, 2017 and 2016, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Deferred tax assets:			
Write-down of inventories	**¥ 2,853**	¥ 2,662	**$ 25,473**
Accrued expenses	**3,975**	3,949	**35,491**
Excess depreciation	**2,708**	2,539	**24,179**
Loss on impairment of property, plant and equipment	**1,969**	2,118	**17,580**
Loss on impairment of investment securities	**241**	332	**2,152**
Accrued pension and severance costs	**10,868**	12,083	**97,036**
Tax loss carryforwards	**91,362**	87,742	**815,732**
Others	**2,641**	3,279	**23,580**
Valuation allowance	**(111,308)**	(109,128)	**(993,821)**
Total	**¥ 5,309**	¥ 5,576	**$ 47,402**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(34)**	(51)	**(304)**
Adjustment of investments in associated companies due to company split	**(268)**	–	**(2,393)**
Others	**(1,375)**	(1,336)	**(12,276)**
Total	**(1,677)**	(1,387)	**(14,973)**
Net deferred tax assets	**¥ 3,632**	¥ 4,189	**$ 32,429**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the years ended March 31, 2017 and 2016, was as follows:

	2017	2016
Normal effective statutory tax rate	**31.0%**	33.0%
Expenses not deductible for income tax purposes	**(7.3)**	7.7
Revenue not taxable for income tax purposes	**1.0**	(1.1)
Difference in foreign and Japanese tax rates	**31.2**	(37.4)
Valuation allowance	**(160.4)**	78.1
Foreign tax credits	**(25.4)**	13.7
Per capita portion of inhabitant tax	**(3.2)**	1.5
Revision of net tax basis of investments relating to consolidated corporate tax system	**–**	(15.0)
Others—net	**5.5**	4.4
Actual effective tax rate	**(127.5)%**	84.9%

Net deferred tax assets as of March 31, 2017 and 2016, were included in the following accounts:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Current assets:			
Deferred tax assets	**¥ 3,696**	¥4,027	**$ 33,000**
Investments and other assets:			
Deferred tax assets	**1,142**	1,159	**10,196**
Long-term liabilities:			
Other long-term liabilities	**¥(1,206)**	¥ (997)	**$(10,767)**

10. Research and Development Costs

Research and development costs charged to income were ¥23,863 million ($213,063 thousand) and ¥24,804 million for the years ended March 31, 2017 and 2016, respectively.

11. Leases

The Group leases certain machinery and equipment, office space, warehouses and computer equipment.

The minimum rental commitments under noncancellable operating leases as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Operating leases:			
Due within one year	**¥1,173**	¥1,453	**$10,473**
Due over one year	**1,905**	2,374	**17,009**
Total	**¥3,078**	¥3,827	**$27,482**

12. Restructuring Costs

Restructuring costs for the years ended March 31, 2017 and 2016, were mainly for the withdrawal from the Group's home AV business in overseas consolidated subsidiaries and additional retirement benefits for an early retirement incentive plan, respectively.

13. Gain on Business Transfer

Gain on business transfer for the year ended March 31, 2016, was due to the transfer of the Group's business relating to development, manufacturing and sale of DJ equipment.

14. Loss on Business Transfer

Losses on business transfer for the year ended March 31, 2016 were due to the transfer of the Group's home AV business, telephone business and headphone-related business.

Losses on business transfer for the year ended March 31, 2017 were due to the transfer of the Company's business relating to development, manufacturing and sale of equipment for cable-TV systems.

15. Financial Instruments and Related Disclosures

(1) Group policy for financial instruments

The Group has a policy to invest cash surplus, if any, only in short-term deposits or other financial instruments of a similar nature. The Group raises funds by bank loans and/or from capital markets through bonds. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade receivables are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Investment securities, mainly equity instruments in the companies with which the Company has business and capital alliances, are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade payables, are less than one year. Payables in foreign currencies arising from imports of raw materials and finished products are exposed to the market risk of fluctuation in foreign currency exchange rates.

Long-term loans bear floating interest rates, and are exposed to variable interest rate risk based on the short-term prime rate and Tokyo Interbank Offered Rate.

