

## Review of Operations

Consolidated net sales for fiscal 2009 amounted to ¥174,762 million, down 3.7% year-on-year. Sales decreased slightly in the Car Audio-Visual Equipment Segment, our core segment, while we also posted sales declines in the Special Equipment Segment and the Other Business Segment. Selling off a non-core business was another factor attributable to lower sales.

With regard to income, we worked to reduce fixed and variable costs by implementing business structure reforms, which resulted in consolidated operating income of ¥624 million. This was a significant improvement from an operating loss of ¥12,449 million in the previous fiscal year.

We recorded other income in the amount of ¥2,021 million, consisting mainly of exchange gains, net of ¥284 million, a gain on sales of property, plant and equipment of ¥274 million and a gain on costs reimbursement of development of ¥528 million. Conversely, we posted other expenses of ¥1,960 million due primarily to interest expense of ¥721 million, expense related to patent of ¥108 million, loss on sales and disposal of property, plant and equipment of ¥111 million and loss from transfer between retirement benefit plans of ¥200 million. As a result, income before income taxes and minority interests was ¥684 million compared with loss before income taxes and minority interests of ¥15,208 million in the previous fiscal year.

Consolidated net income stood at ¥549 million compared with a net loss of ¥19,987 million in the previous fiscal year. We thus achieved profitability at each level of income.

An overview by business segment is as follows.

### Car Audio-Visual Equipment Segment

This segment is our core segment that involves car navigation, car audio and car multimedia devices. Sales increased in the first half of fiscal 2009 due to a promotional campaign for car navigation systems in the option market in Japan, while sales in the OEM market in North

America exceeded expectations on a full-year basis. Sales declined in OEM markets in Japan and Europe, however, due to the lackluster recovery in these markets. Meanwhile, sales decreased as a result of declines in sales volume and drops in prices in the aftermarket due to harsher competition. Consequently, overall sales in this segment decreased a slight 0.7% compared with the previous fiscal year to ¥156,372 million.

Operating loss amounted to ¥370 million, marking a considerable improvement from an operating loss of ¥14,491 million in the previous fiscal year as a result of efforts to reduce fixed and variable costs through business structure reforms.

### Special Equipment Segment

In this segment, which comprises AV equipment for commercial vehicles, Automatic Guidance Systems and Bus Location Systems for both tourist and community buses, around-the-vehicle view monitor equipment with CCD cameras and drive-recorder devices, we worked to expand sales of CCD cameras in light of greater driving safety awareness. However, supply to OEM markets was down and sales volume in aftermarkets decreased. As a result, net sales decreased 14.4% compared with the previous fiscal year to ¥7,685 million.

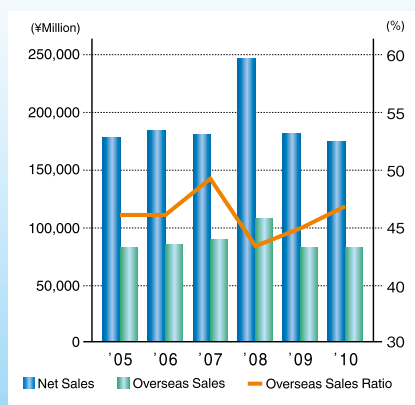
Operating income decreased 53.6% to ¥821 million due primarily to a decline in net sales.

### Other Business Segment

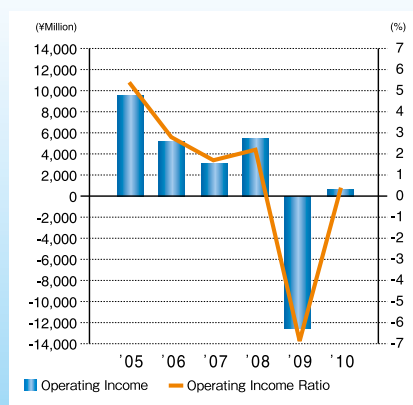
Within this segment, we have developed EMS (Electronics Manufacturing Service) business mainly in the Americas and Europe. Net sales decreased 28.7% compared with the previous fiscal year to ¥10,704 million due primarily to a decline in orders for in-vehicle meter boards in line with lower automobile production as well as the selling-off of a subsidiary engaged in the mobile phone business in the second half of the fiscal year.

