

# clarion



## Clarion Report 2006

Corporate Profile / CSR Report



clarion <http://www.clarion.com/>

**Clarion Co., Ltd.**

**Headquarters**

50 Kamitoda, Toda-shi, Saitama 335-8511, Japan  
TEL:(81)48-443-1111 FAX:(81)48-445-3810

**Registered Head Office**

5-35-2 Hakusan, Bunkyo-ku, Tokyo 112-8608, Japan  
TEL:(81)3-3815-1121

**Tohoku Office**

50 Shimotagawara, Aza Kanaya Tamura-machi, Koriyama-shi, Fukushima 963-0725, Japan  
TEL:(81)24-944-1111 FAX:(81)24-943-3384



331PA601

Clarion Co., Ltd.



# Clarion's way of thinking, handed down through the years. Our corporate DNA enables us to keep dreaming new dreams.

Clarion strives to improve society by seeking to develop the relationship between sound, information, and human interaction, and by creating products to meet those needs.

Clarion's corporate philosophy as a dedicated manufacturer of in-vehicle equipment continues to live on in the form of an unwavering "Clarion mindset," within the company and within every Group employee, even during this time of rapid change in the automotive industry.

In order to achieve the objectives of our corporate philosophy in real and tangible terms, we launched our corporate vision called "Vision-70," as a beacon to guide us in becoming "what we should be" in the future. And even at this moment, we are moving forward along that path as we approach the 70th anniversary of our establishment in 2010.

In 2006 we began unifying all of our various brands under the new global brand "Clarion." And to represent our ideals, we coined the slogan "Human Mobile Music Media Interface (Clarion H.M.I.)," and will be rising to new challenges in the future.

Handing down our corporate philosophy from one generation to the next, through our products as well as our corporate activities overall. That is how we at Clarion have always, and intend to, be a company that is trusted by society, loved by its customers, and is thus truly needed in the world.

New brand logo / color / catchphrase



By designing the Clarion logo using a tone gradation, it is given a sharp and contemporary look. For the color we used "Clarion Azzurro" as an expression of corporate transparency and reliability. "Azzurro" means "blue" in Italian.



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# Clarion Outline

## Corporate Outline (As of March 31, 2006)

Company Name	Clarion Co., Ltd.	
Headquarters	50 Kamitoda, Toda-shi, Saitama 335-8511, Japan (81)48-443-1111	
Registered Head Office	5-35-2 Hakusan, Bunkyo-ku, Tokyo 112-8608, Japan (81)3-3815-1121	
Established	December 18, 1940	
Paid in Capital	¥26,100 million	
Shares issued	282,744,185 shares	
Net Sales	Consolidated:	¥184,176 million (term ended March 2006)
	Non-consolidated:	¥135,278 million (term ended March 2006)
Employees	Consolidated:	10,037 persons
	Non-consolidated:	1,165 persons (excl. workers on loan)
Main Products	Car audio, Car navigation system, AutoPCs, Visual equipment, Bus equipment, Communication equipment	

## Directors of the Board (As of June 27, 2006)

Tatsuhiko IZUMI.....	Representative Director, President
Yutaka WAKAMORI.....	Director
Tetsuro YOSHIMINE.....	Director
Yasuhiko WADA.....	Director
Shoichi MINAGAWA.....	Director
Ichiro HONDO.....	Director
Masayuki KAWAHARA.....	Full-time Corporate Auditor
Katsutoshi TAKIZAWA.....	Full-time Corporate Auditor
Yasuhiro SASAI.....	Corporate Auditor
Shunjiro KARASAWA.....	Corporate Auditor

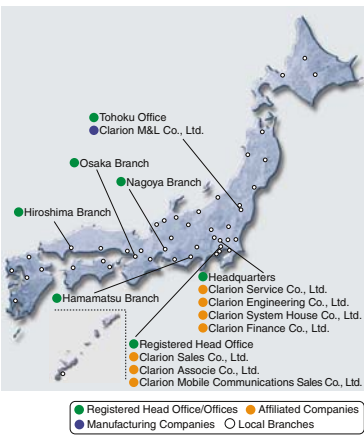
## Main Banks and Financial Institutions

Resona Bank  
Mizuho Corporate Bank  
Sumitomo Mitsui Banking Corporation  
Bank of Tokyo-Mitsubishi UFJ, Ltd.  
Development Bank of Japan  
The Sumitomo Trust & Banking Co., Ltd.

## Membership Organizations

Japan Electronics and Information Technology Industries Association  
Japan Auto-Body Industries Association Inc.  
Japan Machinery Center for Trade & Investment

## Principal Establishments/Subsidiaries and Affiliated Companies (As of October 1, 2006)



### <Domestic Area>

Clarion Co., Ltd. Headquarters  
Registered Head Office  
Tohoku Office  
Hamamatsu Branch  
Nagoya Branch  
Osaka Branch  
Hiroshima Branch  
  
Clarion Sales Co., Ltd.  
Clarion M&L Co., Ltd.  
Clarion Service Co., Ltd.  
Clarion Associe Co., Ltd.  
Clarion Mobile Communications Sales Co., Ltd.  
Clarion Engineering Co., Ltd.  
Clarion System House Co., Ltd.  
Clarion Finance Co., Ltd.