Derivatives include forward foreign currency contracts which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables and currency swaps which are used to manage exposure to market risks from changes in foreign currency exchange rates of loan receivables and bank loans. Please see Note 16 for more details about derivatives.

(3) Risk management for financial instruments

Credit risk management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of major customers by each business administration department to identify the default risk of customers in the early stages. With respect to derivative transactions, the Group manages its exposure to credit risk by limiting its transactions to high credit, major financial institutions in accordance with its internal guidelines. Please see Note 16 for more details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2017 and 2016.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk in the Company and certain consolidated subsidiaries is hedged principally by forward foreign currency contracts in accordance with internal guidelines. Currency swaps are used to manage exposure to future market risks from changes in foreign currency exchange rate of loan receivables and bank loans payables in foreign currencies based on the internal guidelines.

Investment securities, mainly equity instruments in the companies with which the Company has business alliances, are monitored for their market values on a regular basis.

Execution and management of derivative transactions related to currency and interest rates are managed by the corporate treasury department based on the internal guidelines. Hedging policies are discussed among the president and directors who are responsible for finance and other related divisions, and then determined by the president. Outstanding positions and fair value of derivatives are reported to the directors in charge on a regular basis.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Company manages its liquidity risk by holding adequate volumes of liquid assets, along with adequate financial planning by the corporate treasury department based on the liquidity requirement schedule from each department.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Different assumptions may lead to different fair values, since varying elements are incorporated in calculating the fair value. As for contract amount or any other information disclosed in Note 16, the amount itself does not indicate the market risk in relation to derivative transactions.

(a) Fair values of financial instruments as of March 31, 2017 and 2016, were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2017			2017		
	Carrying Amount	Fair Value	Unrealized Gain	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥ 38,405	¥ 38,405	–	$342,902	$342,902	–
Receivables:						
Trade receivables	66,056	66,056	–	589,786	589,786	–
Allowance for doubtful receivables (*1)	(2,896)	(2,896)	–	(25,857)	(25,857)	–
	63,160	63,160	–	563,929	563,929	–
Investment securities:						
Available-for-sale securities	1,797	1,797	–	16,044	16,044	–
Total	¥103,362	¥103,362	–	$922,875	$922,875	–
Short-term borrowings	¥ 10,703	¥ 10,703	–	$ 95,562	$ 95,562	–
Current portion of long-term debt	11,520	11,520	–	102,857	102,857	–
Trade payables	62,362	62,362	–	556,804	556,804	–
Income taxes payable	1,305	1,305	–	11,652	11,652	–
Convertible bonds	15,056	15,573	¥517	134,429	139,045	$4,616
Long-term debt	2,735	2,735	–	24,420	24,420	–
Total	¥103,681	¥104,198	¥517	$925,724	$930,340	$4,616
Derivative transactions (*2)	¥ 172	¥ 172	–	$ 1,536	$ 1,536	–

*1. Allowance for doubtful receivables corresponding to trade receivables is deducted.
*2. Derivative transactions show the net amount after offsetting the receivables and payables.

	Millions of Yen		
	2016		
	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥ 51,993	¥ 51,993	–
Receivables:			
Trade receivables	74,596	74,596	–
Allowance for doubtful receivables (*1)	(3,308)	(3,308)	–
	71,288	71,288	–
Investment securities:			
Available-for-sale securities	1,730	1,730	–
Total	¥125,011	¥125,011	–
Short-term borrowings	¥ 12,257	¥ 12,257	–
Current portion of long-term debt	971	971	–
Trade payables	69,821	69,821	–
Income taxes payable	2,031	2,031	–
Convertible bonds	15,071	15,421	¥350
Long-term debt	10,697	10,697	–
Total	¥110,848	¥111,198	¥350
Derivative transactions (*2)	¥ (603)	¥ (603)	–

*1. Allowance for doubtful receivables corresponding to trade receivables is deducted.
*2. Derivative transactions show the net amount after offsetting the receivables and payables.

Cash and cash equivalents and trade receivables
The carrying values of cash and cash equivalents and trade receivables approximate fair value because of their short maturities.

Investment securities
The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments. Fair value information for the investment securities by classification is included in Note 3.

Trade payables, short-term borrowings and income tax payable
The carrying values of trade payables, short-term borrowings and income tax payable approximate fair value because of their short maturities.

