

## Review of Operations

Consolidated net sales for fiscal 2010 amounted to ¥178,318 million, up 2.0% year-on-year. In Japan, automobile sales were buoyant due to special demand stemming from incentive measures for eco-cars. In the second half of the fiscal year, however, following the termination of such measures coupled with the impact of the Great East Japan Earthquake, new car sales in March 2011 declined significantly, resulting in the biggest-ever decrease year-on-year. New car sales increased year-on-year in the Americas as well as in Asia led by China, and Clarion posted strong sales mainly in the OEM market.

With regard to income, we faced opportunity losses attributable to parts supply shortages, an increase in certain expenses such as transportation costs, as well as lower sales due to the Great East Japan Earthquake. However, we worked to improve the cost of sales ratio by curbing fixed costs and strengthening activities to reduce variable costs, which resulted in consolidated operating income of ¥4,936 million, a notable increase of 690.5% from the previous fiscal year. We recorded other income in the amount of ¥1,013 million, consisting mainly of a gain on sales of property, plant and equipment of ¥165 million and a gain on reversal of patent fees for prior years of ¥137 million. Conversely, we posted other expenses of ¥3,495 million due primarily to loss on disaster of ¥1,182 million, interest expense of ¥626 million, business structure improvement expenses of ¥600 million and loss on sales and disposal of property, plant and equipment of ¥171 million.

As a result, income before income taxes and minority interests was ¥2,454 million, up 258.8% from the previous fiscal year. Consolidated net income stood at ¥1,383 million, an increase of 151.8%.

Results by geographic segment (excluding intra-Group transactions) are as follows.

### Japan

Thanks to subsidy programs including incentive measures for eco-cars, new car sales in the first half of fiscal 2010 increased 17% year-on-year. With the discontinuation of the programs, however, new car sales drastically decreased after October 2010. The Great East Japan Earthquake further accelerated the decline. As a result, new car sales decreased approximately 7% year-on-year in fiscal 2010, negatively impacting the Clarion Group's operating environment.

Net sales in Japan amounted to ¥93,089 million, down 0.9%. This decrease in net sales was attributable mainly to a decline in sales in the aftermarket, despite an increase in sales in the OEM market. An improvement in the cost of sales ratio through a reduction in the proportion of variable costs as well as a reduction in selling, general and administrative (SG&A) expenses resulted in consolidated segment income of ¥2,967 million compared with a segment loss of ¥340 million in the previous fiscal year.

### Americas

Net sales increased 7.4% compared with the previous fiscal year to ¥59,611 million. New car sales increased 13% versus the previous fiscal year. Despite a decrease in net sales due in part to the depreciation of the U.S. dollar, total net sales increased owing to strong sales in the OEM market overall.

Segment income increased 25% to ¥1,898 million. This result was due primarily to the positive effects of sales growth coupled with a reduction in SG&A expenses, despite drops in prices.

### Europe

Net sales decreased 13.6% compared with the previous fiscal year to ¥11,653 million due in part to a decline in sales to OEM customers and a decrease in sales arising from the depreciation of the euro.

The decrease in net sales resulted in a segment loss of ¥106 million compared with a segment loss of ¥643 million in the previous fiscal year.

### Asia and Australia

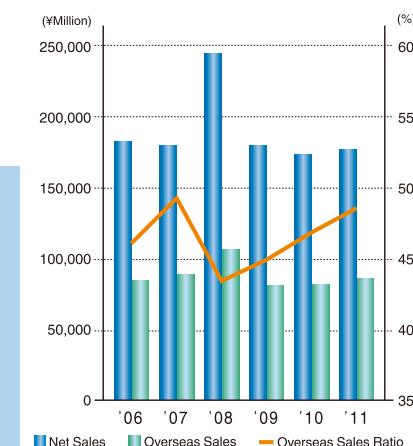
The scale of the automobile market is significantly expanding in Asia and Australia, as new car sales in China posted the highest volume of any country in the world for two consecutive years.

Net sales increased 17.5% compared with the previous fiscal year to ¥13,963 million due mainly to strong sales in the Chinese OEM market.

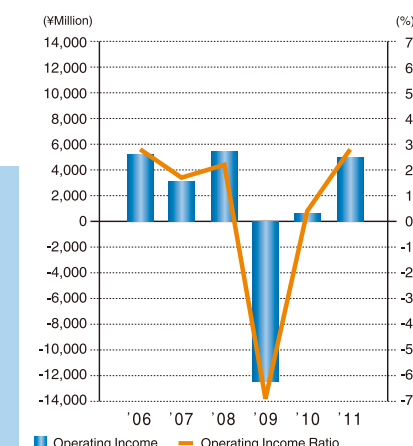
Segment income amounted to ¥116 million, up 107.2%, attributable primarily to a rise in sales despite increased transportation costs due to parts supply shortages.

Segment income/loss refers to operating income/loss.

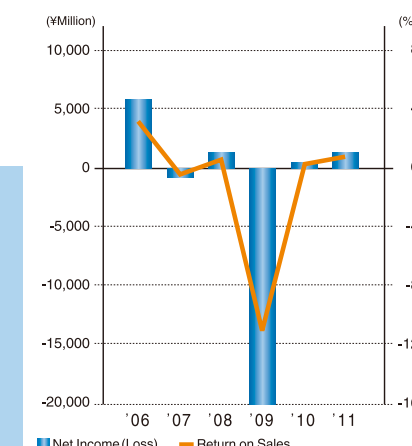
■ Net Sales, Overseas Sales and Overseas Sales Ratio



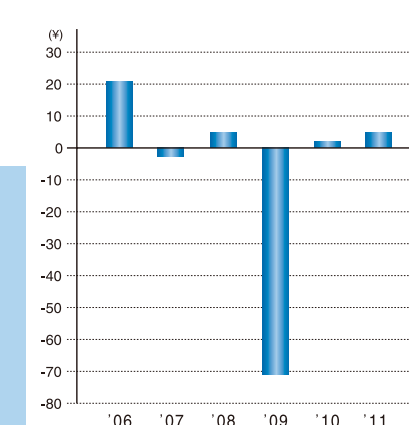
■ Operating Income (Loss) and Operating Income (Loss) Ratio



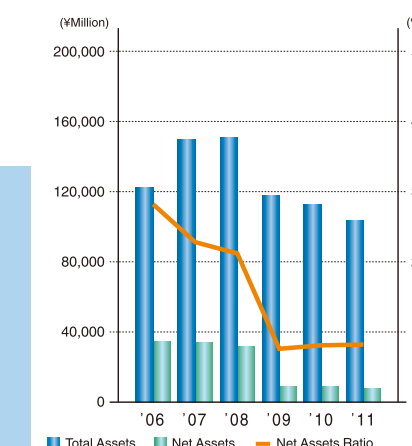
■ Net Income (Loss) and Return on Sales



■ Net Income (Loss) per Share



■ Total Assets, Net Assets and Net Assets Ratio



■ Depreciation and Amortization