Operating income decreased 35.9% to ¥173 million due mainly to a decline in net sales.

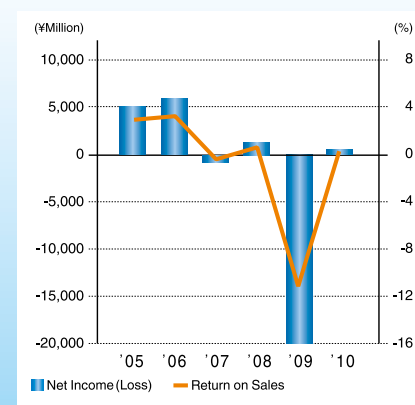
■ Net Sales, Overseas Sales and Overseas Sales Ratio



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



■ Net Income (Loss) and Return on Sales



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

#### ■ Japan

The domestic economy recovered moderately as exports and production grew on the back of progress in inventory adjustments in Japan and overseas and a resurgence in overseas economies. Amid difficult employment and income conditions, consumer spending was relatively robust due to economic stimulus policies such as new car trade-in incentive measures as well as promotion of the purchase of energy-saving home electric appliances. In the automobile industry, new car sales increased for the first time in 13 months in August 2009 on a year-on-year basis. Since then, there have been further signs of recovery, notably double-digit growth in the second half of the fiscal year compared with the same period of the previous fiscal year, mainly for hybrid car sales.

Net sales in Japan amounted to ¥93,892 million, down 11.4%. This decrease in net sales was attributable mainly to a decline in sales in the aftermarket, despite an increase in sales resulting from measures in the option business for certain car dealers.

Despite a reduction in fixed costs, including selling, general and administrative (SG&A) expenses, consolidated operating loss stood at ¥340 million compared with an operating loss of ¥11,987 million in the previous fiscal year due to declines in sales volume and drops in prices in the aftermarket.

#### ■ Americas

The U.S. economy was on a recovery track due to support in the form of government policies. Nonetheless, the employment situation remained harsh and uncertainty over sustainable economic recovery prevailed. In the automobile industry, despite the definite effect of support for new car trade-in incentive measures, the overall number of new car sales decreased year-on-year.

Net sales increased 19.5% compared with the previous fiscal year to ¥55,499 million. This was due mainly to considerable growth in sales to an OEM customer, whom we started supplying in the previous fiscal year.

Operating income increased significantly to ¥1,519 million compared with ¥12 million in the previous fiscal year. This result was due primarily to the positive effects of sales growth coupled with a reduction in SG&A expenses, despite drops in prices brought on by strong demands from customers for price reductions.

#### ■ Asia and Australia

Although the economies of major Asian nations registered tones of recovery, this was still short of full-scale resurgence owing to uncertainty over future economic conditions in the United States, a key export market. Conversely, high growth continued in the Chinese economy, with new car sales in China surging 46% year-on-year to 13.64 million units to boast the highest volume in the world surpassing the United States.

Despite a recovery from the low levels of results recorded in the first quarter of fiscal 2009, business performance fell short of levels posted in the previous fiscal year. Net sales decreased 4.6% compared with the previous fiscal year to ¥11,886 million.

Operating income amounted to ¥56 million, a turnaround from an operating loss of ¥74 million in the previous fiscal year due primarily to reductions in variable costs and SG&A expenses.

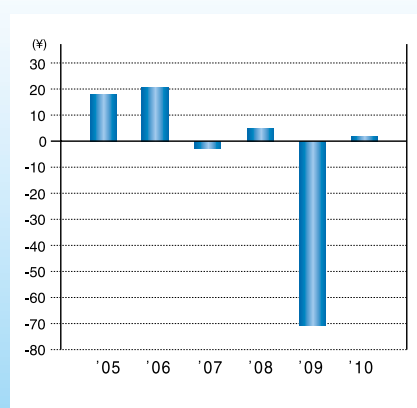
#### ■ Europe

Steps toward recovery were extremely slow in the euro zone economy as the financial crisis spread. Consumer spending was weak in step with deterioration in the employment situation, while worsening of the real economy continued unabated coupled with financial collapse in Greece.