Convertible bonds
Since there is no market value available, upon certain assumptions, the fair values of the convertible bonds are measured based on the present value of the future cash flows at their maturity date discounted by the interest rate that reflects the remaining period of this bond and credit risk along with the value of stock acquisition rights.

The current portion of long-term debt and long-term debt
The fair values of the current portion of long-term debt and long-term debt approximate fair value because the market interest rates reflected in the short-term period use mainly variable interests and the credit status of the Company has not changed significantly.

Derivatives
Fair value information for derivatives is included in Note 16.

(b) Carrying amounts of financial instruments whose fair value cannot be reliably determined as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Investment in equity instruments that do not have a quoted market price in an active market:			
Unlisted securities	**¥2,537**	¥2,434	**$22,652**
Unlisted associated securities	**2,586**	1,917	**23,089**
Total	**¥5,123**	¥4,351	**$45,741**

(5) Maturity analysis for financial assets and securities with contractual maturities subsequent to March 31, 2017, were as follows:

	Millions of Yen			
March 31, 2017	Due in 1 Year or Less	Due After 1 Year Through 5 Years	Due After 5 Years Through 10 Years	Due After 10 Years
Cash and cash equivalents	**¥ 38,405**	**–**	**–**	**–**
Trade receivables	**66,056**	**–**	**–**	**–**
Total	**¥104,461**	**–**	**–**	**–**

	Thousands of U.S. Dollars			
March 31, 2017	Due in 1 Year or Less	Due After 1 Year Through 5 Years	Due After 5 Years Through 10 Years	Due After 10 Years
Cash and cash equivalents	**$342,902**	**–**	**–**	**–**
Trade receivables	**589,786**	**–**	**–**	**–**
Total	**$932,688**	**–**	**–**	**–**

Please see Note 6 for annual maturities of long-term debt.

16. Derivatives

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into currency swap contracts to manage its interest rate exposure and foreign currency exposure on certain liabilities.

All derivative transactions are entered into to hedge foreign currency exposure. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative transactions to which hedge accounting is not applied as of March 31, 2017 and 2016

	Millions of Yen				Thousands of U.S. Dollars			
	2017				2017			
	Contract Amount	Contract Amount Due After 1 Year	Fair Value	Unrealized Gain (Loss)	Contract Amount	Contract Amount Due After 1 Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:								
Buying U.S. dollars	**¥ 7,104**	**–**	**¥163**	**¥163**	**$ 63,428**	**–**	**$1,456**	**$1,456**
Buying sterling pounds	**4,524**	**–**	**12**	**12**	**40,393**	**–**	**107**	**107**
Currency swap contracts:								
Receiving Australian dollars, paying U.S. dollars	**772**	**–**	**(3)**	**(3)**	**6,893**	**–**	**(27)**	**(27)**
Total	**¥12,400**	**–**	**¥172**	**¥172**	**$110,714**	**–**	**$1,536**	**$1,536**

	Millions of Yen			
	2016			
	Contract Amount	Contract Amount Due After 1 Year	Fair Value	Unrealized Loss
Foreign currency forward contracts:				
Buying U.S. dollars	¥35,402	–	¥(507)	¥(507)
Buying sterling pounds	4,649	–	(4)	(4)
Currency swap contracts:				
Receiving Australian dollars, paying U.S. dollars	765	–	(13)	(13)
Total	¥40,816	–	¥(524)	¥(524)

The fair value of foreign currency forward contracts is measured at the quoted price obtained from the forward exchange market.

The fair value of currency swap contracts is measured at the quoted price obtained from the financial institutions.

17. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) for the years ended March 31, 2017 and 2016, were the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Unrealized gain (loss) on available-for-sale securities			
Gains (losses) arising during the year	**¥ 76**	¥ (148)	**$ 679**
Reclassification adjustments to profit or loss	**–**	–	**–**
Amount before income tax effect	**76**	(148)	**679**
Income tax effect	**19**	(33)	**169**
Total	**¥ 95**	¥ (181)	**$ 848**
Deferred gain (loss) on derivatives under hedge accounting			
Losses arising during the year	**–**	¥ (88)	**–**
Reclassification adjustments to profit or loss	**¥ 88**	–	**$ 786**
Amount before income tax effect	**88**	(88)	**786**
Income tax effect	**–**	–	**–**
Total	**¥ 88**	¥ (88)	**$ 786**
Foreign currency translation adjustments			
Adjustments arising during the year	**¥(2,940)**	¥ (9,478)	**$(26,250)**
Reclassification adjustments to profit or loss	**–**	24	**–**
Amount before income tax effect	**(2,940)**	(9,454)	**(26,250)**
Income tax effect	**–**	–	**–**
Total	**¥(2,940)**	¥ (9,454)	**$(26,250)**
Defined retirement benefit plans			
Adjustments arising during the year	**¥ 1,427**	¥(10,020)	**$ 12,741**
Reclassification adjustments to profit or loss	**3,655**	2,602	**32,634**
Amount before income tax effect	**5,082**	(7,418)	**45,375**
Income tax effect	**(550)**	(172)	**(4,911)**
Total	**¥ 4,532**	¥ (7,590)	**$ 40,464**
Share of other comprehensive loss in associates			
Losses arising during the year	**¥ (66)**	¥ (35)	**$ (589)**
Total other comprehensive income (loss)	**¥ 1,709**	¥(17,348)	**$ 15,259**

18. Net Income (Loss) per Share

Net income (loss) per share ("EPS") for the years ended March 31, 2017 and 2016 was calculated as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2017	Net Loss	Weighted-Average Number of Shares	EPS	EPS
Basic EPS:				
Net loss attributable to owners of Pioneer Corporation	**¥(5,054)**	**367,193**	**¥(13.76)**	**$(0.12)**
Effect of dilutive securities				
Dilutive effect of convertible bonds	**(15)**	**32,895**		

Diluted net EPS for the year ended March 31, 2017 is not disclosed due to the recording of net loss per share although there were potentially dilutive securities.

	Millions of Yen	Thousands of Shares	Yen
Year ended March 31, 2016	Net Income	Weighted-Average Number of Shares	EPS
Basic EPS:			
Net income attributable to owners of Pioneer Corporation	¥731	367,194	¥1.99
Effect of dilutive securities			
Dilutive effect of convertible bonds	(4)	9,373	
Diluted EPS: Net income for computation	¥727	376,567	¥1.93

19. Business Combination

Company split and transfer of shares in relation to CATV-related equipment business

The Company resolved, at the board of directors' meeting held on January 31, 2017, to cause Pioneer Cable Network Corporation (the "Successor Company"), a newly established wholly-owned subsidiary of the Company, to succeed the Company' s business relating to development, manufacture and sale of cable TV system-related equipment (the "CATV-related equipment business"), by way of an absorption-type company split (the "Company Split"), as of the effective date of March 31, 2017 and to transfer 51% of the Successor Company's outstanding shares to Technicolor Delivery Technologies S.A.S., a subsidiary of Technicolor S.A., on the same day. The Successor Company changed its trade name to Technicolor Pioneer Japan K.K. on the same day.

1. Overview of the business split

(1) Purpose of the Company Split and transfer of shares
The Company pursues the selection and concentration of its businesses other than its Car Electronics business by comprehensively examining various factors, including the Company's strength, synergies to the Car Electronics business, profitability and market growth, in order to accelerate the concentration of its management resources on its Car Electronics business and to implement its growth strategies quickly and steadily, for the realization of a leading company in "Comprehensive Infotainment" that creates comfort, excitement, reliability and safety in vehicles. As part of those efforts, with respect to the CATV-related equipment business, the Company decided to seek the expansion of its business and brand with the most suitable outside partner. Therefore, the Company caused the newly established Successor Company to succeed the CATV-related equipment business and to transfer 51% of the Successor Company's outstanding shares through the Company Split.

(2) Overview of the Company Split
(a) Name of the counterparty of the Company Split
Pioneer Cable Network Corporation

(b) Description of the business subject to the Company Split Development, manufacture and sale of cable TV system-related equipment

(c) Date of the Company Split
March 31, 2017

(d) Legal form of the Company Split
An absorption-type company split (a simplified absorption-type company split) between the Company and the Successor Company.

