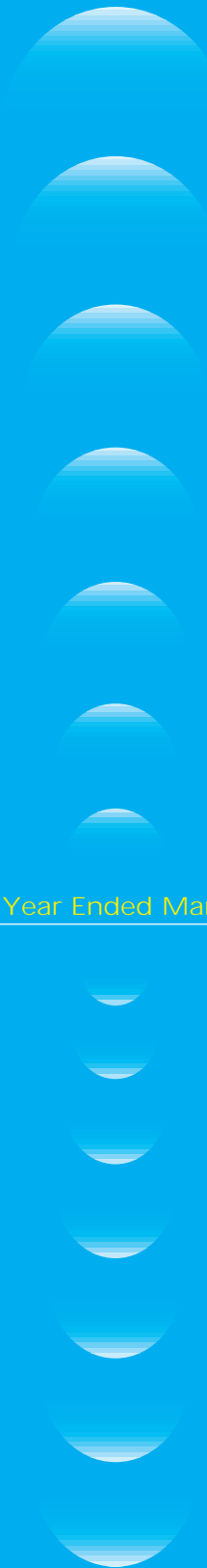


Clarion



ANNUAL REPORT '97

Fiscal Year Ended March 31, 1997

Since 1948, Clarion has been a leader in the car audio electronics industry by developing highly innovative products which consistently set new standards for quality, ingenuity and durability. Around the world, the Clarion name stands for creativity and quality.

CONTENTS

NON-CONSOLIDATED FINANCIAL HIGHLIGHTS.....	1
MESSAGE FROM THE MANAGEMENT	2
CONSOLIDATED FINANCIAL STATEMENTS	4
NON-CONSOLIDATED FINANCIAL STATEMENTS.....	16
BOARD OF DIRECTORS AND AUDITORS, OTHER CORPORATE INFORMATION, DIRECTORY	29

NON-CONSOLIDATED FINANCIAL HIGHLIGHTS

<i>For the years ended March 31,</i>	Millions of Yen		Thousands of U.S. dollars
	1997	1996	1997
Net sales.....	¥134,548	¥122,316	\$1,085,064
Operating income	3,756	417	30,290
Net income	1,274	548	10,274
Per share of common stock (yen or U.S. dollars):			
Net income	8.2	3.5	0.066
Cash dividends	0.0	0.0	0.0
<i>As at March 31,</i>			
Shareholders' equity	46,358	45,084	373,855
Total assets	127,497	126,289	1,028,202

Note: U.S. dollar amounts are translated, for convenience only, at ¥124 = U.S.\$1, the rate prevailing on March 31, 1997.

MESSAGE FROM THE MANAGEMENT

Environment and Results

In fiscal 1996, ended March 31, 1997, Clarion's operating environment was characterized by an upturn in exports owing to a weakened yen, leading to increased production and revenues for automobile, audiovisual equipment and other manufacturers. Markets in the United States and Asia showed steady improvement, although the situation in Europe remained uncertain.

Responding to these conditions, Clarion worked to expand domestic and overseas retail markets for its car audio equipment and raised sales of original equipment manufacturer (OEM) products, which benefited from increased production by domestic automakers in the second half of the term. Despite falling prices stemming from intensified competition, non-consolidated net sales in fiscal 1996 amounted to ¥134,548 million (\$1,085.1 million), up 10.0% from the previous year.

The gain in net sales, together with the weak yen and our successful efforts to reduce all-round costs, led to a rise in net income which reached ¥1,274 million (\$10.3 million), around 2.3 times the previous year's figure.

Despite increased net income, the Company was only able to cover a portion of its accumulated losses. Since restoration of a sound financial position is our priority, we regret that dividends will not be paid again this year.

Consolidated net sales -- including results of 62 consolidated subsidiaries--grew 10.7%, to ¥182,278 million (\$1,469.9 million). In fiscal 1996, however, we posted consolidated net income of ¥1,513 million (\$12.2 million). This compared with a ¥2,305 million net loss in fiscal 1995.

Performance by Product Category

The Car Audio-Visual Equipment category, our main business, benefited from the excellent reception of car audio equipment and navigation systems, which posted significant sales increases. In the OEM market, expanded production and shipments by domestic automakers in the second half of the year led to increased sales, mainly of car stereo cassette players and compact disc (CD) players. This compensated for declines in the first half of the term. Export sales grew considerably, benefiting from

favorable conditions in our principal markets and the effects of a weak yen. As a result of these factors, sales of the Car Audio/Visual Equipment category climbed 9.9%, to ¥120,442 million (\$970.5 million).

In the Visual Equipment category, which includes car televisions, sales jumped 28.7%, to ¥7,145 million (\$57.6 million), thanks to increased sales of car navigation systems for the retail market and higher sales of products for the OEM market.

In the Special Equipment category, encompassing such products as audiovisual systems for buses, our rear-view color camera systems and Spread Spectrum wireless modems continued to perform favorably, leading to a 7.9% sales gain, to ¥4,718 million (\$38.0 million).

In the Karaoke Equipment and Other Products category, sales declined 19.7%, to ¥2,241 million (\$18.1 million), due to depressed markets overall.

Exports in fiscal 1996 were boosted by strong car audio retail markets, coupled with increased sales of OEM products to automakers in the United States and Latin America, as well as such factors as the weak yen. Export sales for the year advanced 20.1%, to ¥56,864 million (\$458.2 million), or 42.3% of net sales, up 3.6 percentage points from the previous term.

Product Development

Reflecting trends in the home audio market, the Japanese retail market for car audio systems is witnessing rapid infiltration of high-sound-quality CD players, which are replacing cassette players. Furthermore, mini disc (MD) players, which are more compact and allow simple digital recording, continue to attract widespread popularity, especially for home use. In fiscal 1996, Clarion augmented its ADDZEST series of car stereo equipment with the introduction of a six-disc MD changer and an MD player, thus strengthening its lineup.

In December 1996, we commenced sample shipments of SS wireless modems, following extensive applied research and development into wireless image transmission technologies, which are in growing demand for use in unmanned factories, accident scenes, and other areas. Since these modems boast the

highest transmission speeds in the industry, we have targeted sales of 1,000 units annually for the future.

Global Strategy

Clarion's fundamental policy is to manufacture and sell products in locations where demand is strong, and to reduce costs by procuring components locally as far as possible.

In response to growing demand globally for car CD players, we have commenced manufacture of these products at our overseas production facilities. In addition to making CD players for the retail market at Dongguan Clarion Orient Electronics Co., Ltd., a Chinese joint venture, we have constructed new production facilities at our Mexico plant, operated by Electronica Clarion, S.A. de C.V., and we are currently planning to set up production at our plant in the Philippines, run by Clarion Manufacturing Corporation of the Philippines. Products made at the Mexican plant are targeted mainly at automakers in the United States and Mexico.

To strengthen our marketing capabilities in the Middle East and Africa, in September 1996 we opened a representative office in Athens, Greece, thus integrating our activities in that region.

Clarion's production facilities in Japan and overseas continue working to establish quality assurance systems that meet international ISO9000 series standards. As of the end of fiscal 1996, five domestic production subsidiaries had received ISO9001 certification, while seven overseas production subsidiaries had acquired ISO9002 approval.

Outlook

In the year ahead, it is uncertain whether or not current favorable trends in the automobile industry will continue, and competition in the retail and OEM markets is expected to intensify, leading to further price declines. In this situation, Clarion will strive to reduce production costs through improved productivity and lower other expenses through companywide rationalization measures. At the same time, we will strengthen our marketing and product development capabilities.

Although we still have accumulated losses brought forward



from the previous term, we have managed to secure profitability and strengthen our financial position on a consolidated basis, owing to active marketing and streamlining of operations. Therefore, we plan to dismantle our profit and capital reserves and write off our accumulated losses, and reintroduce cash dividend payments in fiscal 1997.

We request the continued support of our shareholders and customers in these endeavors.

June 27, 1997

A handwritten signature in black ink, which appears to read 'Ichizo Ishitsubo'. The signature is written in a cursive, flowing style.

Ichizo Ishitsubo
President

CONSOLIDATED FINANCIAL STATEMENTS**Consolidated Balance Sheets** March 31, 1997 and 1996

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	March 31,		March 31,
	1997	1996	1997
ASSETS			
Current Assets:			
Cash on hand and in banks	¥ 23,785	¥ 25,279	\$ 191,814
Marketable securities (Note 5)	2,845	3,004	22,944
Notes and accounts receivable (Notes 7):			
Trade	38,926	31,814	313,919
Unconsolidated subsidiaries and affiliates	1,405	1,846	11,331
	40,331	33,660	325,250
Less: Allowance for bad debts	(1,328)	(949)	(10,710)
	39,003	32,711	314,540
Inventories (Note 4)	44,164	39,306	356,161
Prepaid expenses and other	7,888	5,498	63,613
Total current assets	117,685	105,798	949,072
Investments and Advances:			
Investments in securities (Notes 5 and 7)	14,153	14,113	114,137
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 6)	508	488	4,097
Other investments and advances	3,176	3,439	25,613
	17,837	18,040	143,847
Property, Plant and Equipment (Note 7):			
Buildings and structures	24,426	24,232	196,984
Machinery and equipment	55,180	53,395	445,000
	79,606	77,627	641,984
Less: Accumulated depreciation	(56,138)	(55,316)	(452,726)
	23,468	22,311	189,258
Land	8,520	8,444	68,710
Construction in progress	201	72	1,621
	32,189	30,827	259,589
Other Assets	6,543	5,082	52,766
Adjustments on Foreign Currency Translation (Note 2(4))	4,204	5,087	33,903
	¥178,458	¥164,834	\$1,439,177

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	March 31,		March 31,
	1997	1996	1997
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term bank loans (Note 7)	¥ 71,492	¥ 57,427	\$ 576,548
Current portion of long-term debt (Note 7)	9,101	8,069	73,395
Notes and accounts payable:			
Trade	29,650	31,264	239,113
Unconsolidated subsidiaries and affiliates	383	644	3,089
	30,033	31,908	242,202
Accrued expenses	8,250	8,828	66,532
Income taxes payable (Note 8)	224	415	1,806
Other current liabilities	5,168	2,266	41,678
Total current liabilities	124,268	108,913	1,002,161
Long-Term Debt (Note 7)	14,609	17,785	117,814
Accrued Employees' Severance Indemnities	4,366	4,289	35,210
Minority Interests in Consolidated Subsidiaries	1,025	821	8,266
Lease Commitments and Contingent Liabilities (Note 9)			
Shareholders' Equity:			
Common stock, par value ¥50 per share; Authorized: 450,000,000 shares			
Issued: 155,624,878 shares at March 31, 1997 and 1996	19,433	19,433	156,718
Additional paid-in capital	39,310	39,314	317,016
Legal reserve	1,954	1,918	15,758
Deficit	(26,507)	(27,639)	(213,766)
	34,190	33,026	275,726
	¥178,458	¥164,834	\$1,439,177

The accompanying notes are an integral part of these statements.