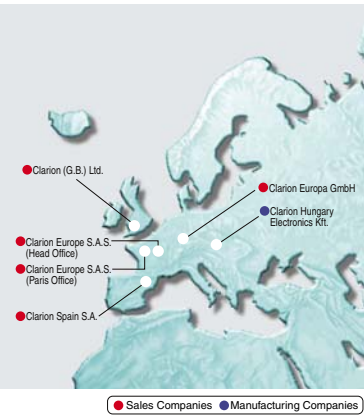
### <Asia/Oceania Region>

Clarion (H.K.) Industries Co., Ltd.  
Dongguan Clarion Orient Electronics Co., Ltd.  
Xiamen Clarion Electrical Enterprise Co., Ltd.  
Clarion (Malaysia) Sdn., Bhd.  
Crystal Precision (Malaysia) Sdn., Bhd.  
SIAM CM Electronics Co., Ltd.  
Clarion Manufacturing Corporation of the Philippines  
Clarion Asia Pte. Ltd.  
Clarion (Taiwan) Manufacturing Co., Ltd.  
Clarion Australia Pty. Ltd.



### <American Region>

Clarion Corporation of America  
Zandiant Technologies, Inc.  
Clarion Canada Inc.  
Electronica Clarion, S.A. de C.V.  
Clarion do Brasil Ltda.



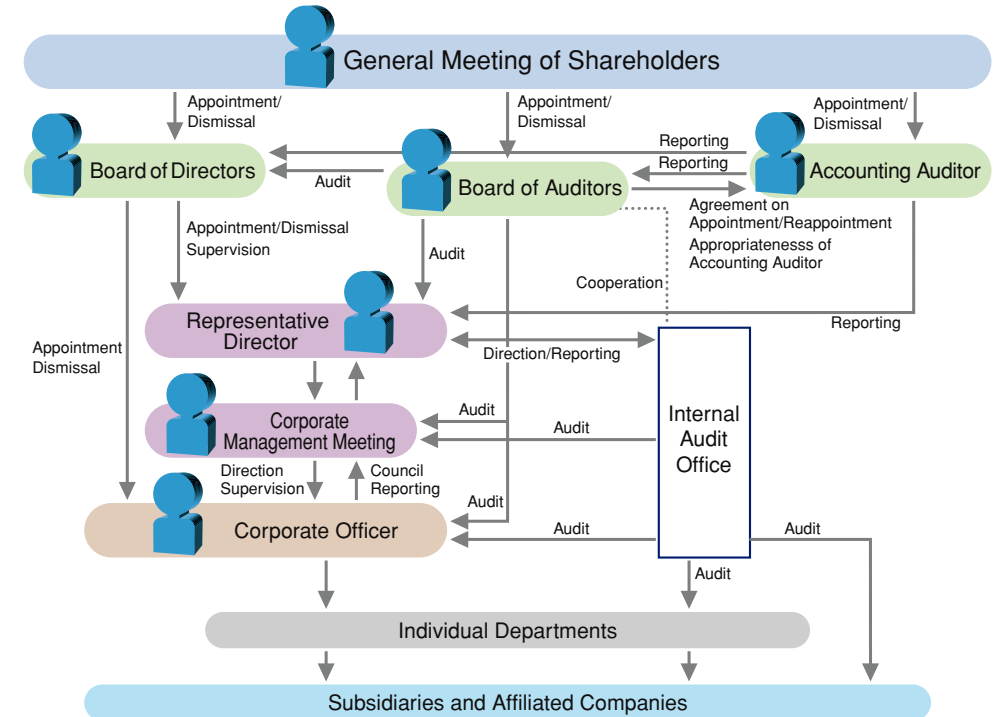
### <European Region>

Clarion Europa GmbH  
Clarion (G.B.) Ltd.  
Clarion Europe S.A.S.  
(Former Clarion France S.A.S.)  
Clarion Spain S.A.  
Clarion Hungary Electronics Kft.

## Corporate Governance System

We implement an auditor system. The Board of Directors makes basic management policies for the entire Clarion Group and supervises important managerial decision-making process and other business administration matters. We also employ a corporate officer system for highly effective and efficient management. The Board Directors and Corporate Officers serve a single year term to enable flexible response and to clarify their responsibility. They also serve as main members of the Corporate Management Meeting, which clarifies the managerial direction and policies not only for Clarion but also for its entire Group and thereby assists the Board of Directors as its council. The Internal Audit Office conducts regular (internal) audits of all the Company's individual departments and the Group companies. Effectiveness, legal compliance as well as observance of internal regulations are examined. The audit results are reported to the President, and corrective actions are taken by the relative departments if necessary.