(e) Details of allotment upon the Company Split
The Successor Company issued common shares upon the Company Split and allocated all of the shares to the Company. The Company transferred to Technicolor Delivery Technologies S.A.S. 51% of the shares of the Successor Company, including the shares that were allocated to the Company by the Successor Company due to the Company Split, on the effective date of the Company Split.

(3) Overview of transfer of shares
(a) Name of the transferee
Technicolor Delivery Technologies S.A.S.

(b) Date of transfer of shares
March 31, 2017

2. Overview of accounting treatment

(1) Loss on business transfer
¥1,191 million ($10,634 thousand)

(2) Book value of assets and liabilities pertaining to the transferred business was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	**¥ 148**	**$ 1,321**
Noncurrent assets	**1,769**	**15,795**
Total assets	**¥1,917**	**$17,116**
Current liabilities	**¥ –**	**$ –**
Noncurrent liabilities	**11**	**98**
Total liabilities	**¥11**	**$98**

(3) Reportable segment in which the transferred business was included
Others business

(4) Estimated amounts of net sales and operating income of the transferred business included in the consolidated statement of operations for the year ended March 31, 2017, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Net sales	**¥3,303**	**$29,491**
Operating loss	**¥ (900)**	**$ (8,036)**

20. Consolidated Statement of Cash Flows

For the year ended March 31, 2017

Amounts and details of the assets and liabilities, consideration for and proceeds from the business transfer in relation to transfer of the Company's business relating to the development, manufacturing and sale of cable TV system-related equipment were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 148	$ 1,321
Non-current assets	1,769	15,795
Non-current liabilities	(11)	(98)
Total assets and liabilities pertaining to the transferred business	1,906	17,018
The Company share after transfer of shares (49%)	(934)	(8,339)
Consulting fees, etc.	369	3,294
Loss on business transfer	(1,191)	(10,634)
Consideration	¥ 150	$ 1,339
Cash out from business transfer	(39)	(348)
Proceeds from business transfer	¥ 111	$ 991

For the year ended March 31, 2016

Payment for business transfer of ¥(2,074) million is mainly the consulting fees, etc., in the fiscal year ended March 31, 2016 for the business transfer which was accrued in the fiscal year ended March 31, 2015.

21. Subsequent Event

Reduction of additional paid-in capital and appropriation of surplus

The Company resolved, at the board of directors' meeting held on May 12, 2017, to submit a proposal on the reduction of additional paid-in capital and appropriation of surplus to the 71st Ordinary General Meeting of Shareholders to be held on June 28, 2017. The proposal was subsequently approved and passed at the same meeting.

(1) Purpose

In order to ensure the flexibility and mobility of its capital policies in the future and to prepare for early resumption of dividend payments and at the same time to cover the deficit of retained earnings brought forward, the Company will reduce additional paid-in capital on a non-consolidated basis and appropriate surplus pursuant to Article 448, Paragraph 1 and Article 452 of the Companies Act of Japan.

(2) Details and method of reduction of additional paid-in capital

(a) Item and amount to be reduced:

Additional paid-in capital on the nonconsolidated balance sheet shall be reduced by ¥7,000 million ($62,500 thousand) from ¥26,288 million ($234,714 thousand) to ¥19,288 million ($172,214 thousand). As a result, capital surplus on the consolidated balance sheet shall be reduced by ¥7,000 million ($62,500 thousand) from ¥56,016 million ($500,143 thousand) to ¥49,016 million ($437,643 thousand).

(b) Item and amount to be increased:

Other capital surplus on the nonconsolidated balance sheet shall be increased by ¥7,000 million ($62,500 thousand) from ¥29,727 million ($265,420 thousand) to ¥36,727 million ($327,920 thousand). As a result, capital surplus on the consolidated balance sheet shall be increased by ¥7,000 million ($62,500 thousand) from ¥49,016 million ($437,643 thousand) to ¥56,016 million ($500,143 thousand).