Consolidated Statements of Operations for the years ended March 31, 1997, 1996 and 1995

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	1997	March 31, 1996	1995	March 31, 1997
Net Sales (Note 10)	¥182,278	¥164,625	¥164,107	\$1,469,984
Cost of sales	136,091	123,944	125,390	1,097,508
Gross profit	46,187	40,681	38,717	372,476
Selling, General and Administrative Expenses (Note 12).....	39,415	39,048	35,942	317,863
Operating income (Note 10)	6,772	1,633	2,775	54,613
Other Income (Expenses):				
Interest income	638	445	651	5,145
Interest expenses	(3,204)	(3,376)	(3,033)	(25,839)
Provision for allowance for bad debts	(271)	—	—	(2,185)
Gain (Loss) on sale or disposal of property, plant and equipment, net	(222)	(126)	(10)	(1,790)
Loss from write-down and disposal of inventories	(395)	(185)	(208)	(3,186)
Officers' retirement expenses	—	(387)	—	—
Loss from write-down of securities	(322)	—	—	(2,597)
Exchange income (loss), net	(572)	966	76	(4,613)
Other, net	152	148	(345)	1,226
	(4,196)	(2,515)	(2,869)	(33,839)
Income (loss) before income taxes	2,576	(882)	(94)	20,774
Income Taxes (Note 8)	533	453	431	4,298
	2,043	(1,335)	(525)	16,476
Minority Interests in Loss (Income) of Consolidated Subsidiaries	(181)	(32)	(40)	(1,460)
Equity in Income (Loss) of Affiliates	(349)	(107)	(390)	(2,814)
Adjustments on Foreign Currency Translation (Note 2(4))	—	(831)	517	—
Net income (loss)	¥ 1,513	¥ (2,305)	¥ (438)	\$ 12,202
		Yen		U.S. Dollars (Note 3)
Per Share:				
Net income (loss)	¥ 9.7	¥ (14.8)	¥ (2.8)	\$ 0.078
Cash dividends	¥ 0	¥ 0	¥ 0	\$ 0

The accompanying notes are an integral part of the statements.

Consolidated Statements of Shareholders' Equity

for the years ended March 31, 1997, 1996 and 1995

	Number of shares of common stock (thousands)	Millions of Yen			
		Common stock	Additional paid-in capital	Legal reserve	Deficit
Balance at March 31, 1994	155,625	¥ 19,433	¥ 39,336	¥ 1,861	¥ (23,349)
Net loss for the year ended March 31, 1995	—	—	—	—	(438)
Adjustments on foreign currency translation (Note 2(4))	—	—	—	—	(106)
Transfer to legal reserve	—	—	—	20	(20)
Subsidy from French government paid back for reduced employment	—	—	(11)	—	—
Effect on deficit arising from application of equity method	—	—	—	—	(311)
Increase (decrease) due to inclusion of subsidiaries additionally into consolidation	—	—	—	—	(193)
Adjustment due to inflation accounting adopted by an affiliate	—	—	—	—	39
Officers' bonuses	—	—	—	—	(3)
Balance at March 31, 1995	155,625	19,433	39,325	1,881	(24,381)
Net loss for the year ended March 31, 1996	—	—	—	—	(2,305)
Adjustments on foreign currency translation (Note 2(4))	—	—	—	—	(1,046)
Transfer to legal reserve	—	—	—	37	(37)
Subsidy from French government paid back for reduced employment	—	—	(11)	—	—
Adjustment due to inflation accounting adopted by an affiliate	—	—	—	—	133
Officers' bonuses	—	—	—	—	(3)
Balance at March 31, 1996	155,625	19,433	39,314	1,918	(27,639)
Net income for the year ended March 31, 1997	—	—	—	—	1,513
Transfer to legal reserve	—	—	—	36	(36)
Subsidy from French government paid back for reduced employment	—	—	(11)	—	—
Increase (decrease) due to inclusion of subsidiaries additionally into consolidation	—	—	—	—	(251)
Adjustment due to inflation accounting adopted by an affiliate	—	—	—	—	(86)
Other appropriation of overseas subsidiary	—	—	7	—	(8)
Balance at March 31, 1997	155,625	¥ 19,433	¥ 39,310	¥ 1,954	¥ (26,507)

	Number of shares of common stock (thousands)	Thousands of U.S. Dollars (Note 3)			
		Common stock	Additional paid-in capital	Legal reserve	Deficit
Balance at March 31, 1996	155,625	\$156,718	\$317,048	\$15,468	\$(222,895)
Net income for the year ended March 31, 1997	—	—	—	—	12,202
Transfer to legal reserve	—	—	—	290	(290)
Subsidy from French government paid back for reduced employment	—	—	(88)	—	—
Increase (decrease) due to inclusion of subsidiaries additionally into consolidation	—	—	—	—	(2,024)
Adjustment due to inflation accounting adopted by an affiliate	—	—	—	—	(694)
Other appropriation of overseas subsidiary	—	—	56	—	(65)
Balance at March 31, 1997	155,625	\$156,718	\$317,016	\$15,758	\$(213,766)

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

1. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Clarion Co., Ltd. (the "Company") have been prepared based on the accounting records of the Company and its consolidated domestic subsidiaries, which are maintained in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with generally accepted accounting principles prevailing in Japan.

The consolidated financial statements also include the accounts of the overseas subsidiaries as listed below. The accounts of these subsidiaries and overseas affiliates accounted for by the equity method are based on their financial statements prepared in conformity with generally

accepted accounting principles and practices prevailing in the respective countries in which the subsidiaries and affiliates have been incorporated. In general, no adjustments on the accounts of overseas consolidated subsidiaries have been reflected in the accompanying consolidated financial statements to comply with the Japanese accounting principles and practices followed by the Company.

Relevant notes have been added, and certain reclassifications of account balances as disclosed in the consolidated financial statements in Japan, have been made so as to present them in a form which is more familiar to readers outside Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Scope of Consolidation

The Company had, as at March 31, 1997, 64 subsidiaries (59 at March 31, 1996). The consolidated financial statements for the year ended March 31, 1997 include the accounts of the Company and its 62 subsidiaries (59 at

March 31, 1996) (together, referred to as the "Companies"). The major consolidated subsidiaries are listed below:

* Clarion Shoji Co., Ltd. ("Clarion Shoji")	100% owned
* Clarion Tokyo Sales Co., Ltd.	100% owned
* Clarion Kansai Sales Co., Ltd.	100% owned
* Clarion Chugoku Sales Co., Ltd.	100% owned
* Clarion Shikoku Sales Co., Ltd.	100% owned
* Fukuoka Clarion Co., Ltd.	100% owned
* Tochigi Clarion Electronics Co., Ltd.	100% owned
* Clarion Corporation of America ("CCA")	94.6% owned by the Company and 5.4% owned by Clarion Shoji
* Clarion Sales Corporation	100% owned by CCA
* Clarion Manufacturing Corporation of America	100% owned by CCA
* Clarion Canada Inc.	100% owned by CCA
* Clarion Deutschland GmbH	100% owned
* Clarion Svenska AB	100% owned
* Clarion (G.B.) Ltd.	100% owned
* Clarion France S.A.	99.2% owned
* Clarion Spain S.A.	100% owned
* Clarion (H.K.) Co., Ltd.	100% owned
* Crystal Precision (M) Sdn., Bhd.	75% owned
* Clarion (Taiwan) Manufacturing Co., Ltd.	100% owned
* McIntosh Laboratory Inc. ("MLI")	100% owned by CCA
* Clarion Manufacturing Corporation of the Philippines	100% owned
* Clarion Europa GmbH	100% owned
* Clarion Australia Pty. Ltd.	100% owned
* Clarion Asia Pte. Ltd.	100% owned
* Clarion Electronics (S) Pte. Ltd.	100% owned
* Clarion (H.K.) Industries Co., Ltd. ("CHI")	100% owned
* Clarion Orient Co., Ltd. ("COC")	51% owned by CHI
* Dongguan Clarion Orient Electronics Co., Ltd.	100% owned by COC
* Ungo Security Corporation	100% owned by CCA
* Clarion Mitsuwa Philippines, Inc.	51% owned
* Electronica Clarion, S.A. DE C.V.	40% owned by the Company and 60% owned by CCA
* Dispositivos de Precision Electronica, S.A. DE C.V.	40% owned by the Company and 60% owned by CCA
* Ultra Industrial, S.A. DE C.V.	40% owned by the Company and 60% owned by CCA
* Comercializadora Clarion S.A. DE C.V.	40% owned by the Company and 60% owned by CCA

The accounts of additional 6 subsidiaries were included in consolidation in the year ended March 31, 1997 as one subsidiary was newly incorporated and five new subsidiaries were made by additional acquisition of shares to majority.

3 subsidiaries were excluded from consolidation due to a liquidation of one subsidiary and merger of two subsidiaries into other

consolidated subsidiaries.

The 2 unconsolidated subsidiaries had total assets, net sales and net income, none of which, in the aggregate, is significant, in relation to those of the consolidated financial statements of the Companies and therefore, have not been consolidated with the Companies.

(2) Consolidation and Elimination

Significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated. The Company and its consolidated subsidiaries, except for Electronica Clarion, S.A. DE C.V., Dispositivos de Precision Electronica, S.A. DE C.V., Ultra Industrial, S.A. DE C.V. and Comercializadora Clarion, S.A. DE C.V. which use a fiscal year ending December 31, use a fiscal year ending March 31 of each year.

In consolidating the accounts of these subsidiaries, balances as at and for the year ending December 31 were used with appropriate adjustments to recognize effects of any material transactions between December 31 and March 31.

Any difference arising from elimination of the cost of an investment in a subsidiary against the amount of underlying equity in net assets of the subsidiary is, if material, deferred as an asset or a liability, as the case may be, and amortized over a period of 5 years on a straight-line basis except for the differences arising from the elimination of investments in stock of consolidated subsidiaries, McIntosh Laboratory Inc., Electronica Clarion, S.A. DE C.V., Dispositivos de Precision Electronica, S.A. DE C.V., Ultra Industrial, S.A. DE C.V. and Comercializadora Clarion S.A. DE C.V.

The differences arising from acquisition of the equity interests in these subsidiaries have been appropriately allocated to the value of respective assets from which the differences originate and the unidentifiable portion of the differences remained unallocated are deferred as an asset and amortized over a period of 20 years on a straight-line basis.

With respect to the elimination of unrealized intercompany profits included in inventories or other assets remaining within the Companies at the balance sheet date, such profits have been entirely eliminated and charged to the consolidated net income.