### ● The System and Operation of the Internal Audit Office



## Corporate Philosophy

### Corporate Commitment

Clarion strives to improve society by seeking to develop the relationship between sound, information, and human interaction, and by creating products to meet those needs.

### Management Commitment

- Providing customer satisfaction and happiness with superior products and services.
- Creating new value with original ideas and technology.
- Respecting the individuality and ability of each employee, and establishing a corporate culture of generosity.
- Maintaining a strong awareness of our place in nature and a commitment to the environment.
- Fulfilling our responsibility, as a corporate citizen, for better society.
- Pursuing corporate profitability and sustained growth.

### Action Commitment

- "AMBITION" -We seek to continually improve ourselves through self innovation and courage.
- "CREATIVITY" -We foster creativity and work to produce new value and to turn dreams into reality.
- "SINCERITY" -We work diligently in good faith to prove ourselves worthy of people's trust.

## Corporate Vision

### <Vision-70>

In an environment of "Mobile-Infoentertainment" where people can enjoy sound and information in their cars, we will create products that emphasize a "Fresh Feeling of Safety" and "Fresh Pleasure" and provide excitement and satisfaction to our customers.

## “We hope to strengthen our brand and increase our corporate value as a global company.”



Tatsuhiko IZUMI  
President

Place of birth: Tokyo, Japan  
Date of birth: April 14, 1952  
Education: Graduate of Seijo University, Dept. of Economics

### <Background>

April 1976	Entered Clarion Corp. in charge of European retail sales and marketing
April 1978	Put in charge of U.S. retail sales and marketing
Nov. 1987	Put in charge of "Big 3" marketing
June 1999	Appointed as Director
May 2001	Appointed as President

### What were the reasons behind consolidating under the global brand “Clarion”?

Our company consolidated all of our worldwide product brands under the “Clarion” brand in 2006. Until then we used “ADDZEST” as our domestic brand in Japan and “Clarion” in other parts of the world, but decided to consolidate under “Clarion” with the aim of increasing our corporate value and promoting a global brand image. In conjunction with this, we changed our corporate color to a vivid blue called “Clarion Azzurro.”

By launching the new global brand, the Clarion group intends to forge ahead as a company that will live up to people’s high expectations and beyond. We will provide products and services that “interface mobile environments such as the car, with music and information” as only Clarion can, and we will be featuring Clarion’s new global brand in various promotion activities to emphasize it as much as possible.

### Are there any specific products or services underway for the future?

The mainstream of our company’s direction is in-vehicle audio equipment, however we think there are two directional trends within that. One is in enhancing the realm of entertainment. Recently various media have gained momentum, and in-vehicle equipment is faced with the challenge of accommodating those media. These media can be thought of as representing the diversifying needs and increasing importance of entertainment in people’s lives. Clarion will respond flexibly to the rapid changes in multimedia, providing products and environments that will enable our customers to enjoy entertainment seamlessly, whether it’s in their home, office or car.

The other directional trend is in the realm of ITS.\* We at Clarion are working to further advance our camera technology, which is one of our strengths. In addition to providing visual confirmation of what’s behind and around the car, we will be proposing new driving safety assistance systems that integrate in-vehicle equipment like car navigation units with driving operations such as running, turning and stopping. Through our work in these two directions, Clarion’s brand slogan “Clarion H.M.I.” will take the form of new products that will deliver new dreams to our customers.

\*ITS (Intelligent Transport System)  
Transportation system that uses information technology to increase transport efficiency and facilitate smooth running of traffic.

### What measures are being taken in terms of Clarion group’s CSR?

Based on our belief that compliance is an important aspect of meeting our CSR (Corporate Social Responsibility), Clarion is engaged in compliance program activities to ensure that we are a company offering high transparency, worthy of people’s trust. All of our establishments around the world are likewise involved based on compliance guidelines from the corporate head office. Needless to say, protection of the environment is an important issue of global scale, which is why we are promoting the development of eco-friendly products in accordance with our corporate policy of limiting the use of environmentally harmful substances.

It is important to always think about what our ever-changing society wants or will be wanting, and to move in the right direction based on thorough communication with our stakeholders. Maintaining a high level of awareness in each and every employee will be a crucial factor in the successful implementation of our CSR activities. We will therefore continue to cultivate a corporate culture that emphasizes CSR in the future.

### Can you tell us about any memorable events in your background or past experience?

I was transferred to many different overseas locations immediately after joining Clarion, and I remember being confused by the divergent cultures and customs I witnessed in those foreign countries back then. For instance, when I was first sent to the U.S., I was put in a supervisory position at a company that had only American employees. There I experienced one culture shock after another, due to differences in business practices and miscommunication. However, it’s also a fact that I made many friends during this time, and it turned out to be my first major experience as a working member of society.