(3) Details and method of appropriation of surplus
(a) Item and amount to be reduced:
Following the transfer of additional paid-in capital on the nonconsolidated balance sheet as in (2) above, other capital surplus shall be reduced by ¥24,871 million ($222,063 thousand) from ¥36,727 million ($327,920 thousand) to ¥11,855 million ($105,848 thousand). As a result, capital surplus on the consolidated balance sheet shall be reduced by ¥24,871 million ($222,063 thousand) from ¥56,016 million ($500,143 thousand) to ¥31,145 million ($278,080 thousand)

(b) Item and amount to be increased:
Retained earnings brought forward on the nonconsolidated balance sheet shall be increased by ¥24,871 million ($222,063 thousand) from ¥(24,871) million ($(222,063) thousand) to ¥0 ($0). As a result, retained earnings on the consolidated balance sheet shall be increased by ¥24,871 million ($222,063 thousand) from ¥28,984 million ($258,786 thousand) to ¥53,855 million ($480,849 thousand).
(4) Schedules pursuant to the Companies Act of Japan
(a) Board resolution: May 12, 2017

(b) Shareholders resolution: June 28, 2017

(c) Public notice to creditors: June 29, 2017 (scheduled)

(d) End of exercise period of creditors' opposition rights: July 29, 2017 (scheduled)

(e) Effective date: July 31, 2017 (scheduled)

22. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Reportable segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments
The Group's reportable segments are those for which separate financial information is available and regular evaluation by the board of directors is being performed in order to decide how resources are allocated among the Group. The Group identifies its business divisions by product and service. Each business division plans its comprehensive Japanese and overseas strategy for its products and services, and operates its business activities according to such strategy.

Therefore, the Group's reportable segments consist of its business divisions, identified by product and service, which are two segments: "Car Electronics" and "Others."

"Car Electronics" produces and sells car navigation systems, car stereos, car AV systems, car speakers, map software and others.

"Others" produces and sells optical disc drive-related products, equipment for cable-TV systems, factory automation systems, electronic devices and parts, organic light-emitting diode displays, DJ equipment (subcontracted manufacturing/sales), and home AV products and others.

(2) Changes in reportable segments
From the year ended March 31, 2017, map software, which was included in "Others" in the previous fiscal year, has been changed to be included in "Car Electronics." The segment information in the previous fiscal year has been reclassified in accordance with the new classification.

(3) Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment
The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

Profit by reported segment is adjusted to operating income disclosed in the accompanying consolidated statements of income. Intersegment sales or transfers are based on prevailing market price.

(4) Information about sales, profit (loss), assets and other items is as follows:

	Reportable Segment			Reconciliations	Consolidated
Millions of Yen / 2017	Car Electronics	Others	Total		
Sales:					
Sales to external customers	¥312,489	¥74,193	¥386,682	–	¥386,682
Intersegment sales or transfers	348	3,059	3,407	¥ (3,407)	–
Total sales	312,837	77,252	390,089	(3,407)	386,682
Segment profit (loss)	¥ 6,051	¥ (780)	¥ 5,271	¥ (1,104)	¥ 4,167
Segment assets	¥ 82,243	¥24,786	¥107,029	¥174,757	¥281,786
Other items:					
Depreciation and amortization	¥ 21,642	¥ 2,745	¥ 24,387	¥ 551	¥ 24,938
Amortization of goodwill	–	–	–	42	42
Increase in property, plant and equipment and intangible assets	¥ 18,954	¥ 2,608	¥ 21,562	¥ 390	¥ 21,952

Notes: 1. Reconciliations of ¥(1,104) million recorded for segment profit (loss) include elimination of intersegment transactions of ¥50 million and corporate expenses of ¥(1,154) million that are not allocated to any reportable segment. Corporate expenses principally consist of general and administrative expenses and research and development (R&D) expenses which are not attributable to any reportable segment.
2. Reconciliations of ¥174,757 million recorded for segment assets are corporate assets which are not allocated to any reportable segment.
3. Reconciliations of ¥390 million recorded for increase in property, plant and equipment and intangible assets are capital investments principally related to relocation of head office.
4. Adjustments are made to reconcile segment profit to operating income (loss) presented in the accompanying consolidated statement of operations.