(3) Investments in Unconsolidated Subsidiaries and Affiliates

At March 31, 1997, the Company had 11 (17 for 1996) affiliates (meaning those companies between 20% to 50% of the share capital of which is held directly or indirectly by the Company).

The investments in 1 affiliate at March 31, 1997 (5 for 1996) were accounted for by the equity method thereby the equity in earnings of the affiliate is recognized by the Company. See Note 6 below for further details of the equity method.

The investments in 2 unconsolidated subsidiaries and the remaining 10 affiliates at March 31, 1997 (12 affiliates at March 31, 1996) are not accounted for by the equity method since these companies' combined net income (loss) and retained earnings in the aggregate are not significant in relation to consolidated net income (loss) and consolidated retained earnings. Investments in these companies are carried at cost, except for certain companies which have incurred substantial losses and are not expected to recover such losses in the near future. Appropriate write-downs are recorded for such investments. Cost is determined by the moving average method.

(4) Foreign Currency Translation

A. Translation of foreign currency transactions:

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into Japanese yen at the rates effective at the respective transaction dates.

Foreign currency deposits and short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rate prevailing at the respective balance sheet dates and the resulting translation gains or losses are included in determination of net income for the year.

Long-term receivables and payables denominated in foreign currencies including investments in overseas unconsolidated subsidiaries and affiliates are translated at the historical rates prevailing at the transaction dates.

Exceptionally, receivables and payables denominated in foreign currencies which are hedged by forward exchange contracts are translated at the contracted rate of exchange.

The accounting standards for translation of transactions and account balances denominated in foreign currencies have been amended and became effective in the year ended March 31, 1997. The new standards were adopted by the Company and its domestic subsidiaries during the year ended March 31, 1997. If the new standards had been applied in the year ended March 31, 1996, there would have been no significant effect at all.

B. Translation of foreign currency financial statements (accounts of overseas consolidated subsidiaries):

The translation of foreign currency financial statements of overseas subsidiaries or affiliates into Japanese yen for consolidation purposes is made according to the following categories:

Until the year ended March 31, 1996, short-term monetary items had been translated at the current rates of exchange at the respective balance sheet date. In contrast short-term non-monetary items and all long-term assets and liabilities had been translated at the historical rates. Net income (loss) for the year and the balance of retained earnings (deficit) at year-end are translated at the current exchange rate while revenue and expense items had been translated at the average rate or at the historical rate, as appropriate.

Under this translation method, certain adjusting accounts had been set up in the balance sheets, statements of operations and statements of shareholders' equity to enable balancing of debit and credit totals as well as the reconciliation of the beginning balance with the ending balance of retained earnings (deficit). Such adjusting account balances are shown as "Adjustments on foreign currency translation" in the accompanying consolidated financial statements.

In compliance with the new accounting standards for foreign currency transactions, which became effective in the year ended March 31, 1997, the Company changed its translation method. Under the new standards, all assets and liabilities are translated into Japanese yen at current exchange rates while capital accounts is translated at historical rates, and revenue and expense items are translated at the average exchange rates during the year.

If the new standards had been applied in the year ended March 31, 1996, loss before income taxes was increased by ¥867 million.

(5) Accounting for leases

For finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees, the Company and domestic consolidated subsidiaries account by the method that is applicable to ordinary operating leases.

(6) Income Taxes

Income taxes applicable to the Company and its consolidated domestic subsidiaries are provided based on amounts required by the tax returns for the year. No tax effect is recorded for timing differences in the recognition of certain expenses between tax and financial reporting.

Income taxes applicable to consolidated overseas subsidiaries (principally subsidiaries in the United States of America) are accounted for by the interperiod tax allocation method which is a common practice in those countries.

(7) Other Accounting Policies

The accounting policies employed by the Companies in preparing the accompanying consolidated financial statements are described in Note 2 of the Notes to Non-Consolidated Financial Statements contained elsewhere in this reports. Accordingly, the accompanying consolidated financial statements should be read in conjunction with such notes.

3. UNITED STATES DOLLAR AMOUNTS

The accounts of the Company and the consolidated financial statements and notes presented herein are expressed in Japanese yen, and, solely for the convenience of the reader, have been translated into U.S. dollars at

the rate of ¥124 = U.S.\$1, the rate prevailing on March 31, 1997. This translation should not be construed as a representation that the yen amounts shown could be so converted into U.S. dollars.

4. INVENTORIES

Inventories at March 31, 1997 and 1996 consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1997	1996	1997
Finished products	¥26,196	¥27,443	\$211,258
Work in process	3,063	2,701	24,702
Raw materials and supplies	14,905	9,162	120,201
	¥44,164	¥39,306	\$356,161

5. MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

Marketable securities (current assets) and investments in securities (non-current assets) at March 31, 1997 and 1996 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1997	1996	1997
Marketable securities:			
Listed corporate shares	¥ 2,233	¥ 2,364	\$ 18,008
Bonds, including government bonds and other	612	640	4,936
	¥ 2,845	¥ 3,004	\$ 22,944
Investment in securities:			
Listed corporate shares	¥13,709	¥13,655	\$110,556
Bonds	119	4	960
Beneficially certificates of investment trusts	24	140	194
Other unquoted equity securities	301	314	2,427
	¥14,153	¥14,113	\$114,137

Market value and net unrealized gains (loss) of listed corporate shares at March 31, 1997 and 1996 were as follows:

	Market Value		
	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1997	1996	1997
Listed corporate shares included in:			
Marketable securities	¥ 1,204	¥ 1,498	\$ 9,710
Investments in securities	¥11,693	¥15,636	\$94,298
	Net Unrealized Gains (Loss)		
	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1997	1996	1997
Listed corporate shares included in:			
Marketable securities	¥(1,029)	¥ (866)	\$ (8,298)
Investments in securities	¥(2,016)	¥1,981	\$ (16,258)

6. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in and advances to unconsolidated subsidiaries and affiliates of the Companies at March 31, 1997 and 1996 were as follows:

	Company's direct and indirect ownership percentage (*1)	Millions of Yen		Thousands of U.S. Dollars
		March 31,		March 31,
		1997	1996	1997
Clarion (Malaysia) Sdn., Bhd. (*4)	45%	¥211	¥184	\$1,702
Info Gation Corporation	90	124	—	1,000
Higo Clarion Co., Ltd.	42	37	37	298
Electronica Clarion S.A. DE C.V. (*2)	40	—	226	—
Ultra Industrial S.A. DE C.V. (*2)	40	—	27	—
Dispositivos de Precision Electronica, S.A. DE C.V. (*2)	40	—	(21)	—
Omni TRACS Corporation (*3)	20	—	(77)	—
Other	—	136	112	1,097
		¥508	¥488	\$4,097

(*1) As of March 31, 1997.

(*2) These companies were included in consolidation in the year ended March 31, 1997.

(*3) This company was liquidated in the year ended March 31, 1997.

(*4) This company was accounted for by the equity method and the carrying value was adjusted to reflect the Company's equity in net income.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans outstanding at March 31, 1997 and 1996 are represented generally by 90-day notes issued by the Companies to banks and bear interest at average annual rates of primarily 3.1% and 3.7%, respectively.

The maximum and average outstanding balances of short-term bank loans for the years ended March 31, 1997, 1996 and 1995 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	March 31,			March 31,
	1997	1996	1995	1997
Maximum balance	¥66,431	¥57,427	¥51,205	\$535,734
Average balance	¥60,470	¥54,250	¥43,733	\$487,661

As is customary in Japan, bank loans are made under general agreements to the effect that, with respect to all present or future loans, the Company and its consolidated domestic subsidiaries shall, under certain circumstances, provide collateral (including sums on deposit with the bank) or guarantors therefore immediately upon the bank's request, and that any collateral furnished pursuant to such agreement or otherwise

will be applicable to all indebtedness to the bank. The Company and its consolidated domestic subsidiaries have not received any such requests to date.

Long-term debt at March 31, 1997 and 1996 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1997	1996	1997
Loans principally from banks and insurance companies due from 1996 to 2003:			
Secured by collateral	¥18,578	¥16,678	\$149,823
Unsecured	4,560	8,138	36,774
Long-term payables	363	575	2,927
Deposits from dealers	209	463	1,685
	23,710	25,854	191,209
Less: Portion due within one year	(9,101)	(8,069)	(73,395)
	¥14,609	¥17,785	\$117,814

At March 31, 1997, assets pledged as collateral for short-term bank loans and long-term debt were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Notes receivable	¥ 2,170	\$ 17,500
Net book value of:		
Buildings, structures, machinery and equipment	5,629	45,395
Land	6,152	49,613
Investments in securities	12,941	104,363
	¥26,892	\$216,871

8. INCOME TAXES

The amounts of income tax expenses as shown in the consolidated statements of operations for the years ended March 31, 1997, 1996 and 1995 represent the total of income taxes payable by the Company and respective consolidated subsidiaries based on individual tax returns filed with the tax authorities for each year/period. These amounts are the reflection of net loss incurred by certain consolidated subsidiaries, which are included in arriving at the amount of "loss before income taxes" but are not available to reduce taxable income of other consolidated subsidiaries since the tax returns are filed by each company within the Companies individually.

The Company incurred net loss from its operations in the year 1994 and prior thereto. As allowed by the tax laws, the net loss has been carried forward to the succeeding 5-year period to offset against future taxable income of the Company. In the accompanying consolidated financial statements, the tax benefits of net loss carryforward are recognized when realized by means of an offset against taxable income of each year.

"Income taxes" of the Company reflected in the consolidated statements of operations for the years ended March 31, 1997, 1996 and 1995 are mainly represented by per-capital levy of resident income taxes imposed by local governments irrespective of taxable income.

9. LEASE COMMITMENTS AND CONTINGENT LIABILITIES

(1) Finance Leases

The Company and its domestic consolidated subsidiaries account for all finance lease contracts other than those by which the ownership of the leased assets to be transferred to lessees by the method similar to the operating lease method.

Lease rental expenses and revenues on finance lease contracts

(2) Contingent Liabilities

The Companies were contingently liable as a guarantor of indebtedness of affiliates and other companies in the aggregate amount of ¥124 million (\$1,000 thousand) at March 31, 1997. The Companies were also

without ownership-transfer for the year ended March 31, 1997 were summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Lease rental expenses	¥1,163	\$ 9,379
Lease rental revenues	¥ 30	\$ 242

contingently liable for outstanding notes discounted by banks in the ordinary course of business, amounting to ¥1,126 million (\$9,081 thousand) at March 31, 1997.

10. SEGMENT INFORMATION

(1) Information by Industry Segment

Until the year ended March 31, 1996, the Company and its subsidiaries operate principally in four industrial segments: Car equipment division, Audio equipment division, Home appliances division and other division.

With effect from the year ended March 31, 1997, Home appliances division is included in other division due to its reduced significance. As a result of the change, the Company and its subsidiaries operate principally in three industrial segments.