In terms of achievements, I was pleased at having acquired the rights to supply OEM products to the so-called “Big 3” automobile manufacturers, GM, Ford and Chrysler, during my second tenure in America. Emboldened by that, we subsequently went on to do business with many other automobile manufacturers that were active in the U.S. market as well. Thinking back, it seems that this entire chain of events was made possible because of the experience I gained through those youthful days of trial and error. One might even say that this early experience became an invaluable asset for the rest of my life.



# Raising the banner of our new global brand “Clarion,” We will provide new excitement and satisfaction to the world.

Our reliable expertise from having supplied quality OEM products to car manufacturers around the world, the solid partnerships we’ve forged between ourselves and automobile manufacturers, and our offering of after-market products aimed at customers throughout the globe. Clarion’s global activities are supported by a global network for planning, design, procurement, production, sales, service, and customer satisfaction. From 2006 onward, we have unified our branding under the new global brand “Clarion.” The Clarion group plans to continue creating breakthroughs as a company that people all over the world can always count on to provide new excitement and satisfaction.



Toda, Saitama, Japan



Swindon, Wiltshire, England



Mörfelden-Walldorf, Germany



Kaohsiung, Taiwan



Penang, Malaysia



Walton, Kentucky, U.S.A.



Oakville, Ontario, Canada



Santo Amaro, São Paulo, Brasil



Hakusan, Tokyo, Japan



Custines, Meurthe-et-Moselle, France



Nagykatá, Jászberényi, Hungary



Rosario, Cavite, Philippines



Dongguan, Guangdong, China



Moorabbin, Victoria, Australia



Kokomo, Indiana, U.S.A.



San Juan Del Rio, Queretaro, Mexico



# With a history and track record of leading the industry, Clarion always stays a step ahead.

Japan's first car radio, Japan's first car stereo... Clarion's milestones have always come hand-in-hand with the evolution of the automobile itself. Pursuing high quality sound in the extreme environment of the car interior, without compromise. Being keenly aware of the world's trends, enabling the creation of unique, epoch-making products. Various technological achievements, ideas and know-how can be found in their quintessential form, within each and every product we have released to date. And for the future, we will be fusing our accumulated intellectual assets with our corporate philosophy, setting our sights forward and moving ahead with a strong belief in our brand slogan "Clarion H.M.I." which symbolizes our goal of interfacing mobile environments such as the car, with music and information.



**1940's**

**1950's**

**1960's**

**1970's**

**1980's**

**1990's**

**2000's**

**1951 Japan's First**  
Clarion's first original radio Hino Renault "Le Parisien" released

**1963 Japan's First**  
Car stereo developed, and released the next year

**1992 Japan's First**  
Voice guidance-based navigation (Map Narration System) released

**1968 Japan's First**  
Cassette car stereo released

**1948 Japan's First**  
Car radio and PA system for buses developed and released

**1999**  
1-DIN type CD/MD/AV/DSP/EQ/TEL-LINK control AM/FM tuner-equipped CD deck amp DRX8575z released

**1996**  
1-DIN type CD/DSP control, TV/AM/FM tuner-equipped 5" LCD amp VRX8250 released

**2005 First in Industry**  
iPod® full control function-equipped 1-DIN AV center unit VRX755VD released

**2006**  
HDD navigation MAX960HD released from new global brand "Clarion"

**1998 World's First**  
Clarion AutoPC in-vehicle computer developed in collaboration with Microsoft Corp. World's first Clarion AutoPC released in U.S.

**1995**  
First 2-DIN unit in the industry ADX8155 released

**1996**  
High-performance high-quality CD center unit DRX9255 released

**1993 Japan's First**  
Hybrid navigation system NAX-700 released

**2002 Japan's First**  
"AutoPC CADIAS™" in-vehicle computer released. Adopted Windows CE for Automotive as the OS, and "Access Navi" communication type navigation system.



# Pursuing the Ideal Interface to Transform the In-Vehicle Environment through Music and Information

## Navi & Audio-Visual

### Leading the Way in Navigation and Audio-Visual Business

Clarion constantly releases AV and navigation products that bring exciting fresh ideas and technology to the market. The navigation lineup in 2006 includes HDD navigation with its wide VGA display, ultra-high picture quality and a fun-to-use 3D screen menu, designed for receiving terrestrial digital transmissions ushering in an era of rich media content. Our AV lineup features Music Catcher®II, allowing easy recording of CD tracks

on Hard Disk, and connections with various recorded such as iPod®, USB memory sticks and SD memory cards, enabling connections with digital devices that you already possess. In addition, we are developing new products such as new types of audio device with our Human Machine Interface\* or user friendliness and ease of operation. We are also putting our efforts on development of eco-friendly devices, with hexavalent chromium-free parts and lead-free soldering.

\* Human Machine Interface (HMI)  
Interface software and devices that mediate between human and machine: providing information to people, sending commands to devices.



### Development of Audio Systems that are Easier to Operate



Our user-friendly systems, with easy to see and use buttons, large legible text and clear indicator lights, have been highly valued and adopted by many car manufacturers.



