80th Anniversary

Pioneer

Annual Report 2018

For the Year Ended March 31, 2018

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.

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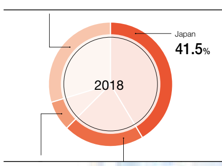

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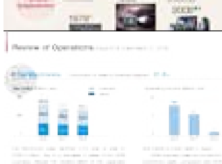

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Business Profile

• Fiscal 2018, Ended March 31, 2018

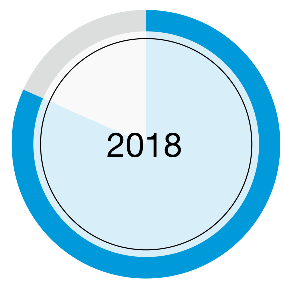
Consolidated Net Sales 365.4 billion yen

Consolidated Operating Income 1.2 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.



299.3 billion yen
81.9%

Others

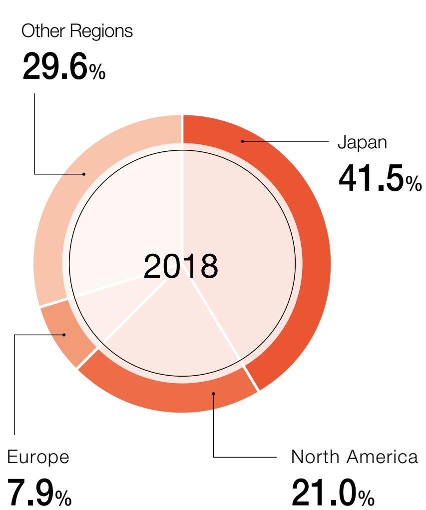
In addition to factory automation systems, we are utilizing our unique optical, sound, and imaging technologies to develop new businesses in fields such as medical and health care-related devices and organic light-emitting diode (OLED) lighting.

66.1 billion yen
18.1%

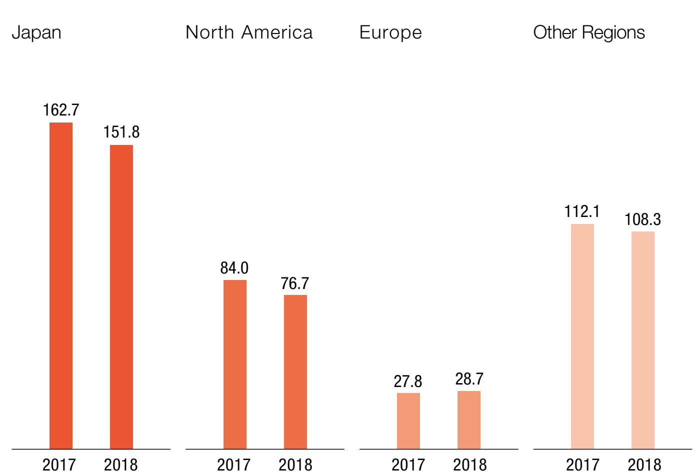
• Sales by Geographic Market

The Pioneer Group is proactively developing businesses in emerging markets where continuous growth is expected. For fiscal 2018, sales outside Japan accounted for 58.5% of consolidated net sales.

Composition of Sales by Geographic Market



Sales by Geographic Market (Billion yen)



To Our Stakeholders

I am Koichi Moriya, the new President and CEO appointed in June 2018. I greatly appreciate your ongoing support.

The consolidated business results for fiscal 2018, ended March 31, 2018, were severe due to deterioration of earnings in our core Car Electronics in the existing consumer market business and OEM business, despite steady progress in activities related to autonomous driving and launch of new businesses in the consumer market business that combine Pioneer's strengths in both hardware and software.

During fiscal 2019, ending March 31, 2019, we will make efforts to set a course toward improved profitability through the implementation of significant measures in the OEM business where deficits are expected to expand. Furthermore, we will strive to rebuild a new Pioneer.

• Consolidated Results for Fiscal 2018

Net sales declined 5.5% year on year to ¥365.4 billion, mainly from a decrease in Car Electronics sales due to a decline in sales of the OEM business. Operating income was ¥1.2 billion, a 71.3% decrease year on year, reflecting a decrease in net sales, despite reduced selling, general and administrative (SG&A) expenses and an improvement in the cost of sales ratio. Net loss attributable to owners of Pioneer Corporation was ¥7.1 billion, compared with a net loss of ¥5.1 billion a year ago, mainly due to the decrease in operating income and recording of a foreign exchange loss.

• Rebuilding a New Pioneer

For fiscal 2019, ending March 31, 2019, we are projecting revenue growth with net sales of ¥380.0 billion. However, we are projecting an operating loss of ¥5.0 billion due to an increase in SG&A expenses caused by increases in expenses related to higher sales and upfront development costs related to autonomous driving, as well as a deterioration of the cost of sales ratio caused by a significant increase in depreciation and amortization in the OEM business.

In the OEM business, we will implement significant revision measures examining and discussing the

Financial Highlights

Pioneer Corporation and Its Subsidiaries
Years Ended March 31

In millions of yen and thousands of U.S. dollars	2017	**2018**	**2018**
Net sales	¥386,682	**¥365,417**	**$3,447,330**
Operating income	4,167	**1,194**	**11,264**
Net (loss) income attributable to owners of Pioneer Corporation	(5,054)	**(7,123)**	**(67,198)**
Net (loss) income per share (yen/U.S. dollars)	(13.76)	**(19.12)**	**(0.18)**
Total assets	281,786	**287,510**	**2,712,358**
Total equity	86,789	**84,934**	**801,264**
Free cash flows	(14,395)	**(17,215)**	**(162,406)**

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥106=US$1.00, the approximate current rate prevailing on March 31, 2018.
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.

business structure to turn profitable at an early stage, which may include establishment of a joint venture with business partners.

In the consumer market business, we will stimulate market demand and differentiate our products from competitors by launching new products with enhanced smartphone-link functions in a timely manner and pursuing sound-centric entertainment in the existing business. We will also strengthen and expand our new businesses that combine Pioneer's strengths in both hardware and software, including telematics services for automobile insurance and solutions businesses.

In the map business and autonomous driving field, we are now preparing for the roll-out of the 2018 model of the 3D-LiDAR sensor, which will be essential for autonomous driving, aiming for its commercialization. Furthermore, we will be working steadily to become an "essential company" in an era of autonomous driving, mainly through strengthening our alliance with HERE Technologies, a Netherlands-based global provider of mapping and location services, as well as through the development of high-definition maps.

In fiscal 2019, we will make efforts to set a course toward improved profitability through the implementation of significant measures in the OEM business, to steadily solidify our autonomous driving-related business as a means for future growth. We will also strive to rebuild a new Pioneer through such measures as reallocation of management resources with an eye on profitability and growth potential.

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

June 2018

K. Moriya

Koichi Moriya
President and CEO

Special Feature

Pioneer's 80-Year History

Aiming to become a leading company in "Comprehensive Infotainment"

"*Pioneer*" is the trademark for *A-8*, Japan's first dynamic speaker, which was developed by Pioneer's founder, Nozomu Matsumoto.

Pioneer is the origin of our company name and comes from "pioneer spirit," which has been one of our unflagging core values. The spirit has helped us develop many of the world's first products and services as well as various strengths that are the source of our future growth.

Going forward, we will proactively expand "information services" unique to Pioneer by leveraging these strengths. At the same time, we will facilitate "autonomous driving technologies," which incorporate our advantages in optical and other technologies, and "sound technologies" cultivated since our foundation. Through these, we will become a leading company in "Comprehensive Infotainment" that creates comfort, excitement, reliability and safety in vehicles.

■ Information services ■ Autonomous driving technologies
■ Sound technologies

1937

Development of *A-8* dynamic speaker by Pioneer's founder, Nozomu Matsumoto

1938
Establishment

1962

[World's first]
Separate home stereo system

1975

[World's first]
Component car stereo

1979

BODYSONIC, system for converting sound to vibrations that the body can feel

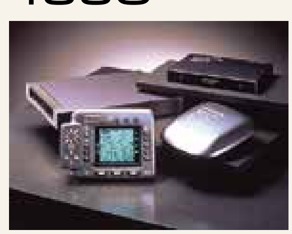
1981

[Japan's first]
Laser disc player for home use

1984

[World's first]
Car CD player

1990



[World's first]
GPS car navigation system for the consumer market

1994

Increment P
FEEL THE SPACE

Established Increment P Corporation, a map creation subsidiary

1999

[World's first]
DVD recorder

2002

[World's first]
Car navigation system for the consumer market incorporating a data communication module

2006

Car navigation system connecting to *Smart Loop*, Pioneer's information network

A leading company in “Comprehensive Infotainment”

2012

Car audio product with *MIXTRAX EZ,* a unique technology that realizes non-stop mixed playback

2012

[World’s first]
Car navigation systems equipped with a head-up display which projects augmented-reality (AR) information beyond the windshield

2015

VehicleAssist

Vehicle Assist, a cloud-based operation management service for fleet vehicles

2016

Intelligent Pilot, telematics services providing advanced driving assistance

Intelligent Pilot

2017

Supplying samples of 3D-LiDAR sensor using MEMS mirror method

Unique strengths, the source of future growth

“Information services” unique to Pioneer	“Autonomous driving technologies” incorporating advantages in optical and other technologies	“Sound technologies” cultivated since our foundation
Expansion of new businesses combining hardware and software	Development of 3D-LiDAR sensors for autonomous driving	Research and development of *Harmonic Vibrations* and *Master Sound Revive* (MSR)
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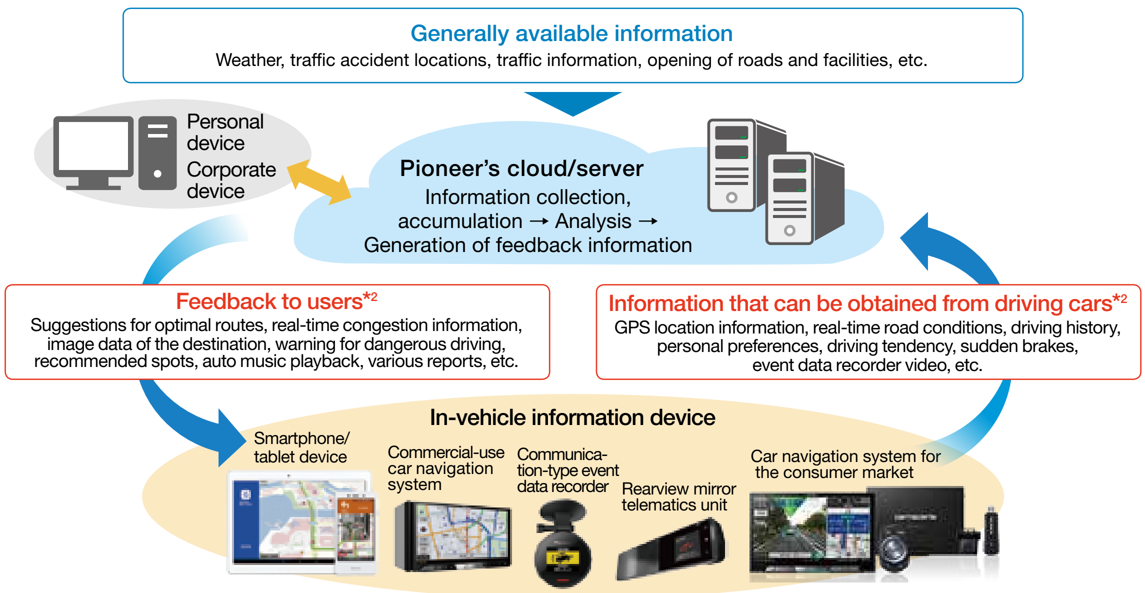
Pioneer spirit

Special Feature 1

Expansion of New Businesses Combining Hardware and Software

The car electronics industry is undergoing major changes such as the growing demands for connected cars and advanced driving assist systems as well as technical development with an eye to an era of autonomous driving. We are seeing these changes as prime business opportunities enabling us to provide added value in our consumer market business. By positioning businesses combining Pioneer's strengths in both hardware and software as a new growth area, we are strengthening our telematics service business, as well as solution business including operation management service for fleet vehicles, by leveraging probe data*1 accumulated through car navigation systems for the consumer market, leading-edge cloud technologies, development technologies for in-vehicle communication devices, and our unique strengths in map data.

Overview of businesses combining hardware and software



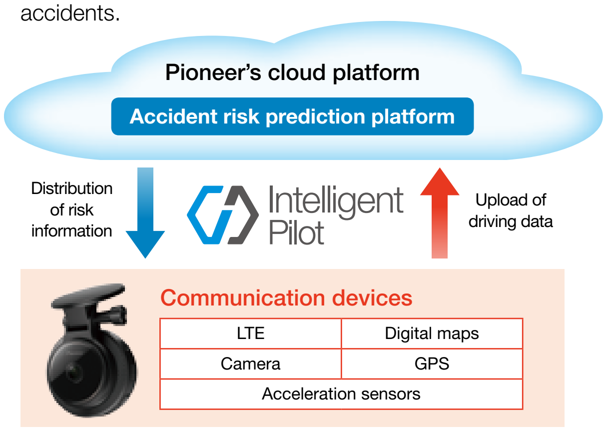
*1 Probe data: Big data accumulated through the network, such as places where vehicles have driven and vehicle speed. Data is used after statistical processing has been applied to eliminate personal information.

*2 Available information differs according to device and service

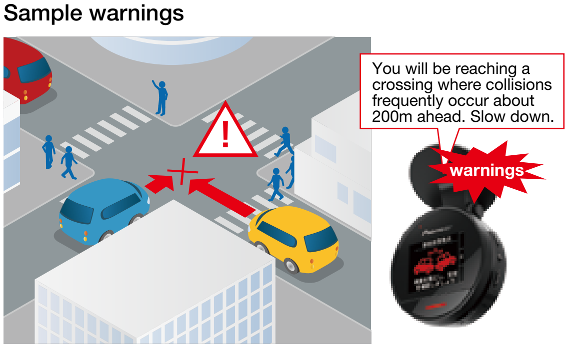
Intelligent Pilot, telematics services providing advanced driving assistance

The number of new cars equipped with advanced driving assist systems, including automatic braking systems, has been increasing in recent years. However, the vast majority of cars currently on the road are not equipped with such systems. Pioneer has developed the *Intelligent Pilot* advanced driving assist system that can be easily installed to cars on the road with the goal of preventing accidents.