Industry Segment	Major Products/Services
Car equipment	Car audio equipment (Car radios, car stereo players, system components, other audio equipment, assemblies and others)
Audio equipment	Karaoke system (karaoke systems and music software such as music tapes and video disks)
Others	System kitchen units and equipment, gas equipment (gas cookers, gas ovens), bus amplifiers, car television with diversity antenna system and VTRS, and car air conditioners

Sales of the Company and subsidiaries for the year ended March 31, 1997 and 1996, classified by industry segments are summarized as follows:

	Millions of Yen				
	For the year ended March 31, 1997				
	Industry Segment				
	Car equipment	Audio equipment	Others	Elimination or All Company	Total
Net sales	¥143,786	¥13,051	¥25,441	¥ —	¥182,278
Operating expenses:	136,632	12,941	25,933	—	175,506
Operating income (loss)	¥ 7,154	¥ 110	¥ (492)	¥ —	¥ 6,772
Assets	¥137,398	¥10,729	¥17,167	¥13,164	¥178,458
Depreciation	¥ 4,669	¥ 391	¥ 664	¥ —	¥ 5,724
Capital expenditure	¥ 6,577	¥ 984	¥ 740	¥ —	¥ 8,301

	Millions of Yen					
	For the year ended March 31, 1996					
	Industry Segment					
	Car equipment	Audio equipment	Home appliances	Others	Elimination or All Company	Total
Net sales	¥131,243	¥12,838	¥1,084	¥19,460	¥ —	¥164,625
Operating expenses:	126,454	14,566	1,256	20,716	—	162,992
Operating income (loss)	¥ 4,789	¥ (1,728)	¥ (172)	¥ (1,256)	¥ —	¥ 1,633
Assets	¥121,682	¥12,685	¥ 499	¥16,826	¥13,142	¥164,834
Depreciation	¥ 4,814	¥ 513	¥ 3	¥ 546	¥ —	¥ 5,876
Capital expenditure	¥ 3,631	¥ 397	¥ 1	¥ 544	¥ —	¥ 4,573

	Thousands of U.S. Dollars				
	For the year ended March 31, 1997				
	Industry Segment				
	Car equipment	Audio equipment	Others	Elimination or All Company	Total
Net sales	\$1,159,565	\$105,250	\$205,169	\$ —	\$1,469,984
Operating expenses:	1,101,871	104,363	209,137	—	1,415,371
Operating income (loss)	\$ 57,694	\$ 887	\$ (3,968)	\$ —	\$ 54,613
Assets	\$1,108,048	\$ 86,524	\$138,444	\$106,161	\$1,439,177
Depreciation	\$ 37,653	\$ 3,153	\$ 5,355	\$ —	\$ 46,161
Capital expenditure	\$ 53,040	\$ 7,935	\$ 5,968	\$ —	\$ 66,943

(II) Information by geographic segment

Sales of the Companies classified by geographic area (inside and outside Japan) for the years ended March 31, 1997 and 1996 are summarized as follows:

Geographic area	Millions of Yen									
	For the year ended March 31, 1997					For the year ended March 31, 1996				
	Sales to outside customers	Inter-segment sales	Total sales	Operating expenses	Operating income	Sales to outside customers	Inter-segment sales	Total sales	Operating expenses	Operating income
Domestic (inside Japan)	¥107,359	¥ 49,241	¥156,600	¥151,847	¥4,753	¥104,630	¥ 38,540	¥143,170	¥142,122	¥1,048
Outside Japan	74,919	28,983	103,902	102,693	1,209	59,995	27,985	87,980	87,404	576
Total	182,278	78,224	260,502	254,540	5,962	164,625	66,525	231,150	229,526	1,624
Elimination of inter segment sales and expenses .	—	(78,224)	(78,224)	(79,034)	810	—	(66,525)	(66,525)	(66,534)	9
Consolidated total	¥182,278	¥ —	¥182,278	¥175,506	¥6,772	¥164,625	¥ —	¥164,625	¥162,992	¥1,633

	Millions of Yen				
	For the year ended March 31, 1997				
	Sales to outside customers	Inter-segment sales	Total sales	Operating expenses	Operating income
Geographic area					
Domestic (inside Japan)	\$ 865,798	\$ 397,105	\$1,262,903	\$1,224,573	\$38,330
Outside Japan	604,186	233,734	837,920	828,169	9,751
Total	1,469,984	630,839	2,100,823	2,052,742	48,081
Elimination of inter segment sales and expenses	—	(630,839)	(630,839)	(637,371)	6,532
Consolidated total	\$1,469,984	\$ —	\$1,469,984	\$1,415,371	\$54,613

(III) Export sales and sales by overseas subsidiaries

Export sales information of the Companies for the years ended March 31, 1997 and 1996 is presented below:

	Millions of Yen		Thousands of U.S. Dollars
	For the years ended March 31,		For the year ended March 31,
	1997	1996	1997
Export sales and sales by overseas subsidiaries	¥82,258	¥68,642	\$663,371
Percentage of such against consolidated net sales	45.1%	41.7%	45.1%

11. UNAUDITED RELATED PARTY TRANSACTIONS

Material transactions of the Company with its related parties for the years ended March 31, 1997 and 1996 other than those eliminated in

the consolidation or indicated elsewhere in these statements were as follows:

Name of related parties	Paid-in capital (million)	Equity ownership percentage	Nature of business	Millions of Yen		Resulting account balance of the Company at March 31,		
				Transactions made in the year ended March 31,		Balance		
				Volume of transactions 1997	1996	Account name	1997	1996
Clarion (Malaysia) Sdn., Bhd.	M\$4	45%	Purchases of products	¥ 3,504	¥ 2,959	Accounts payable	¥ 144	¥ 206
Tokai Clarion Co., Ltd.	¥80	25%	Sales of products	¥ 763	¥ 696	Accounts receivable	¥ 226	¥ 193
Miwa Clarion Electronics Co., Ltd.	¥10	40%	Purchases of products	¥ 844	¥ 924	Accounts payable	¥ 81	¥ 55

The terms and conditions of transactions between the Company and its related parties are determined on the arm's length basis and by reference to normal market price level.

12. ANALYSIS OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

An analysis of selling, general and administrative expenses for each of the three years in the period ended March 31, 1997 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	1997	1996	1995	1997
Advertising expenses	¥ 2,076	¥ 3,242	¥ 2,885	\$ 16,742
Packing and shipping charge	2,720	2,537	2,536	21,935
Sales commission expenses	2,003	1,652	1,514	16,153
Sales promotion expenses	2,879	2,407	1,631	23,218
Payroll costs	14,627	13,840	13,183	117,960
Depreciation	1,307	1,383	1,298	10,540
Rent	1,961	1,936	2,246	15,815
Other	11,842	12,051	10,649	95,500
	¥39,415	¥39,048	¥35,942	\$317,863

Report of the Independent Certified Public Accountants on the Consolidated Financial Statements



Head office:
Kasumigaseki Building
32nd Floor
3-2-5 Kasumigaseki
Chiyoda-ku
Tokyo 100

telephone:03(3561-6281)

To: the Board of Directors of
Clarion Co., Ltd.

We have audited the consolidated balance sheets of Clarion Co., Ltd. and its subsidiaries as of March 31, 1997 and 1996, and the related consolidated statements of operations and shareholders' equity for each of the three years in the period ended March 31, 1997, all expressed in yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Clarion Co., Ltd. and its subsidiaries as of March 31, 1997 and 1996, and the consolidated results of their operations for each of the three years in the period ended March 31, 1997, in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

June 27, 1997
Tokyo, Japan

Chuo Audit Corporation
CHUO AUDIT CORPORATION

NON-CONSOLIDATED FINANCIAL STATEMENTS**Non-Consolidated Balance Sheets** March 31, 1997 and 1996

	Millions of Yen		Thousands of
	March 31,		U.S. Dollars (Note 3)
	1997	1996	March 31,
ASSETS			
Current Assets:			
Cash on hand and in banks	¥ 8,306	¥ 12,630	\$ 66,984
Marketable securities (Notes 5 and 7)	2,460	2,537	19,839
Notes and accounts receivable:			
Trade	15,669	14,275	126,363
Subsidiaries and affiliates	21,380	20,888	172,419
	37,049	35,163	298,782
Less: Allowance for bad debts	(5,643)	(4,351)	(45,508)
	31,406	30,812	253,274
Inventories (Note 4)	13,089	13,720	105,556
Prepaid expenses and other	4,550	2,196	36,694
Total current assets	59,811	61,895	482,347
Investments and Advances:			
Investments in securities (Notes 5 and 7)	14,002	13,987	112,919
Investments in and advances to subsidiaries and affiliates (Note 6)	32,396	28,926	261,258
Other investments and advances	1,330	1,720	10,726
	47,728	44,633	384,903
Property, Plant and Equipment (Note 7):			
Buildings and structures	15,327	15,263	123,605
Machinery and equipment	40,906	41,168	329,887
	56,233	56,431	453,492
Less: Accumulated depreciation	(43,797)	(43,964)	(353,202)
	12,436	12,467	100,290
Land	4,864	4,923	39,226
Construction in progress	131	65	1,057
	17,431	17,455	140,573
Other Assets	2,527	2,306	20,379
	¥127,497	¥126,289	\$1,028,202

The accompanying notes are an integral part of these statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	March 31,		March 31,
	1997	1996	1997
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term bank loans (Note 7)	¥ 26,488	¥ 23,273	\$ 213,613
Current portion of long-term debt (Note 7)	8,264	6,826	66,645
Notes and accounts payable:			
Trade	21,204	25,354	171,000
Subsidiaries and affiliates	4,302	3,137	34,694
	25,506	28,491	205,694
Accrued expenses	4,723	3,844	38,089
Income taxes payable (Note 8)	60	64	484
Other current liabilities	1,267	799	10,217
Total current liabilities	66,308	63,297	534,742
Long-Term Debt (Note 7)	9,412	12,587	75,903
Accrued Employees' Severance Indemnities (Note 9)	3,083	2,985	24,863
Allowance for Possible Losses from Guarantee of Loans of Subsidiaries (Note 2 (9))	2,336	2,336	18,839
Lease Commitments and Contingent Liabilities (Note 10)			
Shareholders' Equity:			
Common stock, par value ¥50 per share; Authorized: 450,000,000 shares Issued: 155,624,878 shares			
at March 31, 1997 and 1996	19,433	19,433	156,718
Additional paid-in capital	39,292	39,292	316,871
Legal reserve (Notes 11 and 15)	1,668	1,668	13,451
Deficit (Note 15)	(14,035)	(15,309)	(113,185)
	46,358	45,084	373,855
	¥127,497	¥126,289	\$1,028,202

Non-Consolidated Statements of Income for the years ended March 31, 1997, 1996 and 1995