As part of our commitment to protecting the environment, from the 2006 models, we display "Clarion Eco-Mark" on the products with higher environmental consideration (ref: page 41).

### The High Picture Quality CCD Rear View Camera with a Broad Visual Field and a Glass Lens



Rear View Camera

The rear view camera displays the view, behind the vehicle on a car navigation or other display in the cockpit, for further enhanced assistance to the safety on the road. It is also equipped with guide line display function to make easier reading of distance on the sides and rear of the vehicle.

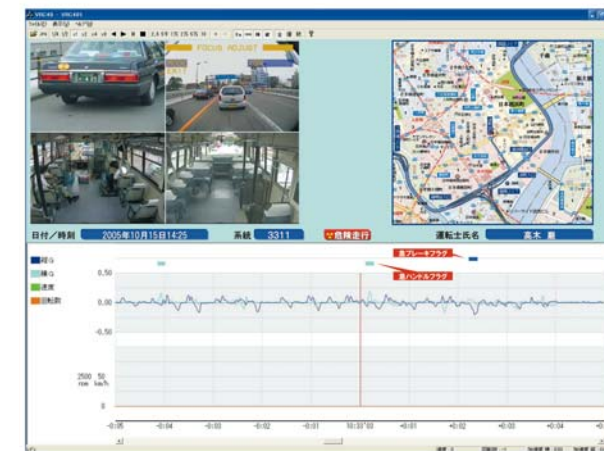
## Commercial Vehicle/Bus System

### Developing Total Solutions for Commercial Vehicles for the Future

Clarion, as the leading manufacturer of bus equipment, constantly develops and expands this field, building upon its expertise with both community and tourist buses. One example is the development of the next generation platform, comprising a new type of in-vehicle terminal using Linux and Java™ as the OS (operation system). We aim to commercialize this platform as an auto guide system for community and tourist buses, and subsequently expand into fleet management system\* for delivery vans, taxis and other commercial vehicles in the future. Additionally, the vehicle safety check system with CCD camera allows drivers to check blind spots, and drive-recorder, designed for vehicles, not only records images in the event of an accident but also obtains and saves vehicle data such as speed and location. These systems will make great contributions to the analysis and prevention of accidents as well as supporting energy efficient driving.

\* Fleet Management System  
A next generation system that enables smooth management of vehicles and their operations through a communication network, sharing data among drivers and operation centers. The application is not limited to vehicle operation management and we expect that the system can have numerous applications such as road-vehicle communication on driving and traffic conditions, emergency information (or reporting) systems, vehicle theft prevention systems, and toll charging systems and many others.

### Sample of picture recorded by the drive recorder shown on PC display (using additional software)



## Content Planning

### Developing Seamlessly Accessible Mobile Contents

Clarion started currently to provide contents for websites and mobile phone internet sites with the strategic view as the next step to offer contents for the in-vehicle environments. We have launched the internet travel portal "Movieum," having in mind in-vehicle use and future application to navigation system that is continuously evolving to have faster and higher performance. As for development of mobile internet sites, we have started to provide entertainment contents through the three major domestic carriers. Additionally, we are setting up local sites with the aim ultimately to let the content business grow to have future close link to and synergism with our core business.

#### ●Contents for Mobile Phone Internet Sites



#### ●Travel Portal "Movieum"



<http://www.movieum.net/>

## We are Clarion



Ryotaro Izumi  
Product Planning Department

### How to Move the Project Forward

The product planning department assumes marketing and product planning functions for all of the product range of Clarion, from aftermarket to OEM. We pave the road for smooth take off and advance of new projects through getting involved directly or indirectly in gathering information from customers as well as from markets, making coordination with our sales and development departments, and in planning and development of new products. The best part of this job is that ideas and opinions of other departments and staff with various and rich experience in their fields are put into a pot and then coming up with exciting proposals.



Takashi Furuya  
OEM Sales Department 1

### Stimulus of Encounter with Outstanding Business People

The OEM sales section plays the role of enquiry desk for our customers, namely car manufacturers. Our duties are wide in range and deep in depth, working with our customers from planning and development right up to production and service responses. We usually work with many people from various fields and backgrounds not only from our own but from other companies, including many from car manufacturers. It is a privilege to be able to work closely with and to learn from these outstanding people and see first hand how they work and think.



## The ability to dream of the future and rise to the challenge will open the door to the next age.

### Development of Human Machine Interface

#### Searching for New Relationship between Human and Machine from Both Hardware and Software Aspects

Building on its wealth of know-how on improving equipment operability in the special environment of a car interior,

or, Clarion works to ensure usability in all its products from various perspectives centering on ergonomics, based on the concept of creating Human Machine Interface (HMI) toward a new relationship between human and machine. We strive for the HMI improvement by taking various approaches not only from hardware aspects such as the numbers, sizes and locations of buttons, but also from software aspects such as map design, operation logic, menu layer or texts for operational instructions on the LCD displays.