	Millions of Yen				
	2016				
	Reportable Segment			Reconciliations	Consolidated
	Car Electronics	Others	Total		
Sales:					
Sales to external customers	¥357,842	¥91,788	¥449,630	–	¥449,630
Intersegment sales or transfers	526	3,616	4,142	¥ (4,142)	–
Total sales	358,368	95,404	453,772	(4,142)	449,630
Segment profit (loss)	¥ 8,581	¥ (144)	¥ 8,437	¥ (1,133)	¥ 7,304
Segment assets	¥ 89,693	¥27,178	¥116,871	¥181,141	¥298,012
Other items:					
Depreciation and amortization	¥ 23,467	¥ 2,895	¥ 26,362	¥ 760	¥ 27,122
Amortization of goodwill	–	–	–	42	42
Increase in property, plant and equipment and intangible assets	¥ 21,653	¥ 2,696	¥ 24,349	¥ 1,077	¥ 25,426

Notes: 1. Reconciliations of ¥(1,133) million recorded for segment profit (loss) include elimination of intersegment transactions of ¥237 million and corporate expenses of ¥(1,370) million that are not allocated to any reportable segment. Corporate expenses principally consist of general and administrative expenses and research and development (R&D) expenses which are not attributable to any reportable segment.
2. Reconciliations of ¥181,141 million recorded for segment assets are corporate assets which are not allocated to any reportable segment.
3. Reconciliations of ¥1,077 million recorded for increase in property, plant and equipment and intangible assets are capital investments principally related to relocation of head office.
4. Adjustments are made to reconcile segment profit to operating income (loss) presented in the accompanying consolidated statement of operations.

	Thousands of U.S. Dollars				
	2017				
	Reportable Segment			Reconciliations	Consolidated
	Car Electronics	Others	Total		
Sales:					
Sales to external customers	**$2,790,081**	**$662,437**	**$3,452,518**	**–**	**$3,452,518**
Intersegment sales or transfers	**3,107**	**27,313**	**30,420**	**$ (30,420)**	**–**
Total sales	**2,793,188**	**689,750**	**3,482,938**	**(30,420)**	**3,452,518**
Segment profit (loss)	**$ 54,027**	**$ (6,964)**	**$ 47,063**	**$ (9,858)**	**$ 37,205**
Segment assets	**$ 734,312**	**$221,304**	**$ 955,616**	**$1,560,330**	**$2,515,946**
Other items:					
Depreciation and amortization	**$ 193,232**	**$ 24,509**	**$ 217,741**	**$ 4,920**	**$ 222,661**
Amortization of goodwill	**–**	**–**	**–**	**375**	**375**
Increase in property, plant and equipment and intangible assets	**$ 169,232**	**$ 23,286**	**$ 192,518**	**$ 3,482**	**$ 196,000**

Notes: 1. Reconciliations of $(9,858) thousand recorded for segment profit (loss) include elimination of intersegment transactions of $446 thousand and corporate expenses of $(10,304) thousand that are not allocated to any reportable segment. Corporate expenses principally consist of general and administrative expenses and R&D expenses which are not attributable to any reportable segment.
2. Reconciliations of $1,560,330 thousand recorded for segment assets are corporate assets which are not allocated to any reportable segment.
3. Reconciliations of $3,482 thousand recorded for increase in property, plant and equipment and intangible assets are capital investments principally related to relocation of head office.
4. Adjustments are made to reconcile segment profit (loss) to operating income presented in the accompanying consolidated statement of operations.

(5) Information about geographical areas

(I) Sales

	Millions of Yen						Thousands of U.S. Dollars				
2017						**2017**					
Japan	North America	Europe	China	Others	Total	Japan	North America	Europe	China	Others	Total
¥162,714	**¥84,037**	**¥27,797**	**¥44,281**	**¥67,853**	**¥386,682**	**$1,452,804**	**$750,330**	**$248,188**	**$395,366**	**$605,830**	**$3,452,518**

Notes: 1. The amount of sales in the United States of America is ¥83,237 million ($743,188 thousand).
2. The classification by country or area is based on the location of customers.

Millions of Yen					
2016					
Japan	North America	Europe	China	Others	Total
¥181,870	¥101,315	¥29,999	¥56,094	¥80,352	¥449,630

Notes: 1. The amount of sales in the United States of America is ¥100,203 million.
2. The classification by country or area is based on the location of customers.