Intelligent Pilot uses a Pioneer's unique digital map-based "accident risk prediction platform" to comprehensively predict accidents and dangers based on traffic accident locations, probe data such as near-miss*3 spots, weather and time, personal driving tendencies, and other information. Through communication devices including an event data recorder, it issues heads-ups and warnings to drivers in line with the current situation.



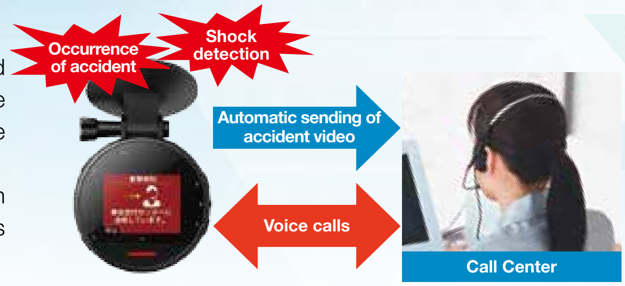
Sample warnings



We are steadily expanding the business, and started offering *Intelligent Pilot* to Tokio Marine & Nichido Fire Insurance Co., Ltd. for its *Drive Agent Personal* automobile insurance in April 2017.

We will actively propose various solutions with an eye to expansion into new industries and global business expansion.

*3 Near miss: Cases which did not result in accidents but near-accidents in the event of sudden incidents, such as pedestrians rushing out into traffic or driver error.



In *Drive Agent Personal*, when an event data recorder detects a strong shock upon an accident, drivers can communicate with a call center through the device.

Vehicle Assist, cloud-based operation management service for fleet vehicles

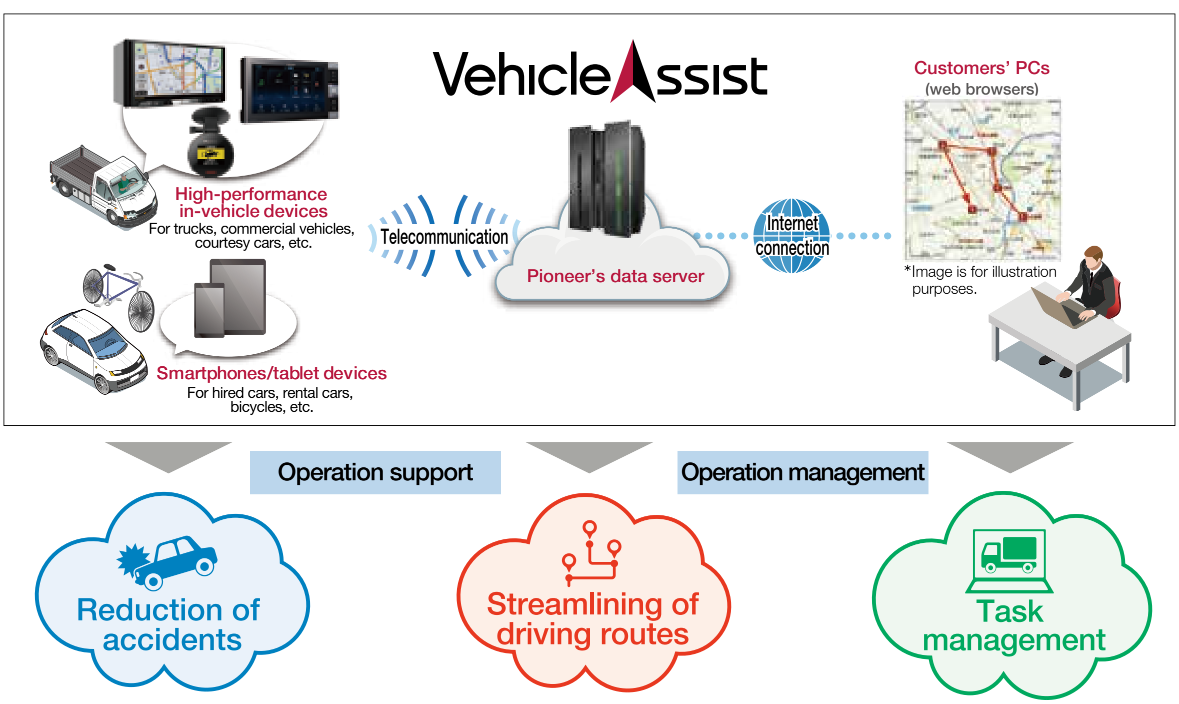
A number of risks exist when vehicles are used in business operations, such as the problem of long working hours resulting from labor shortages, driver training issues, and traffic accidents. Nevertheless, it is not easy for many companies to develop their own systems to resolve these issues and they cannot help relying on the experience and knowledge of individual drivers.

Vehicle Assist, Pioneer's cloud-based operation management service for fleet vehicles, is designed to centralize and computerize related data obtained from in-vehicle devices compatible with the service, including car navigation systems, into Pioneer's server and enable customers to view it on their PCs. With various functions contributing to "reducing accidents," "streamlining driving routes," and "facilitating task management," we support the resolution of various issues related to fleet business operation.

For example, when in-vehicle devices detect dangerous driving, it gives warnings to the driver and notifies the operation administrator at the same time, facilitating the avoidance of accidents through safe driving. In addition, *Vehicle Assist* allows drivers to easily optimize daily driving routes and delivery plans as to smoothly reach each destination taking designated time and other information into consideration. It also automatically creates a vehicle daily report. These functions enable even inexperienced drivers to engage in fleet business operation, making it possible to streamline operations. In addition to the line-up of highly reliable in-vehicle devices unique to Pioneer, we are expanding our services to respond to a wide range of customer requests such as the "B. PRO car navigation system" that allows users to add exclusive apps of their choice and Web API*4 available for linkage with customers' systems and services currently in use.

We are already providing the service to companies in various industries such as delivery, welfare, and nursing care, and local governments. Going forward, we aim to expand into other industries under the business policy of "contributing to people and society through support for fleet business operations."

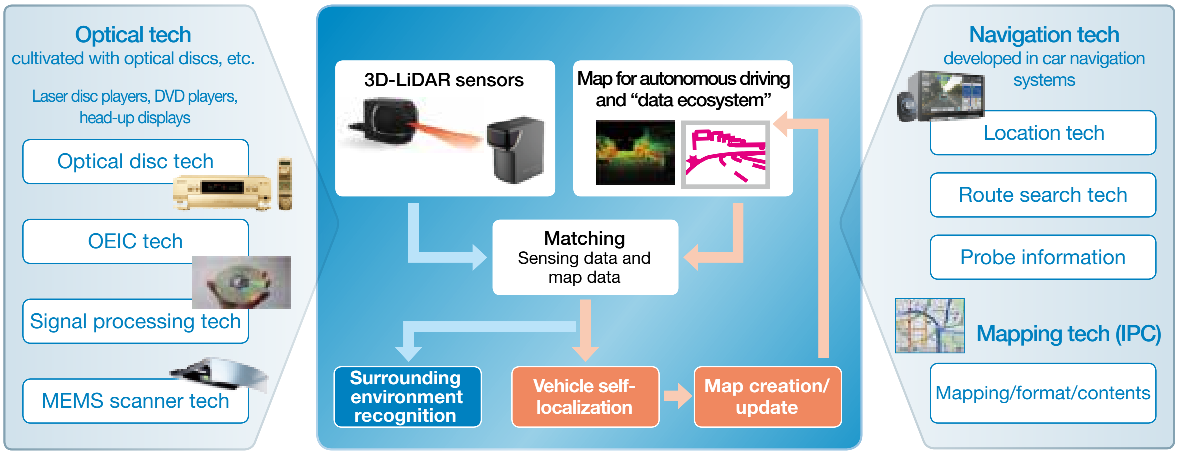
*4 API (Application Programing Interface): Specifications to use functions created by using a computer program with external programs



Special Feature 2

Development of 3D-LiDAR Sensors for Autonomous Driving

Pioneer has been focusing on developing “3D-LiDAR sensors,” “maps for autonomous driving,” and their combinations, “data ecosystem” that is an efficient map updating system, by leveraging its optical technologies, high-precision vehicle self-localization technologies, probe information, and mapping technologies of its map creation subsidiary, Increment P Corporation (IPC).



The 3D-LiDAR sensor uses laser beams to measure distances to objects accurately and captures information on distances and surroundings in real time and in three dimensions, both in daylight and at night. It is regarded as an essential sensor for vehicle use for level 3 and higher autonomous driving. Therefore, many companies have been engaged in the development of 3D-LiDAR sensors in recent years and many different methods have been proposed. For widespread use of autonomous vehicles, sensors need to be compact, reasonably priced, and highly reliable. Pioneer’s MEMS* mirror method has been attracting attention as a promising method capable of satisfying these requirements. Pioneer developed samples using the method in 2017 and provided them to companies in Japan and abroad. Pioneer is now developing a new model for the fall of 2018.

*MEMS: Micro Electro Mechanical Systems

Sample (scanner)

At the Tokyo Motor Show in October 2017 and the U.S. Consumer Electronics Show in January 2018, Pioneer attracted attention from visitors with an exhibition to conduct real-time sensing at the venue using the samples.

3D-LiDAR sensors for vehicle use using MEMS mirror method

Pioneer has been engaged in the development of highly reliable 3D-LiDAR sensors for vehicle use suited for mass production by leveraging its expertise in commercialization of MEMS mirror as part of development of head-up display (HUD). We are working to enhance performance by combining its unique technologies including digital signal processing technologies.

Pioneer’s HUD projects augmented-reality (AR) information beyond the windshield through laser scanning using MEMS mirror.

Point 1

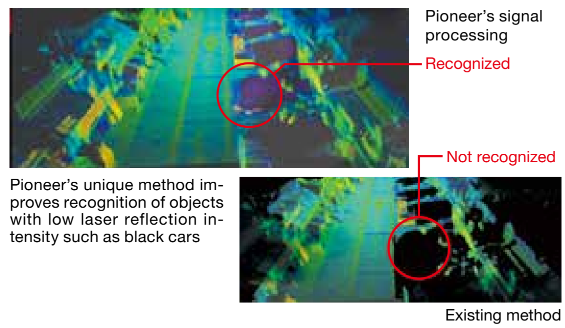
Highly durable and have potential for downsizing and lower price

Most 3D-LiDAR sensors currently on the market are based on the motorized multi-laser beam irradiation method. Therefore, achieving downsizing and light weight is difficult and production costs tend to be high due to the use of many parts. Meanwhile, Pioneer's 3D-LiDAR sensors with MEMS mirrors irradiate a single laser beam in broad areas by high-speed scanning and have no motor drive unit. Therefore, Pioneer's 3D-LiDAR sensors are highly durable and have potential for downsizing and light weight. In addition, significant reduction in costs can be expected at the time of mass production by using common parts, developing new parts on the premise of mass production, and adopting a flexible system configuration.

Point 2

Achieving high performance through combination with optical technologies and digital signal processing technologies

MEMS mirrors characterized by small aperture have difficulty gathering light compared to a motor method. To overcome this weakness, Pioneer has expanded the detector diameter through combination with lenses and is developing a 3D-LiDAR sensor applicable for practical in-car use. With the use of its unique digital signal processing technologies, we have improved detection accuracy and stability. In addition, combination with the optimization of algorithm processing facilitates extraction of signal, which has been difficult to be differentiated from noise with the existing LiDAR sensors.

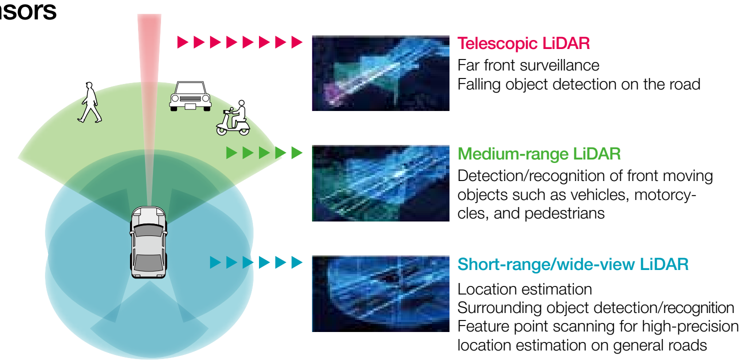


Pioneer's unique method improves recognition of objects with low laser reflection intensity such as black cars

Point 3

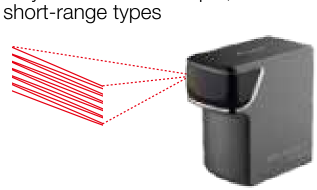
Responding to various usage purposes and system configurations with the line-up of two scanning methods and four types of sensors

Roles and the level of 3D-LiDAR sensors mounted on autonomous vehicles vary based on combinations with other sensors such as cameras and radars. Therefore, we have facilitated the development of four types of 3D-LiDAR sensors, namely the "telescopic LiDAR," "medium-range LiDAR," "short-range LiDAR," and "wide-view LiDAR," based on two scanning methods (raster scan and wobbling scan). With an enhanced line-up, we will propose optimal combinations meeting various customer needs.



Raster scan method

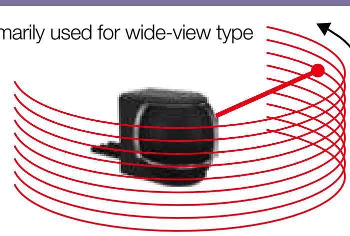
Primarily used for telescopic, medium-range, and short-range types



A single housing unit can be used for different scan ranges simply by changing the lens for telescopic, medium-range, and short-range types.

Wobbling scan method

Primarily used for wide-view type



Incorporates MEMS mirror which can scan short distances and a wide field of view. This enables a wide range of detection, which is difficult for telescopic, medium-range, and short-range types.