### Commercialization of Terrestrial Digital TV Mobile Receiver Systems

#### High-Definition Images without Noise even in a Moving Vehicle

With the conventional analog TV system, noise and distortion made it difficult to enjoy TV pictures while vehicles are moving. The terrestrial digital TV broadcasts that started operation in December 2003 offer Hi-Vision (Japanese high definition standard) pictures for people's enjoyment in mobile environments. Clarion plans to start marketing the compatible products to be in time for the nationwide coverage of terrestrial digital broadcasts from 2006.



A typical picture of conventional analog broadcast (reception) in vehicle



Interference-free picture received on digital broadcast in vehicle

### Bluetooth™-based New Hands-Free System

#### Achieving Seamless Device Connectivity Inside and Outside Cars based on New Wireless Technology

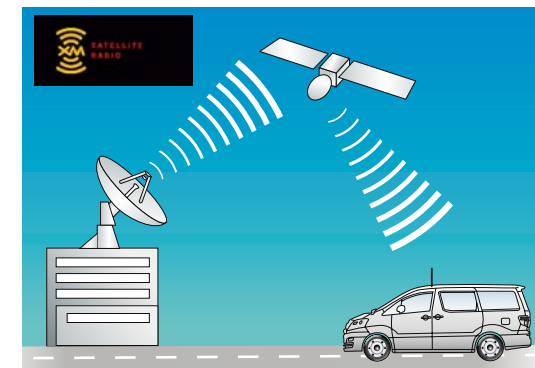
The Bluetooth™-based hands-free wireless system developed by Clarion enables automatic wireless connection for mobile phones and car audio devices. This technology can also be expanded to entertainment applications, and development for cable-free connection for in-vehicle devices and mobile audio devices is ongoing. With this, mobile audio information displays and operation controls can be done via in-vehicle devices, allowing the users to listen to music stored on a mobile device without physical connection between them. This new technology will bring forward the new era of seamless music enjoyment, for example connection between the popular iPod® and other mobile audio devices and vehicle-mounted devices.



### Development of Display System for North American Satellite Radio Traffic Information

#### New Navigation System Incorporating Traffic Information

In North America subscriptions for satellite radio, which beams music with high quality sound directly from satellites, have surpassed 5 million, and have become a force to be reckoned with in the market. A new service offering traffic information with satellite radio started in the fall of 2004 on XM Radio transmission, to be followed by Sirius Radio in the summer of 2006. At Clarion, taking advantage of this service, we have incorporated satellite radio traffic information into our navigation systems for the North American market. The devices display information such as traffic congestion and road hazard areas on the map screen. We will incorporate this new navigation system not only in the devices under Clarion brand but also in some OEM devices in agreement with XM Radio.

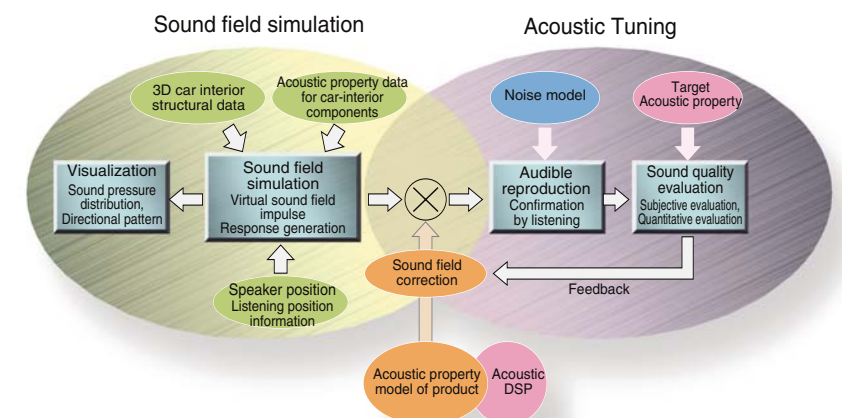


### Incorporation of In-Vehicle Sound Technology

#### Turning a Car Interior into an Perfect Audio Room

"Make the interior of the car, which is acoustically very unfavorable, closer to a perfect audio room," this is the mission of the Audio Technology Development Department at Clarion. We have developed the automatic sound field correction technology that automatically measures distorted sound field qualities and compensate it to come closer to an ideal sound environment, our unique surround processing technology to reproduce acoustic field of the concert halls within the vehicle, and the loudness-compensating automatic-volume control to ensure good music listening against the road noise coming from high speed driving or from various road conditions. For future applications, we are also developing ANC (Active Noise Control) technology to actively reduce noise in the car interior and create a quiet listening room.

#### ● Sound Simulation Technology without a Test Vehicle

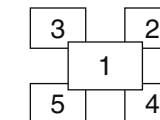


### We are Clarion



#### Achieving 100% On Time Delivery and Proper Inventory Level at the Same Time

It is the responsibility of OEM Administration to support our Sales Department with 100% On Time Delivery to our customers and to achieve a high level of customer satisfaction. We also work to maintain proper inventory levels to meet our Company targets. We are fortunate to work with an exceptional team of Clarion people in the U.S. and around the world. We look forward to doing our part to make Clarion a success in the challenging automotive industry.