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	March 31,			March 31,
	1997	1996	1995	1997
Net Sales (Note 12)	¥134,548	¥122,316	¥124,546	\$1,085,064
Cost of Sales (Note 12)	108,893	101,254	104,230	878,169
Gross profit	25,655	21,062	20,316	206,895
Selling, General and Administrative Expenses (Note 13)	21,899	20,645	18,831	176,605
Operating income	3,756	417	1,485	30,290
Other Income (Expenses) (Note 12):				
Interest income	337	230	492	2,718
Interest expenses	(1,414)	(1,638)	(1,994)	(11,403)
Gain (losses) from subsidiaries and affiliates	(893)	—	62	(7,201)
Loss on sale or disposal of property, plant and equipment, net	(51)	(219)	(8)	(411)
Gain on sale of investments in securities	201	452	—	1,621
Officers' retirement expenses	—	(384)	—	—
Provision for allowance for bad debts	(880)	—	—	(7,097)
Losses from write-down of securities	(322)	—	—	(2,597)
Exchange gain (loss), net	(134)	1,226	276	(1,081)
Other, net	734	531	260	5,919
	(2,422)	198	(912)	(19,532)
Income before income taxes	1,334	615	573	10,758
Income Taxes (Note 8)	60	67	57	484
Net income	¥ 1,274	¥ 548	¥ 516	\$ 10,274

Per Share:	Yen			U.S. Dollars (Note 3)
	¥	¥	¥	\$
Net income	8.2	3.5	3.3	0.066
Cash dividends	0	0	0	0

Non-Consolidated Statements of Shareholders' Equity for the years ended March 31, 1997, 1996 and 1995

	Number of shares of common stock (thousands)	Millions of Yen			
		Common stock	Additional paid-in capital	Legal reserve	Deficit
Balance at March 31, 1994	155,625	¥19,433	¥39,292	¥1,668	¥(16,373)
Net income for the year ended March 31, 1995	—	—	—	—	516
Balance at March 31, 1995	155,625	19,433	39,292	1,668	(15,857)
Net income for the year ended March 31, 1996	—	—	—	—	548
Balance at March 31, 1996	155,625	19,433	39,292	1,668	(15,309)
Net income for the year ended March 31, 1997	—	—	—	—	1,274
Balance at March 31, 1997	155,265	¥19,433	¥39,292	¥1,668	¥(14,035)

	Number of shares of common stock (thousands)	Thousands of U.S. Dollars (Note 3)			
		Common stock	Additional paid-in capital	Legal reserve	Deficit
Balance at March 31, 1996	155,625	\$156,718	\$316,871	\$13,451	\$(123,459)
Net income for the year ended March 31, 1997	—	—	—	—	10,274
Balance at March 31, 1997	155,625	\$156,718	\$316,871	\$13,451	\$(113,185)

Non-Consolidated Statements of Cash Flows for the years ended March 31, 1997, 1996 and 1995

	Millions of Yen			Thousands of U.S. Dollars (Note 3)
	March 31,			March 31,
	1997	1996	1995	1997
Cash Flows from Operating Activities:				
Net income (loss)	¥ 1,274	¥ 548	¥ 516	\$ 10,274
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	3,013	2,919	3,233	24,298
Amortization	1,098	736	625	8,855
Loss on sale or disposal of property, plant and equipment and other investments	51	219	8	411
Losses from subsidiaries and affiliates	893	—	—	7,201
Increase (decrease) in accrued severance indemnities	98	111	137	790
Provision for allowance for bad debts	880	—	—	7,097
Changes in assets and liabilities:				
Decrease (increase) in notes and accounts receivable	(1,474)	(5,875)	5,611	(11,887)
Decrease (increase) in inventories	631	(21)	(696)	5,089
Decrease (increase) in prepaid expenses and other	(2,354)	1,941	(897)	(18,984)
Increase (decrease) in notes and accounts payable	(2,985)	3,845	(1,489)	(24,072)
Increase (decrease) in accrued expenses	879	141	(959)	7,089
Increase (decrease) in income taxes payable	(4)	7	—	(32)
Increase (decrease) in other current liabilities	468	182	2	3,774
Other payments	(1,319)	(873)	(1,053)	(10,637)
Net cash provided by operating activities	1,149	3,880	5,038	9,266
Cash Flows from Investing Activities:				
Acquisition of property plant and equipment	(3,282)	(2,969)	(2,988)	(26,468)
Proceeds from sale of property, plant and equipment	242	194	55	1,952
Decrease (increase) in investments and advances	(3,988)	(1,871)	(2,028)	(32,161)
Net cash used for investing activities	(7,028)	(4,646)	(4,961)	(56,677)
Cash Flows from Financing Activities:				
Borrowing of long-term debt	5,618	5,424	4,537	45,306
Repayment of long-term debt	(7,355)	(4,854)	(3,661)	(59,315)
Increase (decrease) in short-term bank loans	3,215	3,619	(632)	25,928
Net cash provided (used) by financing activities	1,478	4,189	244	11,919
Net Change in Cash and Cash Equivalents	(4,401)	3,423	321	(35,492)
Cash and Cash Equivalents at Beginning of Year	15,167	11,744	11,423	122,315
Cash and Cash Equivalents at End of Year	¥ 10,766	¥15,167	¥11,744	\$ 86,823

The accompanying notes are an integral part of these statements.

Notes to Non-Consolidated Financial Statements

1. BASIS OF PRESENTING THE NON-CONSOLIDATED FINANCIAL STATEMENTS

The accompanying non-consolidated financial statements of Clarion Co., Ltd. (the "Company") have been prepared based on the accounting records which are maintained in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with generally accepted accounting principles prevailing in Japan.

Relevant notes have been added, and certain reclassifications of account balances as disclosed in the basic non-consolidated financial statements in Japan, have been made so as to present them in a form which is more familiar to readers outside Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Foreign Currency Translation

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into Japanese yen at the rates effective at the respective transaction dates.

Foreign currencies and short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rate prevailing at the respective balance sheet dates and the resulting translation gains or losses are included in determination of net income for the year.

Long-term receivables and payables denominated in foreign currencies including investments in overseas subsidiaries and affiliates are translated at the historical rates prevailing at the transaction dates.

Exceptionally, receivables and payables denominated in foreign currencies which are hedged by forward exchange contracts are translated at the contracted rate of exchange.

The accounting standards for translation of transactions and account balances denominated in foreign currencies have been amended and became effective in the year ended March 31, 1997. The new standards were adopted by the Company during the year ended March 31, 1997. If the previous standards had been applied in the year ended March 31, 1997, there would have been no significant effect at all.

(2) Valuation of Securities

Marketable securities, all of which are quoted, are valued at cost, cost being determined by the moving average method. Investments in securities, both quoted and unquoted, are valued at cost, cost being determined by the moving average method. However, appropriate write-downs are recorded for securities in cases where their value has declined substantially and such impairments of the value are not deemed to be temporary.

(3) Inventory Valuation

Inventories are stated at cost determined by the simple average method, except for supplies which are stated at last purchase invoice price method. However, when the net realizable value of certain items of inventories is substantially less than the carrying value (cost), and such decline of value is not deemed to be temporary, appropriate write-downs are recovered on such items.

(4) Allowance for Bad Debts

Allowance for bad debts of the Company is computed on the basis of the maximum amount deductible under Japanese tax laws, plus additional amounts required for financial reporting purposes.

Provision for bad debts was sufficient to cover the estimated uncollectible receivables as at March 31, 1997 and 1996.

(5) Investments in Subsidiaries and Affiliates

Investments in subsidiaries (majority-owned companies) and affiliates (20% to 50% owned companies) are valued at cost, except for certain

companies which have incurred substantial losses and are not expected to recover such losses in the near future. Write-downs of investments in these subsidiaries and affiliates are included in the "Other Income (Expenses) - Gain (losses) from subsidiaries and affiliates" in the accompanying Non-Consolidated Statements of Income.

(6) Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation is computed on the declining-balance method, except for molds (included in machinery and equipment) at rates based on the estimated useful lives of assets prescribed by the Japanese tax laws. Depreciation of mold is computed on the straight-line method. The estimated useful lives range from 3 to 65 years for buildings and structures and 2 to 20 years for machinery and equipment.

Amortization of other assets (intangible assets and long-term prepaid expenses) is computed on the straight-line method over the period regulated by the Japanese Tax Law.

The cost of maintenance, repairs and minor renewals is charged to income as incurred; major renewals and improvements are capitalized.

(7) Accounting for leases

Finance leases other than those which are deemed to transfer the ownership of the leased assets to lessees are accounted for by the method that is applicable to ordinary operating leases.

(8) Consumption Tax

Consumption tax is imposed at the flat rate of 3% on all domestic consumption of goods and services (with certain exemptions).

The consumption tax imposed on the Company's sales to customers is withheld by the Company at the time of sale and is paid to the national government subsequently. The consumption tax withheld upon sale is not included in the amount of "net sales" in the accompanying Statement of Income but is recorded as a liability, "consumption tax withheld". The balances of "consumption tax withheld" and "consumption tax paid" (an asset item), which is borne by the Company on the purchases of products, merchandise and services from vendors, are not included in the amounts of costs and expenses but are offset and the net balance is included in "Other current assets" of the Balance Sheets at March 31, 1997 and 1996.

(9) Allowance for Possible Losses from Guarantee of Loans of Subsidiaries

The Company has provided for allowance for possible losses from guarantee of loans of overseas subsidiaries, the balance of which is shown in the Long-Term Liabilities section at March 31, 1997 and 1996.

(10) Income Taxes

Income taxes which is applicable to the Company are provided based on amounts required by the tax returns for the year. No tax effect is recorded for timing differences in the recognition of certain expenses between tax and financial reporting.

(11) Appropriation of Retained Earnings or Disposal of Deficit

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, the appropriation of retained earnings (disposal of deficit) proposed by the Board of Directors is subject to approval by the shareholders at a meeting which must be held within 3 months after the end of each financial year. The appropriation of retained earnings (disposal of deficit) reflected in the accompanying non-consolidated statements of shareholders' equity represents the result of such appropriations/disposals which is applicable to the immediately preceding financial year but was approved at

the shareholders' meeting and effected during that year. Dividends are paid to shareholders registered on the shareholders' register at the end of each financial year.

(12) Net Income and Dividends per Share

Net income per share of common stock is based upon the weighted average number of shares of common stock outstanding during each year. Cash dividends per share shown for each year in the accompanying statement of operations represent dividends declared as applicable to the respective year.

3. UNITED STATES DOLLAR AMOUNTS

The accounts of the Company and the financial statements and notes presented herein are expressed in Japanese yen, and, solely for the convenience of the reader, have been translated into U.S. dollars at the

rate of ¥124=U.S.\$1, the rate prevailing on March 31, 1997. This translation should not be construed as a representation that the yen amounts shown could be so converted into U.S. dollars.