Point 4

Providing systems optimized for autonomous driving through combination with navigation technologies and map data

Autonomous driving requires "recognition of surrounding environment" using 3D-LiDAR sensors and "vehicle self-localization" by reconciling the information recognized by the sensors with map data. It is also important to create a system to efficiently "create and update maps" using sensors. In addition to development of the 3D-LiDAR sensor, Pioneer is facilitating development of a total system including software that can be connected with its navigation technologies and map data.

Aiming for global expansion

Elements of autonomous driving cover broad areas and development requires considerable cost and time. Therefore, collaborations with various companies both in Japan and abroad are essential for global expansion.

Pioneer formed business and capital alliance with HERE Technologies in the Netherlands, Pioneer's long-time strategic partner, in September 2017, strengthening relationships with an eye to the development of global open location information platforms in the era of autonomous driving and IoT.

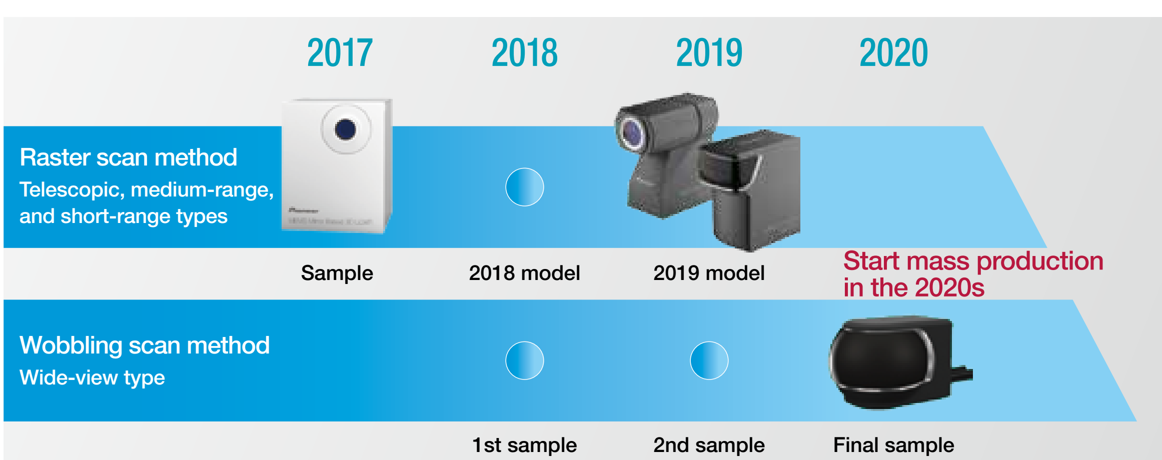
Following the development of 3D-LiDAR samples in the fall of 2017, Pioneer's 3D-LiDAR started supporting "Autoware," the world's first open-source software for autonomous driving, provided by Tier IV, Inc. in Japan in November 2017. In addition, it started supporting the *NVIDIA DRIVE™ PX* AI computing platform for autonomous driving solutions developed and provided by NVIDIA Corporation ("NVIDIA") in the U.S. in December 2017 and *NVIDIA® DriveWorks,* a software development kit for autonomous driving provided by NVIDIA, in April 2018. Sensors must be built into systems to be used in autonomous vehicles. The respective collaborations will lead to the creation of an environment for companies developing autonomous driving solutions based on the two companies' technologies to more easily use Pioneer's 3D-LiDAR sensors.

We will continue to facilitate collaboration and partnership with various companies with an eye to global and timely business expansion.

Roadmap: Start of mass production in the 2020s

We have developed a roadmap with the goal to develop 3D-LiDAR sensors that enable cars to function at Level 3 or higher autonomous driving, the level in which cars have responsibility for driving tasks, on general roads. Following the shipment of raster scan samples in the fall of 2017, we have received a variety of requests toward commercialization from companies receiving samples. We are planning to supply a new model with enhanced performance that can be mounted and verified on cars in the fall of 2018. We are also in the process of developing wobbling scan samples. We will stay focused on development work with the goal of starting mass production in the 2020s when full-scale launch of autonomous driving is expected.

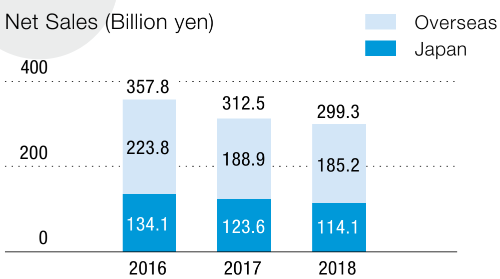
In addition to autonomous driving, we are planning to use 3D-LiDAR sensors for other purposes such as robots and drones. We will consider various business opportunities in addition to promoting 3D-LiDAR sensors for cars.

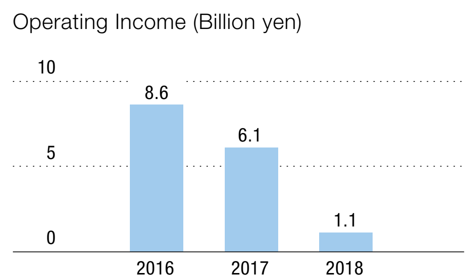


Review of Operations (Fiscal 2018, Ended March 31, 2018)

• Car Electronics

Composition of Sales by Business Segment **81.9%**





Car Electronics sales declined 4.2% year on year, to ¥299.3 billion, due to a decrease in sales of the OEM business, despite the positive effect of the Japanese yen's depreciation.

Sales of the consumer market business were almost unchanged year on year. This was because of favorable sales in telematics services for automobile insurance, as well as higher sales in car audio products due mainly to an increase in Europe and Central and South America supported by the positive effect of the Japanese yen's depreciation, despite lower sales in car navigation systems which was primarily caused by a decrease in North America and Japan..

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

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 7.7%, to ¥114.1 billion, and overseas sales were roughly flat year on year at ¥185.2 billion.

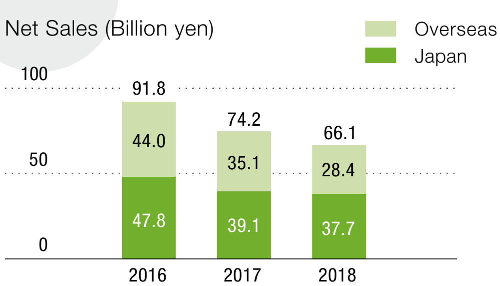
Operating income declined 82.4% year on year, to ¥1.1 billion, due to the decline in sales, as well as a deterioration in the cost of sales ratio and an increase of SG&A expenses both as a result of foreign exchange rate movements.

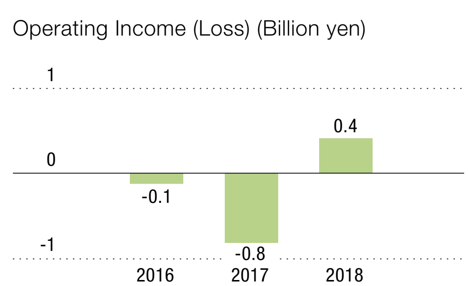
Main Products and Services

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

• Others

Composition of Sales by Business Segment **18.1%**





In the Others segment, sales declined 10.9% year on year, to ¥66.1 billion, mainly because of lower sales of home AV products and the effect of the transfer of the cable TV system-related equipment business.

By geographic region, sales in Japan decreased 3.5%, to ¥37.7 billion, and overseas sales decreased 19.2%, to ¥28.4 billion.

Operating income was ¥0.4 billion, compared with an operating loss of ¥0.8 billion for fiscal 2017, due to an improvement in the cost of sales ratio and a decrease in SG&A expenses, although sales declined.

Main Products

- Optical Disc Drive-Related Products
- 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. From fiscal 2017, map software, previously classified in "Others," is reclassified in "Car Electronics." Figures for fiscal 2016 have been reclassified accordingly.
3. On March 31, 2017, the business relating to the development, manufacture and sale/marketing of cable TV system-related equipment was transferred.
4. In Car Electronics, some overseas car navigation systems are reclassified from "the consumer market business" to "the OEM business" from fiscal 2018. Accordingly, Car Electronics sales composition of the OEM business changed from 58% to 60%.

Research and Development

Pioneer's research and development (R&D) mainly anticipates the future of the Car Electronics business and utilizes our strengths in optics, audio, signal processing, and information processing. We are engaged in technologies related to the advancement and systemization of the in-vehicle functions, the sensing environment inside and outside of vehicles, and information network services and map data generation mainly for autonomous driving that use the Internet of Things (IoT) and artificial intelligence (AI). We are also working on technologies for assisting drivers, such as by predicting their behavior, monitoring their biological information, and sophisticated human machine interface (HMI). In this way, we provide a reliable, safe, and comfortable driving experience, and grow and expand our businesses by strengthening our technological competitiveness for the age of autonomous driving.

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 by expanding our strengths in new business fields and undertaking joint research and alliances with universities, public research institutions, and other private companies.

Technologies to Maintain and Improve Driver Arousal Level Using *Harmonic Vibrations*

A reduction in driver arousal level caused by drowsiness is one of the major causes of traffic accidents. In order to address this issue, we are developing technologies to maintain and improve driver arousal level in addition to technologies that detect signs of drowsiness with a high degree of precision.

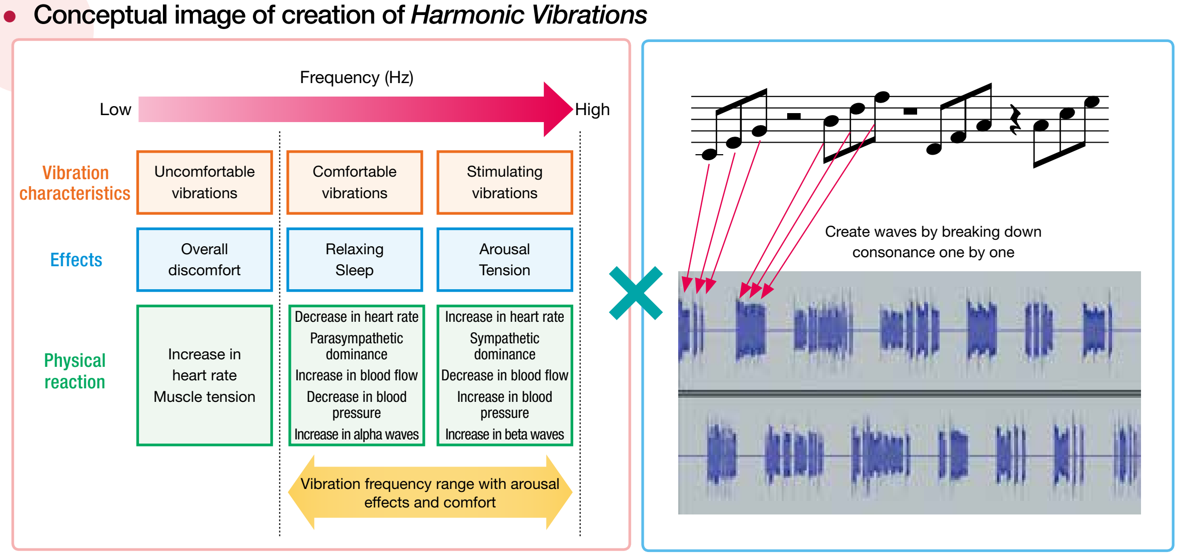
As ways to maintain and improve driver arousal level, technologies to give stimulus with sound, light, and aroma as well as those to give a stimulus exclusively to drivers by vibrating the driver's seat have been under consideration. However, the arousal effects of monotonous vibrations do not last long, and while uncomfortable vibrations have arousal effects, they run the risk of not being used due to discomfort and of having a negative impact on driving.

We have developed *Harmonic Vibrations* that applies music theory as technologies to vibrate the driver's seat by making use of our long-cultivated technologies used for the system for converting sound to vibrations that the body can feel. *Harmonic Vibrations* is a technology to transfer waveform signals of sound created when all notes consisting of consonance* are sounded in sequence from a high or low note to drivers as optimal vibrations with arousal effects and comfort. Based on research participants' data accumulated from seat vibration experiments, we have identified the possibility that *Harmonic Vibrations* may be able to balance arousal effects and comfort.

We will accelerate consideration of patterns of *Harmonic Vibrations* and a vibration system that effectively transfers them to drivers with the aim of achieving practical applications of the car seat vibration system with high arousal effects and comfort.

* A combination of two or more notes that produces a pleasing sound when they are sounded simultaneously.

● Conceptual image of creation of *Harmonic Vibrations*



Master Sound Revive (MSR), Which Improves Any Sound Source to Sound Quality Equivalent to High Resolution (Patent Pending)

Converting recorded sound sources into CD and other formats creates noise (quantization noise) caused by errors in the conversion of sound sources.