1. Mark Veale
2. Kris Sakijha
3. Patty Brahm
4. Nikki Eppert
5. Lisa Norton

Clarion Corporation of America



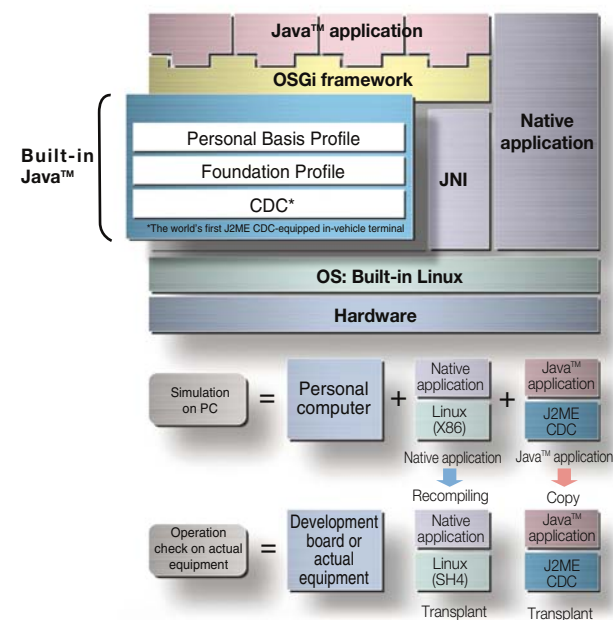
# Know-how gained in the field of in-vehicle equipment opens up new possibilities in new fields.

## Next-Generation Telematics Platform

Creating a new development environment that would drastically change existing development processes

With an eye to the realization of Telematics, Clarion has developed an in-vehicle Linux/Java™ platform combining Linux, a highly reliable OS which provides a variety of communication functions, and Java™, a language having a superior security mechanism. One of the advantages of this platform is that applications can be developed independent of hardware. Its architecture can be utilized in communication-based navigation systems for private vehicles as well as in the development of Telematics audio for downloading images and sounds. Using this new architecture, the time required for developing in-vehicle equipment can be reduced drastically, thereby enabling the creation of a new development environment.

### ● in-vehicle Linux/Java™ platform



### Features expected of a Telematics terminal:

- Distribution of applications via network
- Distribution reliability and security
- No need for new development of applications for different hardware

### Suitable for the characteristics of Java™

#### <Advantages>

- There are many and a large base of developers available. (because it's taught at schools)
- No professional knowledge of integration is necessary. (it took years to acquire knowledge of the conventional Itron® OS)
- Development is efficient because applications can be developed on a PC.

## Automatic Dependent Surveillance System / IMTS Inter-Vehicle Communication System

Using SS wireless communication\* for the development of original ITS technologies

As for ITS technology, Clarion has developed two original technologies as a result of our work in developing the SS wireless communication system. One is the Automatic Dependent Surveillance System that allows centralized management at the control tower, of vehicles operating in a vast area, through a wireless data link. Clarion participated in a development project to create a system primarily intended for vehicle surveillance at an airport. Currently the system is installed and operating at various sites including Shin-Chitose Airport and Chubu International Airport in Japan. The other development is a dispersed type control system, namely our wireless Inter-vehicle Communication System for IMTS (Intelligent Multimode Transit System). IMTS enables automated linear running of multiple vehicles through the high-speed communication of information such as vehicle speed and position data using transceivers installed on each vehicle. An amusement park in Awajishima uses this technology to effectively control shuttle bus services within the park.

\* Spread Spectrum (SS) wireless communication spreads data over a spectrum and transmits it over a wide frequency range.



Chubu International Airport (Centrair)



In-vehicle monitor for airport surveillance system

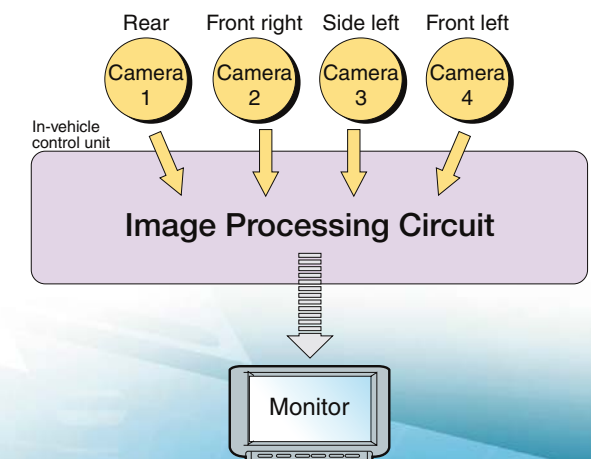


Wireless data link system for inter-vehicular communication

## Next-Generation In-Vehicle Camera System

Applying camera technology to support drivers in parking and driving

Clarion markets a safety verification system which uses an ultra compact and lightweight high-sensitivity CCD camera to provide images of blind spots in the rear and the front side of the vehicle through an in-vehicle monitor. To further apply this system to effective vehicle parking and driving assistance, we are developing image processing and image identification technology. Clarion was the world's first to market a perspective conversion system that converts the camera image to a bird's-eye view image to facilitate parking, and car manufacturers have adopted it on an OEM basis. Clarion is now developing a superimposing technology for displaying anticipated path and distance markers on the monitor image when parking a vehicle, and a white line recognition technology that would greatly enhance safe driving support.



