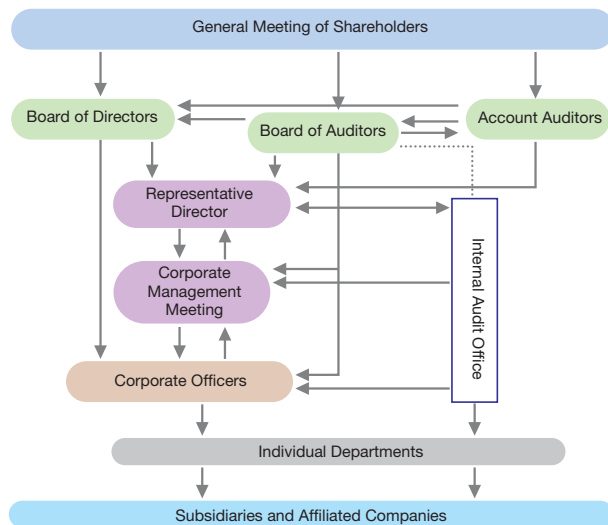


Pursuing Sound and Highly Transparent Management

We formulated our management policy with a view to bringing forth more efficient and competitive management to ensure higher value of the enterprise to our shareholders over the long term, execute business strategies clearly bearing in mind this value and properly return profit earned through our activities to shareholders. While respecting shareholder rights, maintaining fairness at all times and creating smooth relationships with stakeholders, Clarion works to increase management transparency by disclosing necessary information in a timely manner. To ensure that decision-making and business execution are handled in a proper manner, efforts are made to raise the effectiveness of corporate governance through competent and efficient management by the Board of Directors.

● Corporate Governance Structure



Corporate Governance Structure

Clarion operates under an auditor system. The Board of Directors sets basic management policies from a Group-wide perspective and supervises important managerial decision-making and other business administration matters. The Corporate Management Meeting, comprised of directors and corporate officers, has been created as a consultative body to assist the Board. It is here that management direction and policies are clarified. The term of office for directors and corporate officers has been set at one year to enable greater flexibility to respond to a changing business environment.

The Internal Audit Office conducts regular audits of all the Company's departments and Group companies to ensure the effectiveness of the internal control system. The Office evaluates business activities in terms of efficiency, conformity and compliance with laws and internal regulations. The findings are reported to the President, and corrective actions are taken if found necessary.

Enhancing Risk Management

With the objective of creating a total risk management system, Clarion promotes activities to address crisis management, issues of compliance and information security management. In the area of crisis management, we introduced the "Safety Confirmation System" in July 2005 that aims to check promptly the safety status of employees in the event of disaster. In addition, we have formulated a "Crisis Management Manual" and established a "Crisis Management Committee" composed of members from across the organization and the Group. With regard to information security management, we have established "Information Security Policies" and manage their operation sharing these among system users and the system administrators. Our "Security Guidelines" stipulate security levels according to the sensitivity of the information and user categories, and the system is stringently administered.

Information Disclosure

Clarion strives to fulfill its accountability to stakeholders and raise management transparency. As part of these efforts, financial results presentation meetings are held in Japan and overseas, annual reports and *Clarion Reports* are published every year and the Company's Website is periodically updated. Through these activities we ensure that fair and accurate corporate information is disclosed in a timely manner.

Contributing to Society through Sincere Compliance and Environmental Protection Activities

We acknowledge that a solid compliance management is fundamental for any company to fulfill its social responsibility and deal with the issues Group-wide. The goal is to establish a management system of honesty and transparency. At the same time, with the basic understanding of the importance of environmental protection, which is one of the most pressing global issues and a fundamental task for the management of any company, we promote organized and systematic environmental protection activities. The following outlines a selection of compliance and environment-related initiatives.

Bolstering Compliance

As a good corporate citizen and member of society, Clarion not only observes laws, but also promotes Group-wide awareness of business ethics. As the foundation of such activities, in July 2003 we established compliance guidelines (“Guiding Principles of Conducts and Behaviors”) to which the employees must adhere in conducting business activities, and carried out activities to boost employee awareness. Education and training on compliance management are carried out making use of e-Education methods, our “Compliance Case Book,” videos and other tools in order to bolster compliance awareness throughout the Company.

Compliance audits have been conducted since 2004 to regularly check and ensure compliance guidelines are being observed and no compliance related problems have arisen. Through these periodic audits, we issue directions for improvement if found necessary.

Compliance Promotion Framework

Clarion established the Compliance Committee, chaired by the President, in July 2003. Quarterly meetings are held, with the CSR Promotion Office acting as secretariat. In these sessions, reports are made on compliance activities of each department, and ideas and opinions on compliance-related issues are exchanged and shared by the members.

Consulting and Reporting System for Compliance

A compliance consulting and reporting desk was established in November 2003. By encouraging employees to discuss or report possible compliance violations, the Office aims to create a corporate culture that precludes any compliance violations. We also established a reception desk for contacts outside the Company, making it easier to consult or make reports.

Promotional Framework of Environmental Management System

We have established an Environmental Policy that clearly proclaims our duties to conduct our business activities in every aspect valuing the importance of the well-being of the environment. Based on this policy, we promote business activities aimed at a sustainable enterprise seeking harmony among people, society and nature. A Standing Committee on the Environment, chaired by the President, has been set up in order to promote environmental protection activities throughout the Company. Within the Committee are eight subcommittees to address environmental protection issues in each specific field from a companywide perspective. Each department assigns one or more employees to serve as leaders to promote environmental activities within the department.

ISO14001 Certification

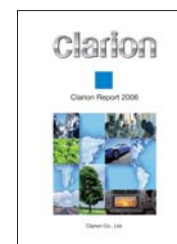
Clarion completed establishment of a companywide environmental management system, and ISO 14001 certification was awarded to the entire Company in April 2000. At our overseas affiliates and subsidiaries, 10 sites, mainly production sites, have successfully been certified, while one is in the process of earning certification.

Mid-term Environmental Plan

Clarion has established a three-year mid-term environmental plan covering the period from April 2005 to March 2008 giving specific objectives and targets to address environmental protection issues throughout the Company. The plan sets ambitious objectives covering the diverse fields of our activities from the deployment of product lifecycle assessments, the application of lead-free solders in products, the promotion of green purchasing to energy-saving activities, zero-waste output through the recycling rate of over 99% and the enhancement of chemical substance control.

Promoting Communication with Stakeholders

The *Clarion Report* is published annually, detailing initiatives and results concerning environmental protection and social contribution activities as one measure to maintain communications with a wide range of stakeholders. The report can also be viewed on the Company’s Website.



Clarion Report 2006