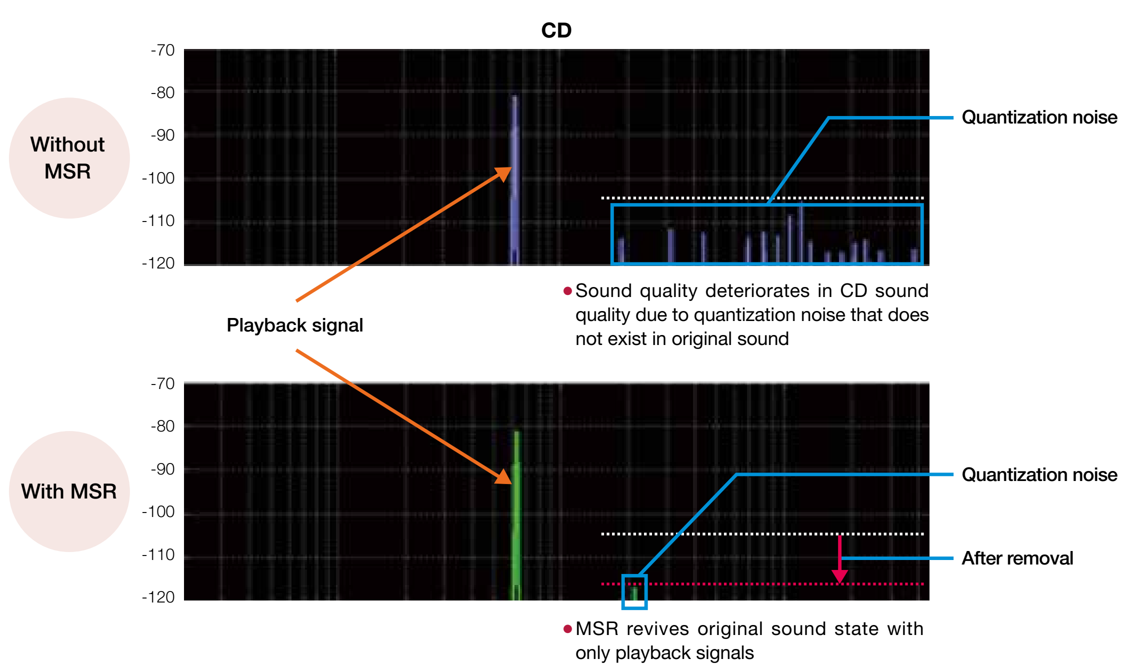
With the use of our long-cultivated sound analysis technology, we discovered that this noise is the cause of differences in sound quality between high resolution sound sources and non-high resolution ones. By developing technologies to visualize the differences, we have logically determined the superiority of high resolution sound sources for the first time in the world. In addition, as a technology to revive this superiority, we have developed the world's first technology to remove quantization noise to the utmost limit in addition to technologies to reproduce a high frequency range, which is lost during the conversion of the sound source format. These have led to the practical applications of MSR, the industry's first function to improve any sound sources to sound quality equivalent to high resolution.

MSR enables users to enjoy sound sources that are converted for smartphone and CD formats in a high quality sound closer to original sound.

We will provide MSR to various markets in order to deliver the excitement of live music to many people.

● MSR mounted on *Cyber Navi* car navigation system (2017 model)
Outstanding sound quality performance receiving high marks from experts and general users

● Industry's first technology to remove quantization noise



You can experience the effects of improved sound quality by MSR via the following website:
http://global.pioneer/en/ir/library/annual_reports/msr/

Research and Development website: **http://global.pioneer/en/crdl_design/**

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 not only elects multiple outside directors and outside audit & supervisory board members, all showing an independence, but 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 Outside Directors and Outside Audit & Supervisory Board Members

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 director is responsible for business execution, while the Audit & Supervisory Board is responsible for auditing. In addition, to strengthen the oversight function of the Board of Directors, Pioneer has elected several independent outside directors, who have no significant transactional relationships with the Pioneer Group, and has established a Nominating Committee, a Compensation Committee and a Special Committee, each chaired by an outside director, as advisory committees for the Board of Directors.

In order to further clarify their responsibilities and respond promptly to changes in the business environment, Pioneer has set the term of office of directors to one year and each director conducts self-evaluation regarding the operation of the Board of Directors every year. 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 independent outside audit & supervisory board members, audits the directors' performance of their duties and monitors audits by the Independent Auditor. In addition, to safeguard the effectiveness of audits performed by the audit & supervisory board members, the Audit & Supervisory Board meets regularly with the representative director, and ensures opportunities for audit & supervisory board members to periodically receive explanations and reports from the Audit Division, which is responsible for internal audits, 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.

In fiscal 2018, the Board of Directors held 11 meetings, while the Audit & Supervisory Board held 15 meetings.

Voluntary Advisory Committees

Pioneer has established a Nominating Committee, a Compensation Committee, and a Special Committee, each chaired by an outside director, as voluntary advisory committees designed to heighten management transparency and strengthen the oversight function of the Board of Directors. The respective outside directors who chair these committees report on the results of their deliberations at each committee 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.

- Nominating Committee: Discusses matters concerning the election and dismissal of directors and executive officers, and the election of audit & supervisory board members
- Compensation Committee: Discusses issues related to remuneration and other benefits for directors and executive officers
- Special Committee: Discusses matters that have a significant impact on corporate value, including mergers and acquisitions

Executive Officers and the Group Executive Committee

To expedite business execution and clarify the responsibilities for each business, the Board of Directors has elected executive officers, and established the Group Executive Committee 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 2018, the Group Executive Committee held 19 meetings and deliberated approximately 40 issues.

Rules of the Pioneer Group and Internal Audit System

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.

Internal audits are implemented by the Audit Division to audit the status of the Group's entire management and operations, and confirm 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.

Business Ethics Committee and Business Ethics Hotline

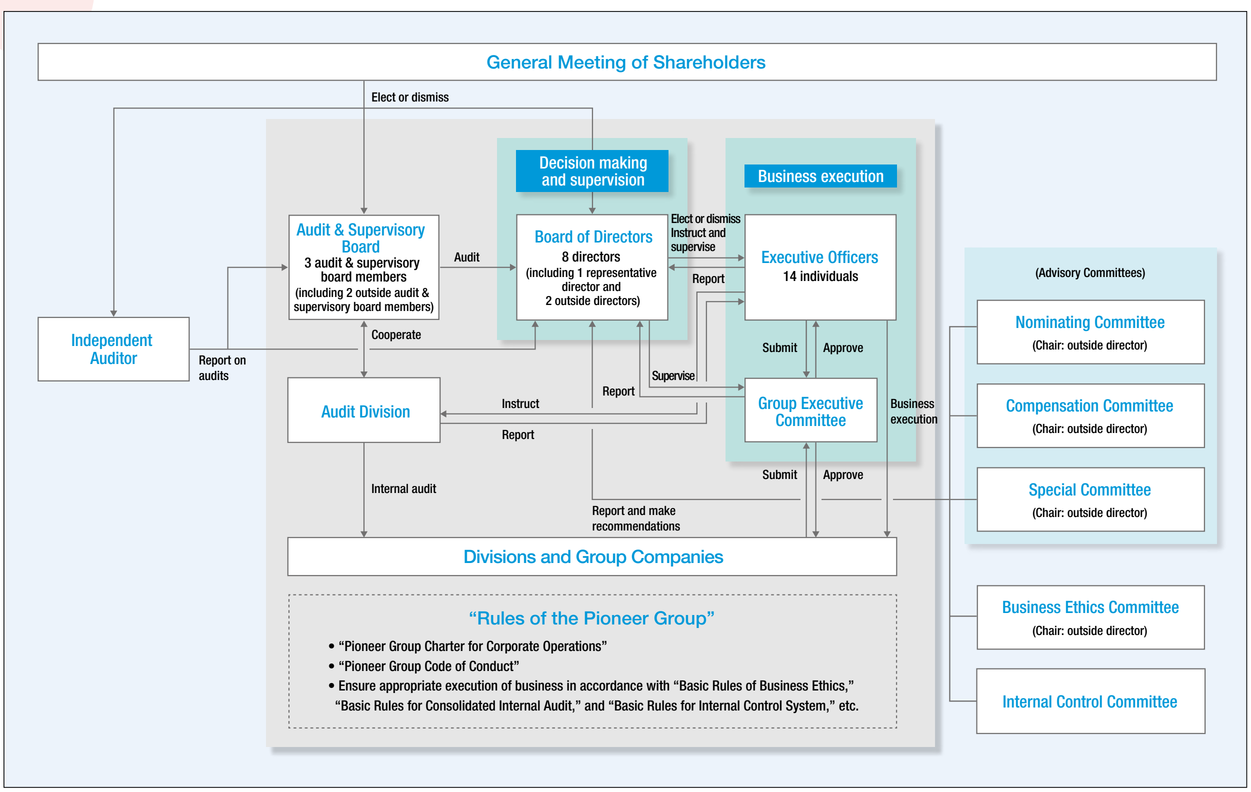
The Company has established a Business Ethics Committee, chaired by an outside director, to ensure legal compliance as well as thorough observance of the "Pioneer Group Charter for Corporate Operations" and the "Pioneer Group Code of Conduct." The committee met twice in fiscal 2018.

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 in good faith and resolutely.

Internal Control Committee

The Company has established an Internal Control Committee, chaired by a representative director, to identify possible risks associated with business activities and to prevent such risks from occurring. The committee met twice in fiscal 2018.

Corporate Governance Structure (As of June 27, 2018)



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

Labor Practices and Human Rights, Corporate Citizenship Activities, and 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 the creation of an environment in which employees are able to create new value, and sound corporate activities that meet the social demands of our various stakeholders.

• Labor Practices and Human Rights

Under the Group Philosophy, we are working to create an environment where a diverse group of employees, who maintain their professionalism, are able to work to their fullest and create new value, irrespective of their age, gender or nationality.

Be Diverse!

In addition to systems and measures that offer employees greater flexibility in working styles and personnel development programs including career development support, we support our employees in various other ways, including through support for employees’ mental and physical health, so that all our employees with their diverse backgrounds can achieve greater job satisfaction and bring their capabilities into full play. Through these initiatives, we will transform their dynamism into the Group’s competitiveness.

• Corporate Citizenship Activities

Carrying on our 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 labor practices and human rights, corporate citizenship, and environmental activities is available at the following website.
http://global.pioneer/en/society/csr/report/

Management (As of June 27, 2018)

Board of Directors

Representative Director

Koichi Moriya

Directors

Susumu Kotani

Kunio Kawashiri

Harumitsu Saito

Satoshi Ohdate

Mitsumasa Kato

Masahiro Tanizeki

Shunichi Sato

Audit & Supervisory Board

Full Time Audit & Supervisory Board Member

Hiroshi Shinohara

Audit & Supervisory Board Members

Keiichi Nishikido

Hiroyuki Wakamatsu

Executive Officers

Chairman

Susumu Kotani

President and CEO

Koichi Moriya

Senior Executive Officers

Kunio Kawashiri

Harumitsu Saito

Masao Kase

Satoshi Ohdate

Executive Officers

Minoru Maruyama

Ichio Kitamura

Naoto Takashima

Shinsuke Nishimura

Mitsumasa Kato

Gregory R. Pierson

Steven R. Moerner

Kyotaro Sato

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

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Five-Year Summary of Operations

Pioneer Corporation and Its Subsidiaries
Years Ended March 31

In millions of yen and thousands of U.S. dollars	2014	2015	2016	2017	**2018**	**2018**
Net sales	¥498,051	¥501,676	¥449,630	¥386,682	**¥365,417**	**$3,447,330**
Operating income	11,169	7,778	7,304	4,167	**1,194**	**11,264**
Net income (loss) attributable to owners of Pioneer Corporation	531	14,632	731	(5,054)	**(7,123)**	**(67,198)**
Total assets	327,913	328,277	298,012	281,786	**287,510**	**2,712,358**
Total equity	77,816	107,066	90,486	86,789	**84,934**	**801,264**
Equity ratio (%)	22.1	31.0	28.7	29.3	**28.0**	
Net income (loss) per share (yen/U.S. dollars)	1.49	39.85	1.99	(13.76)	**(19.12)**	**(0.18)**
Total equity per share (yen/U.S. dollars)	197.33	277.05	233.32	224.72	**212.84**	**2.01**
Inventories	70,371	63,295	52,837	49,821	**50,133**	**472,953**
Capital expenditures	26,053	25,046	30,442	35,209	**31,008**	**292,528**
Depreciation and amortization	24,883	23,543	27,122	24,938	**20,589**	**194,236**
R&D expenses	26,891	28,196	24,804	23,863	**25,852**	**243,887**
R&D expenses to net sales (%)	5.4	5.6	5.5	6.2	**7.1**	
Cash flows from operating activities	34,242	34,564	19,292	19,614	**15,943**	**150,406**
Cash flows from investing activities	(21,862)	36,880	(20,083)	(34,009)	**(33,158)**	**(312,811)**
Cash flows from financing activities	(887)	(55,424)	3,408	1,446	**14,264**	**134,566**
Cash and cash equivalents at end of year	33,904	51,676	51,993	38,405	**35,634**	**336,170**
Borrowings	87,448	34,238	37,328	39,292	**50,078**	**472,434**
D/E ratio (times)	1.2	0.3	0.4	0.5	**0.6**	
Return on assets (ROA) (%)	0.2	4.5	0.2	(1.7)	**(2.5)**	
Return on equity (ROE) (%)	0.7	16.8	0.8	(6.0)	**(8.7)**	
Return on sales (%)	0.1	2.9	0.2	(1.3)	**(1.9)**	
Total assets turnover ratio (times)	1.6	1.5	1.4	1.3	**1.3**	
Average foreign exchange rate (yen/U.S. dollars)	100.24	109.93	120.14	108.38	**110.85**	
Average foreign exchange rate (yen/euro)	134.37	138.77	132.58	118.79	**129.70**	
Number of employees	22,193	19,404	17,046	16,763	**16,798**	

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥106=U.S. $1.00, the approximate current rate prevailing on March 31, 2018.
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 noncontrolling 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.

Financial Review

Year Ended March 31, 2018,
Compared with Year Ended March 31, 2017

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

Financial Position

Total assets as of March 31, 2018, were ¥287,510 million, an increase of ¥5,724 million from March 31, 2017, mainly due to increases in software and software in progress, despite decreases in trade receivables, and cash and cash equivalents. Trade receivables decreased ¥5,962 million, to ¥60,094 million. Cash and deposits decreased ¥2,771 million, to ¥35,634 million. Meanwhile, software increased ¥9,709 million, to ¥25,896 million. Software in progress increased ¥8,062 million, to ¥47,606 million.

Total liabilities were ¥202,576 million, a ¥7,579 million increase from March 31, 2017. This was primarily due to an increase in short-term borrowings of ¥21,834 million, despite an ¥8,735 million decrease in current portion of long-term debt.

Total equity was ¥84,934 million, a ¥1,855 million decline from March 31, 2017. This mainly reflected a recording of ¥7,123 million in net loss attributable to owners of Pioneer Corporation for fiscal 2018, despite a ¥3,316 million increase in defined retirement benefit plans as well as a payment received of ¥2,299 million associated with a third-party allotment of shares during fiscal 2018.

Results of Operations

• Net sales

In fiscal 2018, consolidated net sales declined 5.5% year on year, to ¥365,417 million, mainly from a decrease in sales of Car Electronics, particularly in OEM business, despite the positive effects of the Japanese yen's depreciation.

