Non-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	¥ 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**

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

The accompanying notes are an integral part of these statements.

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)

The accompanying notes are an integral part of these statements.

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 govemment 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 U.S. Dollars
	March 31,		March 31,
	1997	1996	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 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	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

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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.

Chuo Audit Corporation

June 27, 1997
Tokyo, Japan

CHUO AUDIT CORPORATION