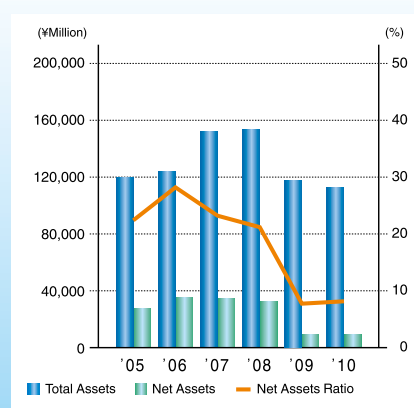
Net sales decreased 19.1% compared with the previous fiscal year to ¥13,482 million. Despite the positive effects of support measures for new car trade-in incentive measures, various factors led to this overall decrease, including a decline in sales to OEM customers due to contraction in the overall automobile market and stagnant sales in the aftermarket.

In spite of effects in reducing SG&A expenses, operating loss stood at ¥643 million compared with an operating loss of ¥208 million in the previous fiscal year due mainly to deterioration in the cost ratio caused by the significant decline in sales and drops in prices.

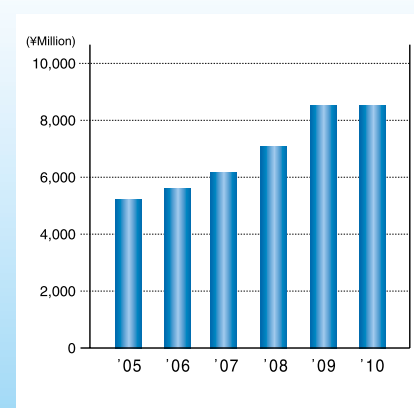
■ Net Income (Loss) per Share



■ Total Assets, Net Assets, Net Assets Ratio



■ Depreciation and Amortization



# Financial Review

## Financial Position

Current assets at fiscal year-end decreased ¥178 million compared with the previous fiscal year-end to ¥66,382 million. An increase in trade notes and accounts receivable owing to marked growth in sales in the fourth quarter was offset by a decrease in inventories.

Property, plant and equipment decreased ¥3,105 million, or 11.4%, from the previous fiscal year-end to ¥24,110 million. Despite the acquisition of production facilities by the Head Office and in China, depreciation rose to ¥4,500 million. Intangible assets decreased ¥1,502 million, or 8.3%, to ¥166,687 million. Investments and other assets decreased ¥140 million, or 2.5%, compared with the previous fiscal year-end to ¥5,533 million. As a result, total assets at year-end decreased ¥4,927 million, or 4.2%, compared with the previous fiscal year-end to ¥112,714 million.

Total liabilities decreased ¥5,104 million, or 4.7%, from the previous fiscal year-end to ¥103,401 million. Although trade notes and accounts payable increased, the decrease was due mainly to a decline in interest-bearing borrowings owing to an improvement in cash flows as the Company posted net income for the fiscal year under review. Total net assets amounted to ¥9,312 million, up ¥177 million, or 1.9%, compared with the previous fiscal year-end. As a result, the net assets ratio improved 0.5 percentage point to 8.1%.

## Cash Flows

Net cash provided by operating activities was ¥12,381 million. This was due mainly to the recording of income before income taxes, a decrease in inventories and an increase in notes and accounts payable, despite an increase in notes and accounts receivable. Net cash used in operating activities at the end of the previous fiscal year was ¥2,851 million.

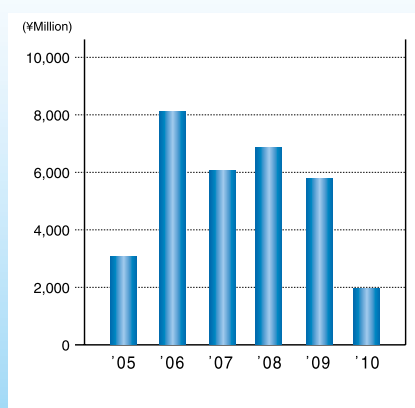
Net cash used in investing activities was ¥3,350 million. This was due mainly to payment for purchases of property, plant and equipment primarily for production equipment as well as payment for purchases of intangible assets such as software. Net cash used in investing activities at the end of the previous fiscal year was ¥10,121 million.

As a result, Clarion posted free cash flow of ¥9,030 million compared with negative cash flow of ¥12,972 million at the previous fiscal year-end.