Car Electronics sales declined 4.2% year on year, to ¥299,324 million, due to a decrease in sales of the OEM business, despite the positive effect of the Japanese yen's depreciation.

Sales of the consumer market business were almost unchanged year on year. This was because of favorable sales in telematics services for automobile insurance, as well as higher sales in car audio products due mainly to an increase in Europe and Central and South America supported by the positive effect of the Japanese yen's depreciation, despite lower sales in car navigation systems which was primarily caused by a decrease in North America and Japan.

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

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 7.7%, to ¥114,089 million, and overseas sales were roughly flat year on year at ¥185,235 million.

In the Others segment, sales declined 10.9% year on year, to ¥66,093 million, mainly because of lower sales of home AV products and the effect of the transfer of the cable TV system-related equipment business.

By geographic region, sales in Japan decreased 3.5%, to ¥37,721 million, and overseas sales decreased 19.2%, to ¥28,372 million.

• Operating income

Cost of sales decreased to ¥299,896 million from ¥317,497 million a year earlier. Cost of sales accounted for 82.1% of net sales, remaining on the same level as in fiscal 2017. Selling, general and administrative (SG&A) expenses decreased to ¥64,327 million from ¥65,018 million in fiscal 2017, mainly due to a decrease in patent fees. As a result, operating income decreased to ¥1,194 million in fiscal 2018, compared with ¥4,167 million in fiscal 2017. R&D expenses, which were included in cost of sales and SG&A expenses, increased 8.3% to ¥25,852 million, representing 7.1% of net sales.

• Other income (expenses)—net

In fiscal 2018, other income (expenses)—net improved by ¥625 million, to other expenses—net of ¥5,855 million, compared with other expenses—net of ¥6,480 million in fiscal 2017. This mainly reflected ¥3,014 million of restructuring costs recorded in fiscal 2017, despite a foreign exchange loss for fiscal 2018, against a foreign exchange gain recorded in fiscal 2017.

• Loss before income taxes

As a result of the foregoing, loss before income taxes was ¥4,661 million, compared with a ¥2,313 million loss in fiscal 2017.

• Income taxes

Income taxes for fiscal 2018 decreased to ¥2,631 million, compared with ¥2,949 million for fiscal 2017, principally due to an increase in loss before income taxes.

• Net loss attributable to owners of Pioneer Corporation

As a result of the above, net loss attributable to owners of Pioneer Corporation was ¥7,123 million, compared with a net loss of ¥5,054 million in fiscal 2017.

Cash Flows

During fiscal 2018, operating activities provided net cash in the amount of ¥15,943 million, a ¥3,671 million decrease year on year. This was mainly due to a ¥4,024 million decline in the amount of a decrease in receivables.

Investing activities used net cash in the amount of ¥33,158 million, a ¥851 million decrease year on year. This was mainly due to a ¥4,201 million decrease in payment for purchase of property, plant and equipment and intangible assets, despite a ¥2,674 million increase in purchase of investment securities.

Financing activities provided net cash in the amount of ¥14,264 million, an increase of ¥12,818 million compared with the previous fiscal year. This was mainly due to a ¥22,352 million increase in short-term borrowings—net, despite ¥11,033 million repayments of long-term debt.

Foreign currency translation adjustments on cash and cash equivalents were a positive ¥180 million, compared with a negative ¥639 million in fiscal 2017.

As a result, cash and cash equivalents as of March 31, 2018, totaled ¥35,634 million, a ¥2,771 million decrease from March 31, 2017.

Consolidated Balance Sheet

Pioneer Corporation and Its Subsidiaries
March 31, 2018

ASSETS	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
Current Assets:			
Cash and cash equivalents (Note 13)	**¥ 35,634**	¥ 38,405	**$ 336,170**
Time deposits (Note 13)	**8**	–	**75**
Receivables (Note 13):			
Trade receivables	**60,094**	66,056	**566,924**
Inventories (Note 4)	**50,133**	49,821	**472,953**
Deferred tax assets (Note 9)	**1,816**	3,696	**17,132**
Other current assets	**14,093**	16,798	**132,953**
Allowance for doubtful receivables (Note 13)	**(740)**	(2,896)	**(6,981)**
Total current assets	**161,038**	171,880	**1,519,226**
Property, Plant and Equipment (Notes 5 and 6):			
Land	**10,389**	11,121	**98,009**
Buildings and structures	**47,828**	47,779	**451,208**
Machinery, equipment and others	**57,525**	63,501	**542,689**
Lease assets	**8,620**	3,574	**81,321**
Construction in progress	**530**	899	**5,000**
Others	**60,356**	62,552	**569,396**
Total	**185,248**	189,426	**1,747,623**
Accumulated depreciation	**(147,039)**	(148,591)	**(1,387,161)**
Net property, plant and equipment	**38,209**	40,835	**360,462**
Investments and Other Assets:			
Investment securities (Notes 3, 6 and 13)	**6,658**	4,334	**62,811**
Investments in associated companies (Note 13)	**1,808**	2,586	**17,057**
Software	**25,896**	16,187	**244,302**
Software in progress	**47,606**	39,544	**449,113**
Goodwill	**396**	438	**3,736**
Deferred tax assets (Note 9)	**1,194**	1,142	**11,264**
Net defined benefit asset (Note 7)	**973**	838	**9,179**
Other assets	**3,781**	4,052	**35,670**
Allowance for doubtful accounts	**(49)**	(50)	**(462)**
Total investments and other assets	**88,263**	69,071	**832,670**
Total	**¥287,510**	¥ 281,786	**$2,712,358**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2018	2017	Thousands of U.S. Dollars (Note 1) 2018
Current Liabilities:			
Short-term borrowings (Notes 6 and 13)	**¥ 32,537**	¥ 10,703	**$ 306,953**
Current portion of long-term debt (Notes 6 and 13)	**2,785**	11,520	**26,274**
Trade payables (Note 13)	**59,770**	62,362	**563,868**
Income taxes payable (Note 13)	**893**	1,305	**8,424**
Accrued expenses	**33,107**	30,987	**312,330**
Warranty reserve	**1,841**	1,967	**17,368**
Other current liabilities	**18,410**	20,042	**173,679**
Total current liabilities	**149,343**	138,886	**1,408,896**
Long-term Liabilities:			
Long-term debt (Notes 6 and 13)	**1,814**	2,735	**17,113**
Accrued pension and severance costs (Note 7)	**31,395**	35,106	**296,179**
Convertible bonds (Notes 6 and 13)	**15,041**	15,056	**141,896**
Other long-term liabilities (Note 9)	**4,983**	3,214	**47,010**
Total long-term liabilities	**53,233**	56,111	**502,198**
Commitments and Contingent Liabilities (Notes 11 and 14)**:**			
Equity (Note 8)**:**			
Common stock, no par value			
Authorized: 800,000,000 shares;			
Issued: 383,340,936 shares in 2018 and 372,223,436 shares in 2017	**92,881**	91,732	**876,236**
Capital surplus	**32,295**	56,016	**304,670**
Retained earnings	**46,733**	28,984	**440,877**
Treasury stock—at cost, 5,032,512 shares in 2018 and 5,030,886 shares in 2017	**(11,052)**	(11,051)	**(104,264)**
Accumulated other comprehensive income (loss):			
Unrealized loss on available-for-sale securities	**(393)**	(191)	**(3,708)**
Deferred gain on derivatives under hedge accounting	**11**	–	**104**
Foreign currency translation adjustments	**(59,446)**	(59,149)	**(560,811)**
Defined retirement benefit plans (Note 7)	**(20,509)**	(23,825)	**(193,481)**
Total accumulated other comprehensive loss	**(80,337)**	(83,165)	**(757,896)**
Noncontrolling interests	**4,414**	4,273	**41,641**
Total equity	**84,934**	86,789	**801,264**
Total	**¥287,510**	¥281,786	**$2,712,358**

See notes to consolidated financial statements.

Consolidated Statement of Operations

Pioneer Corporation and Its Subsidiaries
Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	**2018**
Net Sales (Note 19)	**¥365,417**	¥386,682	**$3,447,330**
Cost of Sales (Notes 7, 10 and 19)	**299,896**	317,497	**2,829,208**
Gross profit	**65,521**	69,185	**618,122**
Selling, General and Administrative Expenses (Notes 7, 10 and 19)	**64,327**	65,018	**606,858**
Operating income (Note 19)	**1,194**	4,167	**11,264**
Other Income (Expenses):			
Interest and dividend income	**324**	405	**3,057**
Interest expense	**(672)**	(671)	**(6,340)**
Equity in loss of associated companies	**(1,265)**	(110)	**(11,934)**
(Loss) gain on sales and disposals of property, plant and equipment—net	**(141)**	255	**(1,330)**
Loss on impairment of property, plant and equipment (Notes 5 and 19)	**(522)**	(138)	**(4,925)**
Foreign exchange (loss) gain	**(1,194)**	605	**(11,264)**
Gain on sales of investment securities—net (Note 3)	**48**	-	**453**
Restructuring costs (Note 12)	**(853)**	(3,014)	**(8,047)**
Loss on litigation settlement	**(61)**	(1,180)	**(575)**
Loss on business transfer (Note 17)	**(11)**	(1,191)	**(104)**
Others—net	**(1,508)**	(1,441)	**(14,227)**
Other expenses—net	**(5,855)**	(6,480)	**(55,236)**
Loss before income taxes	**(4,661)**	(2,313)	**(43,972)**
Income Taxes (Note 9)**:**			
Current	**1,751**	2,798	**16,518**
Deferred	**880**	151	**8,302**
Total income taxes	**2,631**	2,949	**24,820**
Net loss	**(7,292)**	(5,262)	**(68,792)**
Net loss attributable to noncontrolling interests	**(169)**	(208)	**(1,594)**
Net loss attributable to owners of Pioneer Corporation	**¥ (7,123)**	¥ (5,054)	**$ (67,198)**

	Yen		U.S. Dollars
Per Share of Common Stock (Note 16)**:**			
Basic net loss	**¥(19.12)**	¥(13.76)	**$(0.18)**
Diluted net income	**–**	–	**–**
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, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	**2018**
Net Loss	**¥(7,292)**	¥(5,262)	**$(68,792)**
Other Comprehensive Income (Loss) (Note 15)**:**			
Unrealized (loss) gain on available-for-sale securities	**(202)**	95	**(1,906)**
Deferred gain on derivatives under hedge accounting	**11**	88	**104**
Foreign currency translation adjustments	**(191)**	(2,940)	**(1,802)**
Defined retirement benefit plans	**3,316**	4,532	**31,283**
Share of other comprehensive income (loss) in associates	**12**	(66)	**113**
Total other comprehensive income	**2,946**	1,709	**27,792**
Comprehensive loss	**¥(4,346)**	¥(3,553)	**$(41,000)**
Total comprehensive loss attributable to:			
Owners of Pioneer Corporation	**¥(4,295)**	¥(3,159)	**$(40,519)**
Noncontrolling interests	**¥ (51)**	¥ (394)	**$ (481)**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Pioneer Corporation and Its Subsidiaries
Year Ended March 31, 2018

		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 Gain 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	**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)	–	–	–	**(0)**	–	–	–	–	–	–	(0)
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**
Issuance of new shares	11,117,500	1,149	1,150	–	–	–	–	–	–	–	–	2,299
Net loss attributable to owners of Pioneer Corporation	–	–	–	(7,123)	(0)	–	–	–	–	–	–	(7,123)
Disposal of surplus	–	–	(24,872)	24,872	–	–	–	–	–	–	–	–
Purchase of treasury stock	(1,626)	–	–	–	(1)	–	–	–	–	–	–	(1)
Purchase of shares of consolidated subsidiaries	–	–	1	–	–	–	–	–	–	–	–	1
Net changes in the year	–	–	–	–	–	(202)	11	(297)	3,316	2,828	141	2,969
Balance, March 31, 2018	**378,308,424**	**¥92,881**	**¥32,295**	**¥46,733**	**¥(11,052)**	**¥(393)**	**¥11**	**¥(59,446)**	**¥(20,509)**	**¥(80,337)**	**¥4,414**	**¥84,934**