4. INVENTORIES

Inventories at March 31, 1997 and 1996 consisted of the following:

	Millions of Yen		Thousands of
	March 31,		U.S. Dollars
	1997	1996	March 31, 1997
Finished products	¥ 9,459	¥10,268	\$ 76,282
Work in process	206	107	1,661
Raw materials and supplies	3,424	3,345	27,613
	¥13,089	¥13,720	\$105,556

5. MARKETABLE SECURITIES AND INVESTMENTS IN SECURITIES

Marketable securities (current assets) and investments in securities (non-current assets) at March 31, 1997 and 1996 consisted of the following:

	Millions of Yen		Thousands of
	March 31,		U.S. Dollars
	1997	1996	March 31, 1997
Marketable securities:			
Listed corporate shares	¥ 2,233	¥ 2,364	\$ 18,008
Bonds, including government bonds and other	227	173	1,831
	¥ 2,460	¥ 2,537	\$ 19,839
Investment in securities:			
Listed corporate shares	¥13,594	¥13,578	\$109,629
Beneficiary certificates of investment trusts	115	140	927
Other unquoted equity securities	293	269	2,363
	¥14,002	¥13,987	\$112,919

Market value and net unrealized gains (loss) of listed corporate shares at March 31, 1997 and 1996 were as follows:

	Market Value		
	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1997	1996	1997
Listed corporate shares included in:			
Marketable securities	¥ 1,204	¥ 1,498	\$ 9,710
Investments in securities	¥11,457	¥15,255	\$ 92,395

	Net Unrealized Gains (Loss)		
	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1997	1996	1997
Listed corporate shares included in:			
Marketable securities	¥(1,029)	¥ (866)	\$ (8,298)
Investments in securities	¥(2,137)	¥ 1,677	\$ (17,234)

6. INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES AND AFFILIATES

The Company had 64 subsidiaries and 11 affiliates as at March 31, 1997.

Investments in and advances to subsidiaries and affiliates of the Company at March 31, 1997 and 1996 were as follows:

	Company's direct and indirect ownership percentage (*1)	Millions of Yen		Thousands of U.S. Dollars
		March 31,		March 31,
		1997	1996	1997
Clarion Corporation of America	100%	¥14,463	¥11,448	\$116,637
Clarion Manufacturing Corporation of the Philippines	100	2,519	2,519	20,315
Clarion Shoji Co., Ltd. (*2)	100	2,041	1,561	16,460
Clarion Deutschland GmbH	100	1,229	1,081	9,911
Clarion (Taiwan) Manufacturing Co., Ltd. (*3)	100	1,079	603	8,702
Clarion Tokyo Sales Co., Ltd.	100	989	989	7,976
Tohoku Clarion Electronics Co., Ltd.	100	879	879	7,089
Electronica Clarion S.A.DE C.V.	100	716	180	5,774
Clarion Europa GmbH	100	666	666	5,371
Clarion (H.K.) Industries Co., Ltd.	100	567	567	4,573
Tochigi Clarion Electronics Co., Ltd.	100	536	380	4,322
Clarion (G.B.) Ltd. (*4)	100	520	520	4,193
McIntosh Car Audio Japan Co., Ltd.	100	500	500	4,032
Clarion Live Co., Ltd. (*2)	100	—	480	—
Corowan Taiwan Corporation (*3)	100	—	476	—
Clarion France S.A.	99.1	1,909	2,089	15,395
Crystal Precision (M) Sdn., Bhd.	75	543	543	4,379
Clarion Soft Co., Ltd.	69	183	173	1,476
Omni TRACS Corporation (*5)	20	—	600	—
Other	—	3,057	2,672	24,653
		¥32,396	¥28,926	\$261,258

Notes: (*1) As of March 31, 1997.

(*2) Clarion Shoji Co., Ltd. merged with Clarion Live Co., Ltd. during the year ended March 31, 1997.

(*3) Clarion (Taiwan) Manufacturing Co., Ltd. merged with Corowan Taiwan Corporation during the year ended March 31, 1997.

(*4) Clarion Shoji (U.K.) Ltd. changed its name into Clarion (G.B.) Ltd. during the year ended March 31, 1997.

(*5) Omni TRACS Corporation was liquidated during the year ended March 31, 1997.

7. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans outstanding during the years ended March 31, 1997, 1996 and 1995 are represented generally by 90-day notes issued by the Company to banks and bear interest at average annual rates of primarily 1.51%, 1.89% and 3.48%, respectively.

The maximum and average outstanding balances of short-term bank loans during the years ended March 31, 1997, 1996 and 1995 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	March 31,			March 31,
	1997	1996	1995	1997
Maximum balance	¥26,488	¥23,273	¥21,694	\$231,613
Average balance	¥24,853	¥22,459	¥21,016	\$200,427

As is customary in Japan, bank loans are made under general agreements which provide to the effect that, with respect to all present or future loans, the Company shall, under certain circumstances, provide collateral (including sums on deposit with the bank), or guarantors therefore immediately upon the bank's request, and that any collateral

furnished pursuant to such agreement or otherwise will be applicable to all indebtedness to the bank. The Company has not received any such requests to date.

Long-term debt at March 31, 1997 and 1996 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	March 31,		March 31,
	1997	1996	1997
Loans from banks and insurance companies due from 1996 to 2003:			
Secured by collateral	¥16,529	¥16,938	\$133,298
Unsecured	1,047	1,937	8,444
	17,576	18,875	141,742
Deposits from dealers	100	538	806
	17,676	19,413	142,548
Less: Portion due within one year	(8,264)	(6,826)	(66,645)
	¥ 9,412	¥12,587	\$ 75,903

At March 31, 1997, the Company's assets were pledged as collateral for short-term bank loans and long-term debt, which are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
Net book value of:		
Buildings, structures	¥ 3,500	\$ 28,226
Machinery and equipment	183	1,476
Land	3,359	27,088
	7,042	56,790
Marketable securities	54	436
Investments in securities	12,872	103,806
	¥19,968	\$161,032

The aggregate annual maturities of long-term debt as at March 31, 1997 are as shown below:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
1998	¥ 8,264	\$ 66,645
1999	5,106	41,177
2000	2,544	20,516
2001 and thereafter	1,762	14,210
	¥17,676	\$142,548

8. INCOME TAXES

Japanese income taxes applicable to the Company for the years ended March 31, 1997, 1996 and 1995 consisted of corporate income tax (national), enterprise tax (local) and resident income taxes (local) at the approximate rates indicated below:

	Rates on taxable income		
	March 31,		
	1997	1996	1995
Corporate income tax	37.5%	37.5%	37.5%
Enterprise tax	12.6	12.6	12.6
Resident income taxes	7.8	7.8	7.8
	57.9%	57.9%	57.9%
Statutory tax rate in effect to reflect the deductibility of enterprise tax when paid	51.4%	51.4%	51.4%

The Company incurred net loss from its operations in the year 1994 and prior thereto. The net loss can be carried forward to the succeeding 5-year period to offset against future taxable income under the Japanese tax laws. In the accompanying non-consolidated financial statements, the tax benefits of net loss carryforward are recognized when realized as a reduction of income taxes through offset against taxable income of each year.

"Income taxes" reflected in the non-consolidated statements of operations for the years ended March 31, 1997, 1996 and 1995 are mainly represented by per-capita levy of resident income taxes imposed by local governments irrespective of taxable income.

9. ACCRUED EMPLOYEES' SEVERANCE INDEMNITIES (RETIREMENT PLAN)

Employees whose service with the Company is terminated are, under most circumstances, entitled to lump-sum indemnities determined by reference to current basic rates of pay, length of service and conditions under which the terminations occur.

The Company has adopted a funded contributory pension plan which covers 50% of the liability for such retirement benefits.

The annual contributions to the fund, which include normal costs and amortization of past service costs, are charged to income when paid. The past service costs are amortized over 10 years. At September 1, 1996, the most recent valuation date of the fund assets, unfunded past service costs aggregated ¥2,011million (\$16,218 thousand).

Charges to income for the employees' pension plan for the year ended March 31, 1997, 1996 and 1995 were ¥392 million (\$3,161 thousand), ¥412 million and ¥401 million, respectively.

The accrued employees' severance indemnities included in the accompanying non-consolidated balance sheets represent 50% of the total benefits the Company would be required to pay (total liability reduced by the 50% benefits payable under the new pension plan), if all employees voluntarily terminated their employment at the respective balance sheet dates.

10. LEASE COMMITMENTS AND CONTINGENT LIABILITIES

(1) Finance Leases

All finance lease contracts other than those by which the ownership of the leased assets is to be transferred to lessees, are accounted for by the method similar to the operating lease method.

Lease rental expenses on finance lease contracts without ownership-transfer for the three years ended March 31, 1997 were summarised as follows:

	Millions of Yen			Thousands of U.S. Dollars
	1997	1996	1995	1997
Lease rental expenses	¥ 938	¥ 1,050	¥ 1,036	\$ 7,564

The amount of outstanding future lease payments due at March 31, 1997 and 1996, which included the portion of interest thereon, was summarised as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1997	1996	1997
Future lease payments			
Within one year	¥ 866	¥ 912	\$ 6,984
Over one year	1,442	1,878	11,629
Total	¥2,308	¥2,790	\$18,613

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets (machinery and equipment) were summarised as follows:

	Millions of Yen	Thousands of U.S. Dollars
	March 31, 1997	March 31, 1997
Acquisition cost	¥3,880	\$31,290
Accumulated depreciation	2,204	17,774
Net book value	¥1,676	\$13,516
Depreciation	¥ 661	\$ 5,331
Interest	¥ 247	\$ 1,992

Depreciation is based on the straight-line method over the lease term of the leased assets.

(2) Contingent Liabilities

The Company was contingently liable as a guarantor of indebtedness principally of subsidiaries and affiliates as follows:

	Millions of Yen	Thousands of U.S. Dollars
Loans borrowed by:		
Clarion Corporation of America	¥ 8,264	\$ 66,645
Clarion Soft Co., Ltd.	3,290	26,532
Clarion Tokyo Sales Co., Ltd.	2,814	22,694
Clarion Europa GmbH	2,727	21,992
Clarion Kansai Sales Co., Ltd.	2,256	18,194
Clarion Orient Co., Ltd.	1,738	14,016
Clarion (H.K.) Industries Co., Ltd.	941	7,589
Chiba Clarion Co., Ltd.	790	6,371
Electronica Clarion S.A. DE C.V.	745	6,008
Other	6,826	55,048
	¥30,391	\$245,089

The Company was also contingently liable for outstanding notes discounted by banks in the ordinary course of business, amounting to ¥8,006 million (\$64,565 thousand) at March 31, 1997.