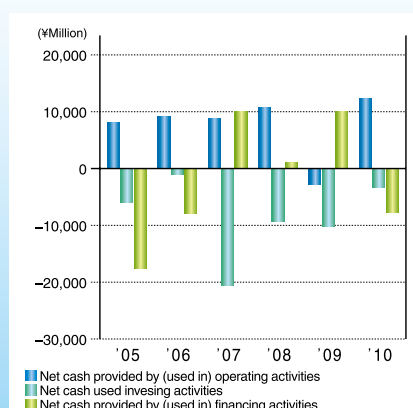
Net cash used in financing activities was ¥7,731 million due mainly to a decline in interest-bearing borrowings. Net cash provided by financing activities at the end of the previous fiscal year was ¥10,014 million.

As a result of these factors, cash and cash equivalents at the end of the year amounted to ¥10,192 million compared with ¥9,039 million at the previous fiscal year-end.

■ Capital Investment



■ Cash Flows



■ ROE and ROA



# Corporate Data

## Company Profile (as of March 31, 2010)

|                                   |   |
|-----------------------------------|---|
| Company Name:                     | Clarion Co., Ltd.   |
| Headquarters & Technology Center: | 7-2 Shintoshin, Chuo-ku, Saitama-shi, Saitama<br>330-0081, Japan<br>TEL: (81) 48-601-3700                                 |
| Registered Head Office:           | 5-35-2 Hakusan, Bunkyo-ku, Tokyo, 112-8608, Japan<br>TEL: (81) 3-3815-1121  |
| Established:                      | December 18, 1940   |
| Paid-in Capital:                  | ¥26,100 million   |
| Number of Shares Outstanding:     | 282,744 thousand shares   |
| Stock Exchange Listing:           | Tokyo Stock Exchange, First Section; Osaka Securities Exchange, First Section (Ticker Code: 6796)                         |
| Number of Shareholders:           | 18,247  |
| Number of Employees:              | 9,128 (consolidated)<br>1,502 (non-consolidated)  |
| Main Products:                    | Car navigation systems, car audio systems, on-board cameras,<br>visual equipment, bus equipment, communications equipment |

## Board of Directors and Corporate Auditors

(as of June 25, 2010)

|                                    |                      |
|------------------------------------|----------------------|
| Director, Chairman                 | Junzo Kawakami*      |
| Representative Director, President | Tatsuhiko Izumi      |
| Executive Director                 | Tetsuro Yoshimine    |
| Director                           | Seishi Kasai         |
| Director                           | Hidetoshi Kawamoto   |
| Director                           | Toru Kaneko          |
| Director                           | Satoshi Kawamoto     |
| Director                           | Yasuhiko Honda*      |
| Director                           | Masatsugu Shinozaki* |
| Full-time Corporate Auditor        | Katsutoshi Takizawa  |
| Corporate Auditor                  | Kazumichi Fujimura   |
| Corporate Auditor                  | Yasuhiro Sasai**     |
| Corporate Auditor                  | Koji Yamanokawa**    |

\* Outside directors  
\*\* Outside auditors

## Corporate Officers

(as of June 25, 2010)

|                              |                    |
|------------------------------|--------------------|
| Executive Corporate Officers | Tetsuro Yoshimine  |
|                              | Seishi Kasai       |
|                              | Hidetoshi Kawamoto |
|                              | Toru Kaneko        |
|                              | Toyoji Aida        |
|                              | Hiroyasu Kan       |
|                              | Nobuyuki Oyachi    |
| Corporate Officers           | Satoshi Kawamoto   |
|                              | Tatsuo Enokida     |
|                              | Tadashi Wada       |

## Principal Subsidiaries (as of June 25, 2010)

### < Japan >

Clarion Sales and Marketing Co., Ltd. (CSM)  
Clarion Manufacturing and Service Co., Ltd. (CMS)  
Clarion Associe Co., Ltd.

### < American Region >

Clarion Corporation of America  
Electronica Clarion, S.A. de C.V.

### < European Region >

Clarion Europe S.A.S.  
Clarion Europa GmbH  
Clarion Hungary Electronics Kft.

### < Asia/Oceania Region >

Clarion (H.K.) Industries Co., Ltd.  
Clarion Manufacturing Corporation of the Philippines