	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 Gain 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, 2017	**$865,396**	**$528,453**	**$273,434**	**$(104,255)**	**$(1,802)**	–	**$(558,009)**	**$(224,764)**	**$(784,575)**	**$40,311**	**$818,764**
Issuance of new shares	10,840	10,849	–	–	–	–	–	–	–	–	21,689
Net loss attributable to owners of Pioneer Corporation	–	–	(67,198)	–	–	–	–	–	–	–	(67,198)
Disposal of surplus	–	(234,641)	234,641	–	–	–	–	–	–	–	–
Purchase of treasury stock	–	–	–	(9)	–	–	–	–	–	–	(9)
Purchase of shares of consolidated subsidiaries	–	9	–	–	–	–	–	–	–	–	9
Net changes in the year	–	–	–	–	(1,906)	104	(2,802)	31,283	26,679	1,330	28,009
Balance, March 31, 2018	**$876,236**	**$304,670**	**$440,877**	**$(104,264)**	**$(3,708)**	**$104**	**$(560,811)**	**$(193,481)**	**$(757,896)**	**$41,641**	**$801,264**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Pioneer Corporation and Its Subsidiaries
Year Ended March 31, 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	**2018**
Operating Activities:			
Loss before income taxes	**¥ (4,661)**	¥ (2,313)	**$ (43,972)**
Adjustments for:			
Income taxes—paid	**(2,176)**	(3,431)	**(20,528)**
Depreciation and amortization	**20,589**	24,938	**194,236**
Equity in loss of associated companies	**1,265**	110	**11,934**
Loss (gain) on sales and disposals of property, plant and equipment—net	**141**	(255)	**1,330**
Loss on impairment of property, plant and equipment	**522**	138	**4,925**
Gain on sales of investment securities—net	**(48)**	–	**(453)**
Loss on business transfer—net	**11**	1,191	**104**
Changes in assets and liabilities:			
Decrease in receivables	**3,246**	7,270	**30,623**
(Increase) decrease in inventories	**(398)**	2,915	**(3,755)**
Decrease in trade payables	**(2,981)**	(6,658)	**(28,123)**
Decrease in accrued expenses	**(2,924)**	(144)	**(27,585)**
Decrease in accrued pension and severance costs	**(3,816)**	(3,798)	**(36,000)**
Increase in defined retirement benefit plans	**3,356**	4,221	**31,660**
Others—net	**3,817**	(4,570)	**36,010**
Net cash provided by operating activities	**15,943**	19,614	**150,406**
Investing Activities:			
Increase in time deposits	**(8)**	–	**(75)**
Payment for purchase of property, plant and equipment and intangible assets	**(31,008)**	(35,209)	**(292,528)**
Proceeds from sales of property, plant and equipment	**1,017**	1,279	**9,594**
Purchase of investment securities	**(2,692)**	(18)	**(25,396)**
Proceeds from sale of investment securities	**134**	–	**1,264**
Purchase of shares of subsidiaries and associates	**(513)**	–	**(4,840)**
Payment for business transfer (Note 17)	**(118)**	–	**(1,113)**
Proceeds from business transfer (Note 17)	**–**	111	**–**
Others—net	**30**	(172)	**283**
Net cash used in investing activities	**(33,158)**	(34,009)	**(312,811)**
Financing Activities:			
Increase (decrease) in short-term borrowings—net	**21,540**	(812)	**203,208**
Increase in long-term debt	**–**	3,333	**–**
Repayments of long-term debt	**(11,033)**	–	**(104,085)**
Proceeds from sale and leaseback transactions	**2,563**	–	**24,179**
Repayments of lease obligations	**(1,287)**	(931)	**(12,142)**
Proceeds from issuance of common shares	**2,268**	–	**21,396**
Purchase of treasury stock	**(1)**	(0)	**(9)**
Proceeds from share issuance to noncontrolling shareholders	**214**	–	**2,019**
Dividends paid to noncontrolling interests	**–**	(144)	**–**
Net cash provided by financing activities	**14,264**	1,446	**134,566**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**180**	(639)	**1,698**
Net Decrease in Cash and Cash Equivalents	**(2,771)**	(13,588)	**(26,141)**
Cash and Cash Equivalents, Beginning of Year	**38,405**	51,993	**362,311**
Cash and Cash Equivalents, End of Year	**¥ 35,634**	¥ 38,405	**$ 336,170**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Pioneer Corporation and Its Subsidiaries
Year Ended March 31, 2018

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 2017 consolidated financial statements to conform to the classifications used in 2018.

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 ¥106 to $1.00, the approximate rate of exchange as of March 31, 2018. 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, 2018, include the accounts of the Company and its 72 (73 in 2017) 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 (eight in 2017) 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 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 IFRS 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 research and development (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 IFRS 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 or fair value less costs to sell.

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.

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 fair value less costs to sell 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 to 20 years within the average of the estimated remaining service years. Actuarial gain or loss is primarily amortized using the straight-line method over 8 to 18 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 a method based on its expected sales volume over its expected salable period by related product group, or by the straight-line method over its expected salable period by related product group of one to three years, considering the expected sales volume trend over the life cycle of the related product group. As for software for sale which is amortized based on its expected sales volume over its expected salable period by related product group, the amortization is based on its expected sales volume over its expected salable period by the related product group, or is equally distributed based on its remaining salable period by related product group, whichever is larger.

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 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.

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 options 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, currency options, interest rate swaps, and interest rate options are utilized to reduce foreign currency exchange risks and interest rate risks associated with loan receivables and bank loans denominated in foreign currencies. The Group does not enter into derivatives for trading or speculative purposes. The effectiveness of each derivative transaction is evaluated to ensure that there is a high correlation between the market fluctuations and the cash flows of the hedged items and the hedging instruments. However, evaluation of hedge effectiveness is omitted for interest rate swaps, which qualify the specific matching criteria.

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 years ended March 31, 2018 and 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. New Accounting Pronouncements

New or revised major accounting standards, which have been issued until March 31, 2018 and not been applied, were as follows:

The Company is currently evaluating the effect of applying these accounting standards to the consolidated financial statements.

For the Company and its domestic consolidated subsidiaries

Name of accounting standards. etc.	Overview	Scheduled date of adoption
Accounting Standard for Revenue Recognition (ASBJ Statement No. 29)	Revision of accounting treatments of revenue recognition	From the year ending March 31, 2022

For foreign consolidated subsidiaries

Name of accounting standards. etc.	Overview	Scheduled date of adoption
Financial Instruments (IFRS 9)	Revision of classification, measurement and impairment, etc. of financial instruments	From the year ending March 31, 2019
Financial Instruments (FASB ASC 825)	Revision of classification, measurement and impairment, etc. of financial instruments	From the year ending March 31, 2020
Revenue from Contracts with Customers (IFRS 15)	Revision of accounting treatments of revenue recognition	From the year ending March 31, 2019
Revenue from Contracts with Customers (FASB ASC 606)	Revision of accounting treatments of revenue recognition	From the year ending March 31, 2020
Leases (IFRS 16)	Revision of accounting treatments of leases	From the year ending March 31, 2020
Leases (FASB ASC 842)	Revision of accounting treatments of leases	From the year ending March 31, 2021

v. Changes in the Method of Presentation

Consolidated Statement of Cash Flows

Prior to April 1, 2017, “Equity in loss of associated companies" was included in "Others—net" of “Operating Activities.” Considering the materiality, “Equity in loss of associated companies" was disclosed separately from the year ended March 31, 2018.

The amount of “Equity in loss of associated companies" included in “Other—net” of “Operating Activities” for the year ended March 31, 2017, was ¥110 million.

Prior to April 1, 2017, “Payment for purchase of investment securities” was included in "Others—net” of “Investing Activities.” Considering the materiality, “Payment for purchase of investment securities” was disclosed separately from the year ended March 31, 2018.

The amount of “Payment for purchase of investment securities" included in “Other—net” of “Investing Activities” for the year ended March 31, 2017 was ¥(18) million.

w. Additional Information

Adoption of new accounting due to occurrence of new facts

Software for sale is amortized by the straight-line method over its expected salable period by the related product group of one to three years, in view of the trends of the expected sales volume based on the life cycle of its related product group. However, regarding certain software for sale that were newly recorded from the year ended March 31, 2018 onwards, the amortization is based on its expected sales volume over its expected salable period by the related product group of five years, or is equally distributed based on its remaining salable period by the related product group, whichever is larger. This is because the expected salable period of the related product group of the said software has been extended, and thereby the trends of its expected sales volume based on its life cycle are different from those of the conventional software for sale.

3. Investment Securities

Cost, unrealized gains and losses, and aggregate fair values of investment securities as of March 31, 2018 and 2017, were as follows:

	Millions of Yen				Millions of Yen			
	2018				2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:								
Equity securities	**¥1,966**	**¥121**	**¥488**	**¥1,599**	¥1,967	¥112	¥282	¥1,797
Total	**¥1,966**	**¥121**	**¥488**	**¥1,599**	¥1,967	¥112	¥282	¥1,797

	Thousands of U.S. Dollars			
	2018			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity securities	**$18,547**	**$1,142**	**$4,604**	**$15,085**
Total	**$18,547**	**$1,142**	**$4,604**	**$15,085**

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 13.

Available-for-sale securities that the Group sold during the year ended March 31, 2018, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2018	**2018**
Proceeds from sales:		
Equity securities	**¥134**	**$1,264**
Total	**¥134**	**$1,264**
Gains on sales:		
Equity securities	**¥48**	**$453**
Total	**¥48**	**$453**

Available-for-sale securities that the Group sold during the year ended March 31, 2017, are not disclosed due to immateriality.

4. Inventories

Inventories as of March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Finished products	**¥21,590**	¥21,245	**$203,679**
Work in process	**12,793**	11,795	**120,689**
Raw materials and supplies	**15,750**	16,781	**148,585**
Total	**¥50,133**	¥49,821	**$472,953**

5. Long-lived Assets

The Group reviewed its long-lived assets for impairment as of March 31, 2018 and 2017. As a result, the Group recognized an impairment loss as other expenses for certain processing machinery groups related to organic light-emitting diodes and idle assets whose disposal is planned due to a decline in the market value and the lack of prospects for future sales.

In principle, business assets are grouped based on management classification. However, idle assets whose disposal is planned or whose future use is not forecasted are grouped individually in the smallest cash flow generating unit independent of each other.

For the year ended March 31, 2018, the Group recognized an impairment loss of ¥522 million ($4,925 thousand), which principally comprises buildings and structures of ¥57 million ($538 thousand) and machinery, equipment and others of ¥388 million ($3,660 thousand) for the organic light-emitting diodes business, and machinery, equipment and others of ¥28 million ($264 thousand) for assets to be disposed of, as summarized in the table below:

			Millions of Yen	Thousands of U.S. Dollars
Application	Type	Location	Impairment Loss	Impairment Loss
Organic light-emitting diodes manufacturing facilities	Machinery and equipment, etc.	Yonezawa, Yamagata, Japan	**¥475**	**$4,481**
Assets to be disposed of	Machinery and equipment, etc.	China	**47**	**444**
Total			**¥522**	**$4,925**

The group of business assets relating to organic light-emitting diodes was reduced to the recoverable value since the book value of the group exceeded the expected future cash flows. As for the group of assets to be disposed of, each individual asset group was reduced to the recoverable value and the amount of decrease was recorded in other income (expenses) as loss on impairment of property, plant and equipment.

The recoverable value of the organic light-emitting diodes business asset group was measured at their value in use, which was estimated based on the memorandum value. As for the group of assets to be disposed of, their recoverable value was measured at their fair value less costs to sell, which was estimated based on the memorandum value.

Disclosure for the year ended March 31, 2017, is omitted due to immateriality in the amounts.

6. Short-term Borrowings, Long-term Debt and Lease Obligation

Short-term borrowings as of March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Short-term borrowings:			
Weighted-average interest rate of 1.56% as of March 31, 2018, and 2.93% as of March 31, 2017			
Collateralized	**¥ 6,900**	¥ 3,543	**$ 65,094**
Uncollateralized	**25,637**	7,160	**241,859**
Total	**¥32,537**	¥10,703	**$306,953**

Long-term debt as of March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Long-term debt:			
Collateralized	**¥ 2,500**	¥ 3,533	**$ 23,585**
Uncollateralized	**–**	10,000	**–**
Convertible bonds, due 2020	**15,041**	15,056	**141,896**
Long-term capital lease obligation, due principally in 2019 and 2020	**2,099**	722	**19,802**
Total	**19,640**	29,311	**185,283**
Less—portion due within one year	**2,785**	11,520	**26,274**
Long-term debt, less current portion	**¥16,855**	¥17,791	**$159,009**

Annual maturities of long-term debt and long-term capital lease obligation as of March 31, 2018, and for the next five years and thereafter were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2019	**¥ 2,785**	**$ 26,274**
2020	**1,739**	**16,406**
2021	**15,074**	**142,207**
2022	**1**	**9**
2023	**0**	**0**
2024 and thereafter	**–**	**–**
Total	**¥19,599**	**$184,896**

Under specific conditions, the convertible bonds outstanding at March 31, 2018, are convertible into 32,895 thousand shares of common stock of the Company from December 25, 2015 to December 11, 2020, at ¥456 ($4.30) per share.

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

As of March 31, 2018 and 2017, 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
	2018	2017	**2018**
Land	**¥ 4,783**	¥ 4,809	**$ 45,122**
Building and structures	**5,728**	5,720	**54,038**
Investment securities	**2,090**	2,090	**19,717**
Total	**¥12,601**	¥12,619	**$118,877**

For the year ended March 31, 2018

Short-term borrowings amounting to ¥13,300 million ($125,472 thousand) and ¥4,400 million ($41,509 thousand) as of March 31, 2018, were borrowed by the Company in accordance with the syndicated loan agreement entered into with the banks on September 26, 2017, and December 18, 2017, respectively. These agreements include certain financial covenants which require the Company to maintain certain levels of equity on a consolidated and nonconsolidated basis.

In addition, current portion of long-term debt amounting to ¥1,667 million ($15,726 thousand) and long-term debt amounting to ¥833 million ($7,859 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.

For the year ended March 31, 2017

The current portion of long-term debt amounting to ¥10,000 million 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, current portion of long-term debt amounting to ¥1,033 million, and long-term debt amounting to ¥2,500 million 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.