11. LEGAL RESERVE

The Japanese Commercial Code provides that an amount equivalent to at least 10% of cash dividends and officers' bonuses paid out of retained earnings each year be appropriated as a legal reserve until such reserve equals 25% of its common stock account. The legal reserve may be used to reduce a deficit or may be transferred to common stock account

through appropriate shareholder and director actions but is not available for dividend payment.

See Note 15 below of its reversal for disposal of deficit.

12. RELATED PARTY TRANSACTIONS

The Company's net sales to and other income from subsidiaries and affiliates for the years ended March 31, 1997, 1996 and 1995 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	March 31,			March 31,
	1997	1996	1995	1997
Net sales	¥63,318	¥54,613	¥54,497	\$510,629
Cost of sales	¥32,245	¥26,690	¥29,537	\$260,040
Other income:				
Interest income	¥ 257	¥ 48	¥ 226	\$ 2,073
Dividend income	933	583	485	7,524
Rental income	269	256	262	2,169
Other	80	64	31	645
	¥ 1,539	¥ 951	¥ 1,004	\$ 12,411

13. ANALYSIS OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

An analysis of selling, general and administrative expenses for the three years in the period ended March 31, 1997 is as follows:

	Millions of Yen			Thousands of U.S. Dollars
	March 31,			March 31,
	1997	1996	1995	1997
Advertising expenses	¥ 1,846	¥ 2,106	¥ 1,784	\$ 14,887
Packing and shipping charge	1,574	1,728	1,800	12,694
Sales service expenses	2,431	2,013	1,683	19,605
Sales commission expenses	3,986	3,170	2,740	32,145
Sales promotion expenses	1,809	1,687	1,291	14,589
Payroll costs	4,359	4,459	4,196	35,153
Depreciation	239	245	264	1,927
Research and development costs	1,224	1,264	1,275	9,871
Other	4,431	3,973	3,798	35,734
	¥21,899	¥20,645	¥18,831	\$176,605

14. FORWARD EXCHANGE CONTRACTS

The Company has forward foreign exchange contracts at March 31, 1997 as follows:

	Amount translated at the forward exchange contract rate	Amount translated at current exchange rate
	(Millions of Yen)	
Put option of D.M	¥ 604	¥ 615
Put option of F.FR.	614	625
Put option of STG.£	204	214

The receivables and payables denominated in foreign currencies and hedged by forward foreign exchange contracts, thus being stated in yen

amounts in the accompanying balance sheet at March 31, 1997 are not included in the foreign currency balances shown above.

15. SUBSEQUENT EVENT

The Company made the following disposal of deficit at March 31, 1997, upon approval by the shareholders at the general meeting held on June 27, 1997:

	Millions of Yen	Thousands of U.S. Dollars
Deficit:		
Balance at March 31, 1997	¥(14,035)	\$(113,185)
Disposal:		
Transfer from legal reserve	1,668	13,451
Transfer from additional paid-in capital	12,367	99,734
	14,035	113,185
Balance to be carried forward	¥ 0	\$ 0

Report of the Independent Certified Public Accountants on the Non-Consolidated Financial Statements

Coopers
& Lybrand

**Chuo
Audit
Corporation**
certified public accountants

Head office:
Kasumigasaki Building
32nd Floor
3-2-5 Kasumigasaki
Chiyoda-ku
Tokyo 100

telephone: 03(3584-6281)

To: the Board of Directors of Clarion Co., Ltd.

We have audited the non-consolidated balance sheets of Clarion Co., Ltd. as of March 31, 1997 and 1996, and the related non-consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 1997, all expressed in yen. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall non-consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Clarion Co., Ltd. as of March 31, 1997 and 1996, and the results of its operations, the changes in its shareholders' equity and its cash flows for each of the three years in the period ended March 31, 1997, in conformity with generally accepted accounting principles in Japan applied on a consistent basis.

June 27, 1997
Tokyo, Japan

Chuo Audit Corporation
CHUO AUDIT CORPORATION

BOARD OF DIRECTORS AND AUDITORS

President

Ichizo Ishitsubo

Managing Directors

Yoshio Shimada

Jiro Sakai

Yasuo Saito

Ryosei Tonari

Keiji Tanaka

Directors

Yoshiaki Murakami

Teruo Saito

Takumi Shibata

Tsuyoshi Kitamura

Masatoshi Tanaka

Fumihiko Chiba

Corporate Auditors

Takeshi Terashima

Yukimasa Shiraso

Takashi Takaoka

Yasuhiro Sasai

OTHER CORPORATE INFORMATION

Established: 1940

Number of Shares Outstanding: 155,624,878

Number of Shareholders: 26,154

Number of Employees: 2,274

DIRECTORY

Head Office:

2-22-3, Shibuya, Shibuya-ku, Tokyo 150, Japan

Tel: (81) 03-3400-1121

Telex: 02422579 CLALTDJ

Fax: (81) 03-3400-8505

Branch Offices:

Osaka, Hiroshima, Hamamatsu

Plants:

Saitama, Tohoku, Gunma

OVERSEAS SUBSIDIARIES AND AFFILIATES

Clarion Corporation of America

661 West Redondo Beach Blvd., Gardena, California 90247, U.S.A.

Tel: (310) 327-9100, Fax: (310) 327-1999/0499

Clarion Corporation of America (Eastern Division)

25 Commerce Drive, Allendale, New Jersey 07401, U.S.A.

Tel: (1) 201-818-1166, Fax: (1) 201-818-1317

Clarion Corporation of America

(Detroit Engineering Office)

41140 Bridge Street, Novi, Michigan 48375, U.S.A.

Tel: (1) 248-442-0600, Fax: (1) 248-442-0650

Clarion Sales Corporation

661 West Redondo Beach Blvd., Gardena, California 90247, U.S.A.

Tel: (1) 310-327-9100, Fax: (1) 310-327-1999/0499

Clarion Manufacturing Corp. of America

P.O. Box 240, 237 Beaver Road, Walton, Kentucky 41094, U.S.A.

Tel: (1) 606-485-6600, Fax: (1) 606-485-4099

McIntosh Laboratory Inc.

2 Chambers Street, Binghamton, New York 13903-2699, U.S.A.

Tel: (1) 607-723-3512, Fax: (1) 607-724-0549

Ungo Security Corporation

916 Commercial Street, Palo Alto, California 94303, U.S.A.

Tel: (1) 415-856-8646, Fax: (1) 415-856-1016

Clarion Canada Inc.

2239 Winston Park Drive, Oakville, Ontario, L6H 5R1, Canada

Tel: (1) 905-829-4600, Fax: (1) 905-829-4608

Clarion Europa GmbH

Ginnheimer Strasse 4, 65760 Eschborn, Germany

Tel: (49) 6196-47360, Fax: (49) 6196-481954

Clarion Europa Liaison Office (NL)

Elftweg 50, 4941 VP Raamsdonksveer, the Netherlands

Tel: (31) 162-570257, Fax: (31) 162-570227

Clarion Deutschland GmbH

Rudolf-Diesel-Strasse 2, 65760 Eschborn, Germany

Tel: (49) 6173-60910, Fax: (49) 6173-66411

Clarion Nederland

Elftweg 50, 4941 VP Raamsdonksveer, the Netherlands

Tel: (31) 162-521110, Fax: (31) 162-514159

Clarion Svenska AB.

Geometrivägen 3-7, Box 234 127 24 Skärholmen, Sweden

Tel: (46) 8-721-9150, Fax: (46) 8-721-9250

Clarion (G.B.) Ltd.

Unit 1, Marshall Road, Hillmead, Swindon, Wiltshire

SN5 9YX, England

Tel: (44) 1793-870400, 870404, 874875,

Fax: (44) 1793-898524

Clarion France S.A.

Head Office: Le Pré à Varois, Route de Pompey, 54670

CUSTINES, France

Tel: (33) 3-83-49-4400, Fax: (33) 3-83-24-1762

Paris Branch Office: 267, Boulevard Poreire,

75017 Paris, France

Tel: (33) 1-40-55-8140, Fax: (33) 1-45-72-2757

Clarion Europa GmbH

Filiale Italiana

Via Ravizza 40, 20149 Milano, Italy

Tel: (39) 2-4693416, Fax: (39) 2-4390656

Clarion Spain S.A.

Argenters 2, Parc Tecnològic del Vallès

08290 Cerdanyola, Barcelona, Spain

Tel: (34) 3-582-0273, Fax: (34) 3-582-0274

Clarion (H.K.) Co., Ltd.

Room 908, Silvercord, Tower 1, 30 Canton Road,

Tsimshatsui, Kowloon, Hong Kong

Tel: (852) 2317-0008, Fax: (852) 2317-0030

Clarion (H.K.) Industries Co., Ltd.

18F, Mass Resources Development Building

12-16 Humphrey's Avenue, Tsimshatsui,

Kowloon, Hong Kong

Tel: (852) 2723-2088, Fax: (852) 2723-1991

Clarion Orient Co., Ltd.

Unit 4, 3/F, Harbour Center, Tower 1, 1 Hok Cheung

Street, Hung Hom, Kowloon, Hong Kong

Tel: (852) 2303-1395, Fax: (852) 2365-9929

Clarion (Malaysia) Sdn., Bhd.

Free Trade Zone One, 11900 Bayan Lepas, Penang,

Malaysia

Tel: (60) 4-6439-106/107, Fax: (60) 4-6439-108

Crystal Precision (M) Sdn., Bhd.

Phase 3, Free Trade Zone, 11900 Bayan Lepas, Penang,

Malaysia

Tel: (60) 4-6438-712 ~ 4, Fax: (60) 4-6438-763

Clarion Electronics (S) Pte. Ltd.

60 Albert Street

#05-04/05/06 Albert Complex

Singapore 189969

Tel: (65) 338-1522, Fax: (65) 338-5159

Electronica Clarion, S.A. de C.V.

Head Office: Tata Vasco #77, Col. Villa Coyoacan,

C.P.04000 Mexico D.F.

Tel: (52) 5-659-5780, Fax: (52) 5-658-1592

Plant: Av. 3 Esq. Calle #9, Zona Industrial, C.P.76800

San Juan Del Rio, Queretaro Mexico

Tel: (52) 427-25158, Fax: (52) 427-25503

Dispositivos de Precision Electronica, S.A. de C.V.

Fulton #96, Zona Industrial, C.P. 76800 San Juan Del Rio, Queretaro, Mexico

Tel: (52) 427-23991, Fax: (52) 427-2-7059

Ultra Industrial S.A. de C.V.

Betania #13, Infonavit San Cayetano, San Juan Del Rio,

Queretaro, Mexico, C.P. 76805 Apartado Postal 61

Tel: (52) 427-21585/21533, Fax: (52) 427-21689

Clarion (Taiwan) Manufacturing Co., Ltd.

