

Clarion

SHIFTING INTO TOP GEAR

**ANNUAL REPORT
2005**

YEAR ENDED MARCH 31, 2005

PROFILE

Clarion Co., Ltd. was established in 1940, commercializing Japan's first car radios and stereos and continuing to develop, produce and sell automobile electronics. The domain of car electronics has recently expanded beyond simply audio devices to include such highly sophisticated devices as car navigation and safety control systems.

As we will be commemorating the 70th anniversary of our foundation in 2010, we formulated a new corporate vision in 2004 entitled "Vision-70." Under this new corporate vision, we are carrying out various measures such as the re-establishment of the Clarion brand. Building on the technology and trust we have established over the years, we will create products that emphasize a "Fresh Feeling of Safety" and "Fresh Pleasure" and provide excitement and satisfaction to our customers in an environment of "Mobile Info-entertainment"* where people can enjoy sound and information in their cars. We shall be sparing no efforts in achieving strong, sustained growth.

* Mobile Info-entertainment: A combination of Mobile, Information and Entertainment

TO OUR STAKEHOLDERS	
VISION-70	01
CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY	04
MANAGEMENT'S DISCUSSION AND ANALYSIS	06
CONSOLIDATED STATEMENTS OF INCOME	08
CONSOLIDATED BALANCE SHEETS	11
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY	12
CONSOLIDATED STATEMENTS OF CASH FLOWS	14
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	16
REPORT OF INDEPENDENT AUDITORS	18
SIX-YEAR FINANCIAL SUMMARY	42
CORPORATE DIRECTORY	43
CORPORATE DATA	44
	45

CONTENTS

FORWARD-LOOKING STATEMENTS

The figures contained in this annual report with respect to Clarion's plans and strategies and other statements that are not historical facts are forward-looking statements about the future performance of Clarion. Such statements are based on management's assumptions and beliefs in light of the information currently available to it and involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors. Potential risks and uncertainties include, without limitation, general economic conditions in Clarion's market.