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 function. 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 the 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, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Balance at beginning of year	**¥84,757**	¥87,360	**$799,594**
Service cost	**2,053**	2,129	**19,368**
Interest cost	**821**	836	**7,745**
Actuarial gains	**(610)**	(1,109)	**(5,754)**
Benefits paid	**(4,897)**	(3,431)	**(46,198)**
Others	**88**	(1,028)	**830**
Balance at end of year	**¥82,212**	¥84,757	**$775,585**

(2) The changes in plan assets for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Balance at beginning of year	**¥50,489**	¥49,167	**$476,311**
Expected return on plan assets	**1,758**	1,691	**16,585**
Actuarial gains	**428**	318	**4,038**
Contributions from the employer	**3,922**	3,755	**37,000**
Benefits paid	**(4,897)**	(3,431)	**(46,198)**
Others	**90**	(1,011)	**849**
Balance at end of year	**¥51,790**	¥50,489	**$488,585**

(3) The reconciliations between the liability recorded in the consolidated balance sheet and the balances of projected benefit obligation and plan assets as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Funded projected benefit obligation	**¥ 81,382**	¥ 83,927	**$ 767,755**
Plan assets	**(51,790)**	(50,489)	**(488,585)**
	29,592	33,438	**279,170**
Unfunded projected benefit obligation	**830**	830	**7,830**
Net liability for projected benefit obligation	**¥ 30,422**	¥ 34,268	**$ 287,000**

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Accrued pension and severance costs	**¥31,395**	¥35,106	**$296,179**
Asset for retirement benefits	**(973)**	(838)	**(9,179)**
Net liability for projected benefit obligation	**¥30,422**	¥34,268	**$287,000**

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, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Service cost	**¥ 2,053**	¥ 2,129	**$ 19,368**
Interest cost	**821**	836	**7,745**
Expected return on plan assets	**(1,758)**	(1,691)	**(16,585)**
Recognized actuarial losses	**3,518**	3,624	**33,189**
Amortization of prior service gain	**(789)**	(791)	**(7,443)**
Net periodic retirement benefit costs	**¥ 3,845**	¥ 4,107	**$ 36,274**

Notes: 1. Net periodic retirement benefit costs for consolidated subsidiaries which apply the simplified method were included in the service cost.
2. In addition to the above, additional retirement benefit costs as an early retirement incentive plan were ¥523 million ($4,934 thousand) and ¥503 million for the years ended March 31, 2018 and 2017, 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, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Prior service cost	**¥ 793**	¥ 790	**$ 7,481**
Actuarial (gains) losses	**(4,810)**	(5,872)	**(45,377)**
Total	**¥(4,017)**	¥(5,082)	**$ (37,896)**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect ofdefined retirement benefit plans as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Unrecognized prior service gain	**¥ 2,937**	¥ 3,730	**$ 27,708**
Unrecognized actuarial losses	**(23,956)**	(28,766)	**(226,000)**
Total	**¥(21,019)**	¥(25,036)	**$(198,292)**

(7) Plan assets

(a) Components of plan assets
Plan assets as of March 31, 2018 and 2017, consisted of the following:

	2018	2017
Debt investments securities	**40%**	41%
Equity investments securities	**35**	31
Cash and cash equivalents	**1**	1
Others	**24**	27
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, 2018 and 2017, were set forth as follows:

	2018	2017
Discount rate	**0.3%–3.85%**	0.3%–3.65%
Expected rate of return on plan assets	**2.55%–7.25%**	2.55%–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 amounts to the defined contribution plan of the Company and its consolidated subsidiaries were ¥644 million ($6,075 thousand) and ¥399 million as of March 31, 2018 and 2017, 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 and 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.

d. Third Party Allotment

The Companies Act stipulates that companies can issue new shares within the total number of shares specified in the articles of incorporation based on resolution by the board of directors. If the amounts of issued shares through the method of third party allotment exceed ¥100 million, companies are required to submit the details to the authorities. In accordance with this stipulation, the Company issued 11,117,500 shares of common stock at the price of ¥207 per share to "HERE Global B.V.", whose principal businesses are location services and other businesses, on October 5th, 2017. This allotment was held for the purpose of building a solid future relationship with HERE International B.V., which indirectly holds all shares of HERE Global B.V..

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% for the years ended March 31, 2018 and 2017.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities, as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Deferred tax assets:			
Write-down of inventories	**¥ 2,420**	¥ 2,853	**$ 22,830**
Accrued expenses	**3,178**	3,975	**29,981**
Excess depreciation	**1,655**	2,708	**15,613**
Loss on impairment of property, plant and equipment	**1,097**	1,969	**10,349**
Loss on impairment of investment securities	**96**	241	**906**
Accrued pension and severance costs	**9,315**	10,868	**87,877**
Tax loss carryforwards	**65,784**	91,362	**620,604**
Others	**2,946**	2,641	**27,793**
Valuation allowance	**(83,113)**	(111,308)	**(784,085)**
Total	**¥ 3,378**	¥ 5,309	**$ 31,868**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(37)**	(34)	**(349)**
Adjustment of investments in associated companies due to company split	**–**	(268)	**–**
Others	**(1,221)**	(1,375)	**(11,519)**
Total	**(1,258)**	(1,677)	**(11,868)**
Net deferred tax assets	**¥ 2,120**	¥ 3,632	**$ 20,000**

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, 2018 and 2017, was as follows:

	2018	2017
Normal effective statutory tax rate	**31.0%**	31.0%
Expenses not deductible for income tax purposes	**(3.6)**	(7.3)
Revenue not subject to tax for income tax purposes	**4.3**	1.0
Difference in foreign and Japanese tax rates	**2.5**	31.2
Valuation allowance	**(73.1)**	(160.4)
Foreign tax credits	**(9.1)**	(25.4)
Per capita portion of inhabitant tax	**(1.5)**	(3.2)
Reduction of deferred tax assets due to changes in tax rates	**(8.5)**	–
Others—net	**1.6**	5.5
Actual effective tax rate	**(56.4)%**	(127.5)%

Net deferred tax assets as of March 31, 2018 and 2017, were included in the following accounts:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Current assets:			
Deferred tax assets	**¥1,816**	¥ 3,696	**$17,132**
Investments and other assets:			
Deferred tax assets	**1,194**	1,142	**11,264**
Long-term liabilities:			
Other long-term liabilities	**¥ (890)**	¥(1,206)	**$ (8,396)**

The tax reform bill enacted on December 22, 2017 in the United States of America changed the federal corporate tax rate applicable to consolidated subsidiaries in the United States of America from 35% to 21%. As a result, deferred tax assets decreased by ¥794 million ($7,491 thousand) and income taxes—deferred increased by ¥394 million ($3,717 thousand) for the year ended March 31, 2018.

10. Research and Development Costs

Research and development costs charged to income were ¥25,852 million ($243,887 thousand) and ¥23,863 million for the years ended March 31, 2018 and 2017, respectively.

11. Leases

The Group leases certain machinery and equipment, and computer equipment.

The minimum rental commitments under noncancellable operating leases as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Operating leases:			
Due within one year	**¥1,068**	¥1,173	**$10,075**
Due over one year	**2,779**	1,905	**26,217**
Total	**¥3,847**	¥3,078	**$36,292**

12. Restructuring Costs

Restructuring costs for the years ended March 31, 2018 and 2017, were mainly for the withdrawal from the Group's home AV business in overseas consolidated subsidiaries.

13. 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 denominated in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables denominated 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 denominated 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 of trade receivables and payables denominated in foreign currencies, and forward foreign currency contracts and currency swaps of loan receivables and bank loans denominated in foreign currencies, which are used to manage exposure to the market risks of fluctuations in foreign currency exchange rates and interest rates. The Company and its consolidated subsidiaries conduct such derivatives within actual demand in accordance with the market risk guidelines and the Group's guideline, respectively. Please see Note 14 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 14 for more details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2018 and 2017.

Market risk management (foreign exchange risk and interest rate risk)
The Company and its consolidated subsidiaries use forward foreign currency contracts and currency swaps to manage exposure to future market risks arising from fluctuations in foreign currency exchange rates and interest rates of trade receivables and payables, loan receivables, and bank loans denominated in foreign currencies.

In the Company, execution and management of derivative transactions related to currency and interest rates are managed by the corporate treasury department based on the market risk guidelines. The status of derivative transactions is reported to the directors in charge on a regular basis. In addition, the consolidated subsidiaries conduct them in accordance with the Group's 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.

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 14, the amount itself does not indicate the market risk in relation to derivative transactions.

(a) Fair values of financial instruments as of March 31, 2018 and 2017, were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
			2018			2018
	Carrying Amount	Fair Value	Unrealized Gain	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	**¥ 35,634**	**¥ 35,634**	**–**	**$ 336,170**	**$ 336,170**	**–**
Time deposits	**8**	**8**	**–**	**75**	**75**	**–**
Receivables:						
Trade receivables	**60,094**	**60,094**	**–**	**566,924**	**566,924**	**–**
Allowance for doubtful receivables (*1)	**(740)**	**(740)**	**–**	**(6,981)**	**(6,981)**	**–**
	59,354	**59,354**	**–**	**559,943**	**559,943**	**–**
Investment securities:						
Available-for-sale securities	**1,599**	**1,599**	**–**	**15,085**	**15,085**	**–**
Total	**¥ 96,595**	**¥ 96,595**	**–**	**$ 911,273**	**$ 911,273**	**–**
Short-term borrowings	**¥ 32,537**	**¥ 32,537**	**–**	**$ 306,953**	**$ 306,953**	**–**
Current portion of long-term debt	**2,785**	**2,785**	**–**	**26,274**	**26,274**	**–**
Trade payables	**59,770**	**59,770**	**–**	**563,868**	**563,868**	**–**
Income taxes payable	**893**	**893**	**–**	**8,424**	**8,424**	**–**
Convertible bonds	**15,041**	**15,377**	**¥336**	**141,896**	**145,066**	**$3,170**
Long-term debt	**1,814**	**1,814**	**–**	**17,113**	**17,113**	**–**
Total	**¥112,840**	**¥113,176**	**¥336**	**$1,064,528**	**$1,067,698**	**$3,170**
Derivative transactions (*2)	**¥ (208)**	**¥ (208)**	**–**	**$ (1,962)**	**$ (1,962)**	**–**

*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		
	2017		
	Carrying Amount	Fair Value	Unrealized Gain
Cash and cash equivalents	¥ 38,405	¥ 38,405	–
Receivables:			
Trade receivables	66,056	66,056	–
Allowance for doubtful receivables (*1)	(2,896)	(2,896)	–
	63,160	63,160	–
Investment securities:			
Available-for-sale securities	1,797	1,797	–
Total	¥103,362	¥103,362	–
Short-term borrowings	¥ 10,703	¥ 10,703	–
Current portion of long-term debt	11,520	11,520	–
Trade payables	62,362	62,362	–
Income taxes payable	1,305	1,305	–
Convertible bonds	15,056	15,573	¥517
Long-term debt	2,735	2,735	–
Total	¥103,681	¥104,198	¥517
Derivative transactions (*2)	¥ 172	¥ 172	–

*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, time deposits and, trade receivables
The carrying values of cash and cash equivalents, time deposits, 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 14.

(b) Carrying amounts of financial instruments whose fair value cannot be reliably determined as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Investment in equity instruments that do not have a quoted market price in an active market:			
Unlisted securities	**¥5,059**	¥2,537	**$47,726**
Unlisted associated securities	**1,808**	2,586	**17,057**
Total	**¥6,867**	¥5,123	**$64,783**

(5) Maturity analysis for financial assets and securities with contractual maturities subsequent to March 31, 2018, were as follows:

	Millions of Yen			
March 31, 2018	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	**¥35,634**	**–**	**–**	**–**
Time deposits	**8**	**–**	**–**	**–**
Trade receivables	**60,094**	**–**	**–**	**–**
Total	**¥95,736**	**–**	**–**	**–**

	Thousands of U.S. Dollars			
March 31, 2018	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	**$336,170**	**–**	**–**	**–**
Time deposits	**75**	**–**	**–**	**–**
Trade receivables	**566,924**	**–**	**–**	**–**
Total	**$903,169**	**–**	**–**	**–**

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

14. 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, 2018 and 2017

	Millions of Yen				Thousands of U.S. Dollars			
	2018				**2018**			
	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:								
Selling Euro	**¥ 718**	**–**	**¥ 8**	**¥ 8**	**$ 6,774**	**–**	**$ 75**	**$ 75**
Selling sterling pounds	**223**	**–**	**0**	**0**	**2,104**	**–**	**0**	**0**
Buying U.S. dollars	**15,373**	**–**	**(236)**	**(236)**	**145,028**	**–**	**(2,226)**	**(2,226)**
Buying sterling pounds	**4,822**	**–**	**6**	**6**	**45,490**	**–**	**57**	**57**
Currency swap contracts:								
Receiving Australian dollars, paying U.S. dollars	**735**	**–**	**(2)**	**(2)**	**6,934**	**–**	**(19)**	**(19)**
Total	**¥21,871**	**–**	**¥(224)**	**¥(224)**	**$206,330**	**–**	**$(2,113)**	**$(2,113)**

	Millions of Yen			
	2017			
	Contract Amount	Contract Amount Due After 1 Year	Fair Value	Unrealized Loss
Foreign currency forward contracts:				
Buying U.S. dollars	¥ 7,104	–	¥163	¥163
Buying sterling pounds	4,524	–	12	12
Currency swap contracts:				
Receiving Australian dollars, paying U.S. dollars	772	–	(3)	(3)
Total	¥12,400	–	¥172	¥172

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.

Derivative transactions to which hedge accounting is applied as of March 31, 2018 and 2017

		Millions of Yen			Thousands of U.S. Dollars		
		2018			**2018**		
	Hedged Item	Contract Amount	Contract Amount Due After1 Year	Fair Value	Contract Amount	Contract Amount Due After1 Year	Fair Value
Foreign currency forward contracts:							
Selling Euro	Trade receivables	**¥1,501**	**–**	**¥16**	**$14,160**	**–**	**$151**
Total		**¥1,501**	**–**	**¥16**	**$14,160**	**–**	**$151**

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

There were no derivative transactions to which hedge accounting is applied as of March 31, 2017.

15. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2018 and 2017, were the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	**2018**
Unrealized (loss) gain on available-for-sale securities			
(Losses) gains arising during the year	**¥ (185)**	¥ 76	**$ (1,745)**
Reclassification adjustments to profit or loss	**–**	–	**–**
Amount before income tax effect	**(185)**	76	**(1,745)**
Income tax effect	**(17)**	19	**(161)**
Total	**¥ (202)**	¥ 95	**$ (1,906)**
Deferred gain on derivatives under hedge accounting			
Gains arising during the year	**¥ 11**	–	**$104**
Reclassification adjustments to profit or loss	**–**	¥ 88	**–**
Amount before income tax effect	**11**	88	**104**
Income tax effect	**–**	–	**–**
Total	**¥ 11**	¥ 88	**$104**
Foreign currency translation adjustments			
Adjustments arising during the year	**¥ (191)**	¥(2,940)	**$ (1,802)**
Reclassification adjustments to profit or loss	**–**	–	**–**
Amount before income tax effect	**(191)**	(2,940)	**(1,802)**
Income tax effect	**–**	–	**–**
Total	**¥ (191)**	¥(2,940)	**$ (1,802)**
Defined retirement benefit plans			
Adjustments arising during the year	**¥1,038**	¥ 1,427	**$ 9,792**
Reclassification adjustments to profit or loss	**2,979**	3,655	**28,104**
Amount before income tax effect	**4,017**	5,082	**37,896**
Income tax effect	**(701)**	(550)	**(6,613)**
Total	**¥3,316**	¥ 4,532	**$31,283**
Share of other comprehensive gain (loss) in associates			
Gains (losses) arising during the year	**¥ 12**	¥ (66)	**$113**
Total other comprehensive income	**¥2,946**	¥ 1,709	**$27,792**

16. Net Loss per Share

Net loss per share ("EPS") for the years ended March 31, 2018 and 2017, was calculated as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year ended March 31, 2018	Net Loss	Weighted-Average Number of Shares	EPS	EPS
Basic EPS:				
Net loss attributable to owners of Pioneer Corporation	**¥(7,123)**	**372,613**	**¥(19.12)**	**$(0.18)**

	Millions of Yen	Thousands of Shares	Yen
Year ended March 31, 2017	Net Loss	Weighted-Average Number of Shares	EPS
Basic EPS:			
Net loss attributable to owners of Pioneer Corporation	¥(5,054)	367,193	¥(13.76)

Diluted net EPS for the year ended March 31, 2018 and 2017, is not disclosed due to the recording of net loss per share although there were potentially dilutive securities.