(II) Property, plant and equipment

Millions of Yen					Thousands of U.S. Dollars				
2017					**2017**				
Japan	Thailand	China	Others	Total	Japan	Thailand	China	Others	Total
¥22,179	**¥7,549**	**¥4,089**	**¥7,018**	**¥40,835**	**$198,027**	**$67,402**	**$36,509**	**$62,660**	**$364,598**

Millions of Yen				
2016				
Japan	Thailand	China	Others	Total
¥22,927	¥8,040	¥5,359	¥6,368	¥42,694

(6) Information about major customers

	2017	
	Millions of Yen	
Name of Major Customer	Sales	Related Segment Name
Toyota Motor Corporation	**¥61,856**	Car Electronics

	2016	
	Millions of Yen	
Name of Major Customer	Sales	Related Segment Name
Toyota Motor Corporation	¥67,305	Car Electronics

	2017	
	Thousands of U.S. Dollars	
Name of Major Customer	Sales	Related Segment Name
Toyota Motor Corporation	**$552,286**	Car Electronics

(7) Impairment losses of assets by reportable segment

	Millions of Yen				
	2017				
	Reportable Segment			Corporate	Consolidated
	Car Electronics	Others	Total		
Impairment losses of assets	**–**	**¥138**	**¥138**	**–**	**¥138**

	Millions of Yen				
	2016				
	Reportable Segment			Corporate	Consolidated
	Car Electronics	Others	Total		
Impairment losses of assets	–	¥131	¥131	–	¥131

	Thousands of U.S. Dollars				
	2017				
	Reportable Segment			Corporate	Consolidated
	Car Electronics	Others	Total		
Impairment losses of assets	**–**	**$1,232**	**$1,232**	**–**	**$1,232**

(8) Unamortized balance of goodwill by segment

	Millions of Yen				
	2017				
	Reportable Segment			Corporate	Consolidated
	Car Electronics	Others	Total		
Unamortized balance of goodwill	**–**	**–**	**–**	**¥438**	**¥438**

	Millions of Yen				
	2016				
	Reportable Segment			Corporate	Consolidated
	Car Electronics	Others	Total		
Unamortized balance of goodwill	–	–	–	¥480	¥480

	Thousands of U.S. Dollars				
	2017				
	Reportable Segment			Corporate	Consolidated
	Car Electronics	Others	Total		
Unamortized balance of goodwill	**–**	**–**	**–**	**$3,911**	**$3,911**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Pioneer Corporation:

We have audited the accompanying consolidated balance sheet of Pioneer Corporation and its subsidiaries as of March 31, 2017, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pioneer Corporation and its subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 28, 2017

Member of
Deloitte Touche Tohmatsu Limited

General Information on Shares

Stock Listing

Tokyo Stock Exchange (Since 1961)

Transfer Agent

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8212, Japan

Share Information (As of March 31, 2017)

Number of Shares of Common Stock Issued
372,223,436 shares

Number of Shareholders 46,879 shareholders

Composition of Shareholders

	Number of shareholders	Number of shares held (thousand)	Shareholdings (%)
Japanese financial institutions	34	83,368	22.40
Japanese securities companies	71	12,086	3.25
Other Japanese business corporations	308	59,960	16.11
Foreign corporations and individuals	343	115,966	31.15
Japanese individuals and others	46,123	100,841	27.09

Note: "Japanese individuals and others" include 5,030 thousand shares (1.35%) as treasury stock held by the Company.

Principal Shareholders (Ten Largest Shareholders)

Name of shareholders	Number of shares held (thousand)	Shareholdings (%)
Mitsubishi Electric Corporation	27,886	7.59
NTT DOCOMO, INC.	25,773	7.01
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,848	5.40
Japan Trustee Services Bank, Ltd. (Trust Account)	15,039	4.09
BNP Paribas Securities Services Luxembourg/JASDEC/Henderson HHF SICAV	10,741	2.92
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8,733	2.37
State Street Bank and Trust Company	8,230	2.24
State Street Bank and Trust Company 505103	6,584	1.79
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,490	1.76
Japan Trustee Services Bank, Ltd. (Trust Account 5)	5,518	1.50

Note: Shareholdings are calculated based on the total number of shares issued and outstanding after deduction of treasury stock, and are rounded down to two decimal places.

For further information, please contact:

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