Head Office: 5F., NO. 69-8, Sec. 2, Chung Tsun East Rd.,

Tamsui Taipei, Hsien, Taiwan, R.O.C.

Tel: (886) 2-809-1333, Fax: (886) 2-808-3348

Plant: 2 North Nei-Huan East Rd., N.E.P.Z., Kaohsiung,

Taiwan R.O.C.

P.O. Box Kaohsiung 35-107, Taiwan

Tel: (886) 7-362-7151, Fax: (886) 7-363-7877

Dongguan Clarion Orient Electronics Co., Ltd.

Junda Industrial Zone, Dongkeng Industrial Road,

Dongkeng Town, Dongguan, Guangdong Province, The

People's Republic of China

Tel: (86) 769-33-85611, Fax: (86) 769-33-85604

Clarion Manufacturing Corporation

of the Philippines

Makati Branch Office: 3/F Cacho-Gonzales Bldg.

101 Aguirre St., Legaspi Village,

1200 Makati, Metro Manila, Philippines

Tel: (63) 2816-3681, Fax: (63) 2816-3684

Head Office-Plant: Phase II Block 7, Cavite Export

Processing Zone, Rosario, Cavite, Philippines

Tel: (63) 46-437-0401, Fax: (63) 2-741-7598

Clarion-Mitsuwa Phils., Inc.

Branch Office: Makati Liaison Office 3/F Cacho-Gonzales

Bldg., 101 Aguirre St., Legaspi Village 1200 Makati, Metro

Manila, Philippines

(63) 2816-3681, Fax: (63) 2816-3684

Plant: Phase II Block 7, Cavite Export Processing Zone,

Rosario, Cavite, Philippines

Tel: (63) 46-437-6285, Fax: (63) 46-437-6296

Clarion Asia Pte. Ltd.

315 Alexandra Road #04-03

Performance Centre, Singapore 159944

Tel: (65) 65-4755233, Fax: (65) 65-4755928

Clarion Australia Pty., Ltd.

Unit 17, 50 Keys Road, Moorabbin, Victoria 3189, Australia

Tel: (61) 3-9532-1115, Fax: (61) 3-9532-1766

BOARD OF DIRECTORS AND AUDITORS

President	Directors
Ichizo Ishitsubo	Yoshiaki Murakami Teruo Saito Takumi Shibata Tsuyoshi Kitamura Masatoshi Tanaka Fumihiko Chiba
Managing Directors	Corporate Auditors
Yoshio Shimada Jiro Sakai Yasuo Saito Ryosei Tonari Keiji Tanaka	Takeshi Terashima Yukimasa Shiraso Takashi Takaoka Yasuhiro Sasai

OTHER CORPORATE INFORMATION

Established: 1940

Number of Shares Outstanding: 155,624,878

Number of Shareholders: 26,154

Number of Employees: 2,274

DIRECTORY

Head Office:

2-22-3, Shibuya, Shibuya-ku, Tokyo 150, Japan
Tel: (81) 03-3400-1121
Telex: 02422579 CLALTDJ
Fax: (81) 03-3400-8505

Branch Offices:

Osaka, Hiroshima, Hamamatsu

Plants:

Saitama, Tohoku, Gunma

OVERSEAS SUBSIDIARIES AND AFFILIATES

Clarion Corporation of America

661 West Redondo Beach Blvd., Gardena, California 90247, U.S.A.
Tel: (310) 327-9100, Fax: (310) 327-1999/0499

Clarion Corporation of America (Eastern Division)

25 Commerce Drive, Allendale, New Jersey 07401, U.S.A.
Tel: (1) 201-818-1166, Fax: (1) 201-818-1317

Clarion Corporation of America (Detroit Engineering Office)

41140 Bridge Street, Novi, Michigan 48375, U.S.A.
Tel: (1) 248-442-0600, Fax: (1) 248-442-0650

Clarion Sales Corporation

661 West Redondo Beach Blvd., Gardena, California 90247, U.S.A.
Tel: (1) 310-327-9100, Fax: (1) 310-327-1999/0499

Clarion Manufacturing Corp. of America

P.O. Box 240, 237 Beaver Road, Walton, Kentucky 41094, U.S.A.
Tel: (1) 606-485-6600, Fax: (1) 606-485-4099

McIntosh Laboratory Inc.

2 Chambers Street, Binghamton, New York 13903-2699, U.S.A.
Tel: (1) 607-723-3512, Fax: (1) 607-724-0549

Ungo Security Corporation

916 Commercial Street, Palo Alto, California 94303, U.S.A.
Tel: (1) 415-856-8646, Fax: (1) 415-856-1016

Clarion Canada Inc.

2239 Winston Park Drive, Oakville, Ontario, L6H 5R1, Canada
Tel: (1) 905-829-4600, Fax: (1) 905-829-4608

Clarion Europa GmbH

Ginnheimer Strasse 4, 65760 Eschborn, Germany
Tel: (49) 6196-47360, Fax: (49) 6196-481954

Clarion Europa Liaison Office (NL)

Elftweg 50, 4941 VP Raamsdonksveer, the Netherlands
Tel: (31) 162-570257, Fax: (31) 162-570227

Clarion Deutschland GmbH

Rudolf-Diesel-Strasse 2, 65760 Eschborn, Germany
Tel: (49) 6173-60910, Fax: (49) 6173-66411

Clarion Nederland

Elftweg 50, 4941 VP Raamsdonksveer, the Netherlands
Tel: (31) 162-521110, Fax: (31) 162-514159

Clarion Svenska AB.

Geometrivägen 3-7, Box 234 127 24 Skärholmen, Sweden
Tel: (46) 8-721-9150, Fax: (46) 8-721-9250

Clarion (G.B.) Ltd.

Unit 1, Marshall Road, Hillmead, Swindon, Wiltshire SN5 9YX, England
Tel: (44) 1793-870400, 870404, 874875,
Fax: (44) 1793-898524

Clarion France S.A.

Head Office: Le Pré à Varois, Route de Pompey, 54670 CUSTINES, France
Tel: (33) 3-83-49-4400, Fax: (33) 3-83-24-1762
Paris Branch Office: 267, Boulevard Poirere, 75017 Paris, France
Tel: (33) 1-40-55-8140, Fax: (33) 1-45-72-2757

Clarion Europa GmbH Filiale Italiana

Via Ravizza 40, 20149 Milano, Italy
Tel: (39) 2-4693416, Fax: (39) 2-4390656

Clarion Spain S.A.

Argenters 2, Parc Tecnològic del Vallès 08290 Cerdanyola, Barcelona, Spain
Tel: (34) 3-582-0273, Fax: (34) 3-582-0274

Clarion (H.K.) Co., Ltd.

Room 908, Silvercord, Tower 1, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong
Tel: (852) 2317-0008, Fax: (852) 2317-0030

Clarion (H.K.) Industries Co., Ltd.

18F, Mass Resources Development Building 12-16 Humphrey's Avenue, Tsimshatsui, Kowloon, Hong Kong
Tel: (852) 2723-2088, Fax: (852) 2723-1991

Clarion Orient Co., Ltd.

Unit 4, 3/F, Harbour Center, Tower 1, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong
Tel: (852) 2303-1395, Fax: (852) 2365-9929

Clarion (Malaysia) Sdn., Bhd.

Free Trade Zone One, 11900 Bayan Lepas, Penang, Malaysia
Tel: (60) 4-6439-106/107, Fax: (60) 4-6439-108

Crystal Precision (M) Sdn., Bhd.

Phase 3, Free Trade Zone, 11900 Bayan Lepas, Penang, Malaysia
Tel: (60) 4-6438-712 ~ 4, Fax: (60) 4-6438-763

Clarion Electronics (S) Pte. Ltd.

60 Albert Street #05-04/05/06 Albert Complex Singapore 189969
Tel: (65) 338-1522, Fax: (65) 338-5159

Electronica Clarion, S.A. de C.V.

Head Office: Tata Vasco #77, Col. Villa Coyoacan, C.P.04000 Mexico D.F.
Tel: (52) 5-659-5780, Fax: (52) 5-658-1592
Plant: Av. 3 Esq. Calle #9, Zona Industrial, C.P.76800 San Juan Del Rio, Queretaro Mexico
Tel: (52) 427-25158, Fax: (52) 427-25503

Dispositivos de Precision Electronica, S.A. de C.V.

Fulton #96, Zona Industrial, C.P. 76800 San Juan Del Rio, Queretaro, Mexico
Tel: (52) 427-23991, Fax: (52) 427-2-7059

Ultra Industrial S.A.de C.V.

Betania #13, Infonavit San Cayetano, San Juan Del Rio, Queretaro, Mexico, C.P. 76805 Apartado Postal 61
Tel: (52) 427-21585/21533, Fax: (52) 427-21689

Clarion (Taiwan) Manufacturing Co., Ltd.

Head Office: 5F., NO. 69-8, Sec. 2, Chung Tsun East Rd., Tamsui Taipei, Hsien, Taiwan, R.O.C.
Tel: (886) 2-809-1333, Fax: (886) 2-808-3348
Plant: 2 North Nei-Huan East Rd., N.E.P.Z., Kaohsiung, Taiwan R.O.C.
P.O. Box Kaohsiung 35-107, Taiwan
Tel: (886) 7-362-7151, Fax: (886) 7-363-7877

Dongguan Clarion Orient Electronics Co., Ltd.

Junda Industrial Zone, Dongkeng Industrial Road, Dongkeng Town, Dongguan, Guangdong Province, The People's Republic of China
Tel: (86) 769-33-85611, Fax: (86) 769-33-85604

Clarion Manufacturing Corporation of the Philippines

Makati Branch Office: 3/F Cacho-Gonzales Bldg. 101 Aguirre St., Legaspi Village, 1200 Makati, Metro Manila, Philippines
Tel: (63) 2816-3681, Fax: (63) 2816-3684
Head Office-Plant: Phase II Block 7, Cavite Export Processing Zone, Rosario, Cavite, Philippines
Tel: (63) 46-437-0401, Fax: (63) 2-741-7598

Clarion-Mitsuwa Phils., Inc.

Branch Office: Makati Liaison Office 3/F Cacho-Gonzales Bldg., 101 Aguirre St., Legaspi Village 1200 Makati, Metro Manila, Philippines
(63) 2816-3681, Fax: (63) 2816-3684
Plant: Phase II Block 7, Cavite Export Processing Zone, Rosario, Cavite, Philippines
Tel: (63) 46-437-6285, Fax: (63) 46-437-6296

Clarion Asia Pte. Ltd.

315 Alexandra Road #04-03 Performance Centre, Singapore 159944
Tel: (65) 65-4755233, Fax: (65) 65-4755928

Clarion Australia Pty., Ltd.

Unit 17, 50 Keys Road, Moorabbin, Victoria 3189, Australia
Tel: (61) 3-9532-1115, Fax: (61) 3-9532-1766