17. Consolidated Statement of Cash Flows

For the year ended March 31, 2018

Payment for business transfer of ¥(118) million ($(1,113) thousand) is mainly the consulting fees, etc., for the year ended March 31, 2018 for the business transfer which was accrued for the year ended March 31, 2017.

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
Current assets	¥ 148
Non-current assets	1,769
Non-current liabilities	(11)
Total assets and liabilities pertaining to the transferred business	1,906
The Company share after transfer of shares (49%)	(934)
Consulting fees, etc.	369
Loss on business transfer	(1,191)
Consideration	¥ 150
Cash out from business transfer	(39)
Proceeds from business transfer	¥ 111

18. Subsequent Event

Transfer of shares of a subsidiary

The Company transferred the whole shares of Pioneer FA Corporation ("Pioneer FA"), which was its consolidated subsidiary, to SHINKAWA LTD ("SHINKAWA") on June 1, 2018.

(1) Company name of the transferee
SHINKAWA LTD.

(2) Overview of the company whose shares are transferred
(a) Company name: Pioneer FA Corporation
(b) Business description: Designing, manufacturing, and retailing mounting devices, assembly machines, and inspection devices for all sort of electronic components., Developing and retailing software for each type of production.
(c) Details of transactions with the Company: There are no significant transactions.

(3) Reason for the share transfer
Pioneer FA provides mounting and inspection devices for electronic components used in smart phones and automobiles, as well as production technology solutions. The group of SHINKAWA is responsible for the development, manufacturing, and sales of semiconductor manufacturing equipment to semiconductor and electrical makers, as well as providing after-sales services. The Company reached this resolution as part of its groupwide strategy of business selection and concentration.

(4) Effective date of the share transfer
June 1, 2018

(5) Number of shares transferred, transfer price, and gain or loss thereon
(a) Number of shares transferred: 7,000 shares
(b) Transfer price: ¥2,069 million ($19,519 thousand)
(c) Gain on the share transfer: ¥563 million ($5,311 thousand)

(6) Name of the Group's reportable segment in which the transferred business was included
Others

(7) Estimated amounts of profit or loss of the transferred business which were recorded in the consolidated statement of operations for the year ended March 31, 2018
Net sales: ¥4,190 million ($39,528 thousand)
Operating income: ¥241 million ($2,274 thousand)

Transfer of assets owned by the Company's subsidiary

The Company signed a contract to transfer the plant owned by Pioneer Technology (Malaysia), Sdn. Bhd. ("Pioneer Technology Malaysia"), its consolidated subsidiary, to Vtech Communications Limited, a subsidiary of Vtech Holdings Limited ("Vtech"), on April 27, 2018.

(1) Reason for the transfer
The Group undertakes the production and distribution of DJ equipment commissioned by Pioneer DJ Corporation and Pioneer Technology Malaysia has been producing them. The Company reached the above agreement as a part of its groupwide strategy of business selection and concentration, judging that the transfer of the plant owned by its consolidated subsidiary to VTech group will expedite business expansion of Pioneer Technology Malaysia.

(2) Company name of the transferee
Vtech Communications Limited

(3) Scheduled date of the transfer
By the end of September, 2018 (scheduled)

(4) Overview of the company whose assets are transferred
(a) Company name: Pioneer Technology (Malaysia), Sdn. Bhd.
(b) Business description: Production of DJ devices
(c) Details of transactions with the Company: There are no significant transactions.

(5) Name of the Group's reportable segment in which the transferred assets are included
Others

(6) Effect on profit or loss
The Company is currently evaluating the effect of this transfer on profit or loss because the amount of transferred assets has yet to be decided.

Recording other expenses resulting from violation of EU competition law

Pioneer Europe NV ("Pioneer Europe"), a wholly-owned subsidiary in Europe of the Company, received a Statement of Objections from the European Commission in June 2018 for the alleged violation of EU competition law of Pioneer Europe's past transactions with online retailers. It is expected that the European Commission will impose a fine of approximately ¥1,300 million ($12,264 thousand) against Pioneer Europe, and the Company plans to record it in other expenses for the first quarter of the year ending March 31, 2019.

The fine is an estimation made by the Company as of June 27, 2018, and therefore it is subject to change pending the outcome of the investigation by the European Commission, whose schedule has yet to be determined.

19. 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, telematics services, map software, and others.

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

(2) 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 statement of operations. Intersegment sales or transfers are based on prevailing market price.

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

Millions of Yen

	2018				
	Reportable Segment			Reconciliations	Consolidated
	Car Electronics	Others	Total		
Sales:					
Sales to external customers	¥299,324	¥66,093	¥365,417	–	¥365,417
Intersegment sales or transfers	303	3,135	3,438	¥ (3,438)	–
Total sales	299,627	69,228	368,855	(3,438)	365,417
Segment profit	¥ 1,067	¥ 383	¥ 1,450	¥ (256)	¥ 1,194
Segment assets	¥134,551	¥22,573	¥157,124	¥130,386	¥287,510
Other items:					
Depreciation and amortization	¥ 18,366	¥ 2,098	¥ 20,464	¥ 125	¥ 20,589
Amortization of goodwill	–	–	–	¥ 42	¥ 42
Increase in property, plant and equipment and intangible assets	¥ 34,797	¥ 1,942	¥ 36,739	¥ 322	¥ 37,061

Notes: 1. Reconciliations of ¥(256) million recorded for segment profit include elimination of intersegment transactions of ¥163 million and corporate expenses of ¥(419) million 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 ¥130,386 million recorded for segment assets are corporate assets, which are not allocated to any reportable segment.

3. Reconciliations of ¥322 million recorded for increase in property, plant and equipment and intangible assets are capital investments principally in shared facilities and R&D.

4. Adjustments are made to reconcile segment profit to operating income presented in the accompanying consolidated statement of operations.

5. From the year ended March 31, 2018, a portion of corporate assets recorded in reconciliations of segment assets was reclassified in "Car Electronics" due to changes in the method of management. The amount to be reclassified in this manner for the year ended March 31, 2017, was ¥34,617 million.

Millions of Yen

	2017				
	Reportable Segment			Reconciliations	Consolidated
	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 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 in shared facilities and R&D.

4. Adjustments are made to reconcile segment profit (loss) to operating income presented in the accompanying consolidated statement of operations.

Thousands of U.S. Dollars

	2018				
	Reportable Segment			Reconciliations	Consolidated
	Car Electronics	Others	Total		
Sales:					
Sales to external customers	**$2,823,811**	**$623,519**	**$3,447,330**	**–**	**$3,447,330**
Intersegment sales or transfers	**2,859**	**29,575**	**32,434**	**$ (32,434)**	**–**
Total sales	**2,826,670**	**653,094**	**3,479,764**	**(32,434)**	**3,447,330**
Segment profit	**$ 10,066**	**$ 3,613**	**$ 13,679**	**$ (2,415)**	**$ 11,264**
Segment assets	**$1,269,349**	**$212,953**	**$1,482,302**	**$1,230,056**	**$2,712,358**
Other items:					
Depreciation and amortization	**$ 173,264**	**$ 19,793**	**$ 193,057**	**$ 1,179**	**$ 194,236**
Amortization of goodwill	**–**	**–**	**–**	**$ 396**	**$ 396**
Increase in property, plant and equipment and intangible assets	**$ 328,273**	**$ 18,321**	**$ 346,594**	**$ 3,038**	**$ 349,632**

Notes: 1. Reconciliations of $(2,415) thousand recorded for segment profit include elimination of intersegment transactions of $1,538 thousand and corporate expenses of $(3,953) 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 $1,230,056 thousand recorded for segment assets are corporate assets, which are not allocated to any reportable segment.

3. Reconciliations of $3,038 thousand recorded for increase in property, plant and equipment and intangible assets are capital investments principally in shared facilities and R&D.

4. Adjustments are made to reconcile segment profit to operating income presented in the accompanying consolidated statement of operations.

5. From the year ended March 31, 2018, a portion of corporate assets recorded in reconciliations of segment assets was reclassified in "Car Electronics" due to changes in the method of management. The amount to be reclassified in this manner for the year ended March 31, 2017, was $326,575 thousand.

(4) Information about geographical areas

(I) Sales

Millions of Yen 2018						Thousands of U.S. Dollars 2018					
Japan	North America	Europe	China	Others	Total	Japan	North America	Europe	China	Others	Total
¥151,810	**¥76,650**	**¥28,666**	**¥40,274**	**¥68,017**	**¥365,417**	**$1,432,170**	**$723,113**	**$270,434**	**$379,943**	**$641,670**	**$3,447,330**

Notes: 1. The amount of sales in the United States of America is ¥75,957 million ($716,575 thousand).
2. The classification by country or area is based on the location of customers.

Millions of Yen 2017					
Japan	North America	Europe	China	Others	Total
¥162,714	¥84,037	¥27,797	¥44,281	¥67,853	¥386,682

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

(II) Property, plant and equipment

Millions of Yen 2018					Thousands of U.S. Dollars 2016				
Japan	Thailand	China	Others	Total	Japan	Thailand	China	Others	Total
¥20,603	**¥7,166**	**¥3,628**	**¥6,812**	**¥38,209**	**$194,368**	**$67,604**	**$34,226**	**$64,264**	**$360,462**

Millions of Yen 2017				
Japan	Thailand	China	Others	Total
¥22,179	¥7,549	¥4,089	¥7,018	¥40,835

(5) Information about major customers

	2018	
	Millions of Yen	
Name of Major Customer	Sales	Related Segment Name
Toyota Motor Corporation	**¥54,068**	Car Electronics

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

	2018	
	Thousands of U.S. Dollars	
Name of Major Customer	Sales	Related Segment Name
Toyota Motor Corporation	**$510,075**	Car Electronics

(6) Impairment losses of assets by reportable segment

	Millions of Yen				
	2018				
	Reportable Segment			Corporate	Consolidated
	Car Electronics	Others	Total		
Impairment losses of assets	**¥47**	**¥475**	**¥522**	**–**	**¥522**

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

	Thousands of U.S. Dollars				
	2018				
	Reportable Segment			Corporate	Consolidated
	Car Electronics	Others	Total		
Impairment losses of assets	**$444**	**$4,481**	**$4,925**	**–**	**$4,925**

(7) Unamortized balance of goodwill by segment

	Millions of Yen				
	2018				
	Reportable Segment			Corporate	Consolidated
	Car Electronics	Others	Total		
Unamortized balance of goodwill	**–**	**–**	**–**	**¥396**	**¥396**

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

	Thousands of U.S. Dollars				
	2018				
	Reportable Segment			Corporate	Consolidated
	Car Electronics	Others	Total		
Unamortized balance of goodwill	**–**	**–**	**–**	**$3,736**	**$3,736**

Independent Auditor's Report

Deloitte.

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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, 2018, 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, 2018, 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 25, 2018

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, 2018)

Number of Shares of Common Stock Issued: 383,340,936 shares

Number of Shareholders: 60,411 shareholders

Composition of Shareholders

	Number of shareholders	Number of shares held (thousand)	Shareholdings (%)
Japanese financial institutions	31	77,005	20.09
Japanese securities companies	68	16,453	4.29
Other Japanese business corporations	340	61,385	16.01
Foreign corporations and individuals	310	78,648	20.52
Japanese individuals and others	59,662	149,847	39.09

Note: "Japanese individuals and others" include 5,032 thousand shares (1.31%) 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	7.37
NTT DOCOMO, INC.	25,773	6.81
The Master Trust Bank of Japan, Ltd. (Trust Account)	18,566	4.90
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/ JASDEC/HENDERSON HHF SICAV	18,059	4.77
HERE GLOBAL B.V.	11,117	2.93
Japan Trustee Services Bank, Ltd. (Trust Account)	10,359	2.73
STATE STREET BANK AND TRUST COMPANY	8,894	2.35
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,490	1.71
SMBC Nikko Securities Inc.	6,405	1.69
Japan Trustee Services Bank, Ltd. (Trust Account 5)	6,366	1.68

Notes 1. 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.
2. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd., as of April 1, 2018.

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Cautionary Statement with Respect to Forward-Looking Statements

Statements made in this Annual Report with respect to our current plans, estimates, strategies and beliefs, and other statements that are not historical facts are forward-looking statements about our future performance. These statements are based on management's assumptions and beliefs in light of the information currently available to it. We caution that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements, and therefore you should not place undue reliance on them. It is not our obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We disclaim any such obligation. Risks and uncertainties that might affect us include, but are not limited to: (i) general economic conditions in our markets, particularly levels of consumer spending, and levels of demand in the major industrial sectors which we serve; (ii) exchange rates, particularly between the Japanese yen and the U.S. dollar, the euro, and other currencies in which we make significant sales or in which our assets and liabilities are denominated; (iii) our ability to continuously design and develop and win acceptance for our products in extremely competitive markets; (iv) our ability to successfully implement our business strategies; (v) the success of our joint ventures, alliances and other business relationships with third parties; (vi) our ability to access funding; (vii) our continued ability to devote sufficient resources to research and development, and capital expenditure; (viii) our ability to ensure the quality of our products; (ix) conditions in which we are able to continuously procure key parts essential to our manufacturing operations; and (x) the outcome of contingencies.

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