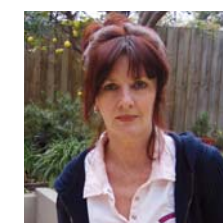
## We are Clarion



Esther Yeo  
Clarion Asia Pte. Ltd.

### The diversity of my clients polishes my communication skills.

My job scope covers a broad range of duties related to Supply Chain Management (SCM) which includes order taking from customers, purchasing from suppliers, import and export shipment and inventory control. Interacting with customers from different regions adds an interesting dimension to my job and satisfying customers' demands with effective SCM control offers great challenges to me every day.



Toni Marshall  
Clarion Australia Pty. Ltd.

### Every day is exciting when you work in an environment that's constantly evolving.

I have been with Clarion for almost 7 years and have witnessed more recently the exciting evolution of the "new" Clarion Australia. Promotions from within the company have resulted in a dynamic marketing and sales team which will take us into a new era. Fresh ideas and aspirations have injected an enthusiasm which I feel privileged to be a part of. My role has also taken some diverse turns through this evolution and whilst my duties as PA to the managing director remain of utmost importance, my role also encompasses import/export procedures and Australian customs requirements. It's an exciting time to be at this company and I look forward to many challenging and rewarding years ahead.

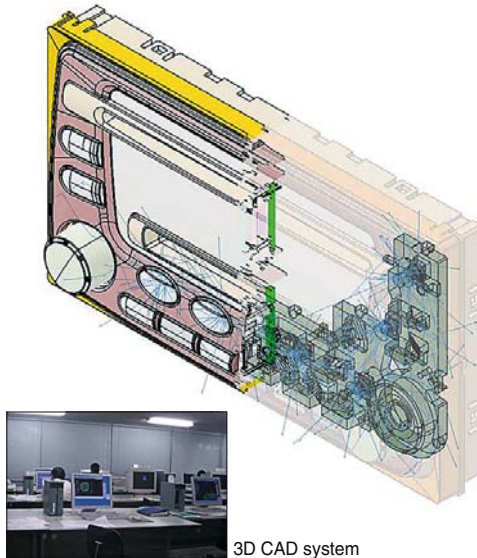


## Our world-standard quality control system is proof positive of our solid reliability.

### Quality Control

"Passing harshest tests one can think of" is the prerequisite for market introduction.

Prototypes, after simulated designing and evaluations on carefully programmed CAD system and severe design verification examinations, are put through even severer quality verification tests, and only after passing them, they are allowed to be put on the market. As our in-vehicle devices are required to offer stable performance in the world's harshest climates, from icy regions to hot zones or areas with 100% humidity, they are put through harshest tests simulating these conditions. The product developing team and the quality assurance team work together (and exchange opinions and ideas) until the products meet all the required standards. These strict quality control systems give a major advantage not only in selling our own products in aftermarket but also when being selected as an OEM partner.



3D CAD system

### Ensuring Product Quality based on Globally Uniform Systems

As in-vehicle devices, as seen in car AV and HDD navigation systems become more complex and sophisticated, ever higher level of quality and precision is required. To achieve this, it is necessary to have in place a system of thorough checks which exceed the conventional levels; throughout the production process before putting the product into the market. Clarion has introduced special programming of inspection instruments and equipment for verification of product behaviors, as well as high-resolution cameras and X-ray scanners for the inspection of miniaturized circuits and components. As for inspections at the production lines, the same standardized check systems are implemented at all of Clarion's factories both domestically and internationally, to assure uniform quality all over the world.

### Establishing a New Quality Control System in Response to Market Demands

The automotive industry, Clarion's largest customer, after its global reorganization over the past few years, has been facing tough demands from the market in all aspects including quality and costs. In response to these demands from the industry, we have been establishing a new quality control system in order to strengthen the partnership with car manufacturers. As a part of these efforts, we are progressing towards acquisition of certification of ISO/TS16949, which together with ISO9001, is an international standard that defines a quality system specifically for the automotive business. We are receiving requests for its certification not only overseas car manufacturers but increasingly from domestic car manufacturers. Within the Clarion group, four companies have already obtained this certification. In addition, we have been developing a consistent quality control system from suppliers to our own company, as well as a global supply chain. With these systems and organizations to meet various demands from customers, we aim to "maintain and enhance customer confidence and satisfaction"

▼ Water spray test device



▼ Dust endurance tester



▼ Weathering endurance tester



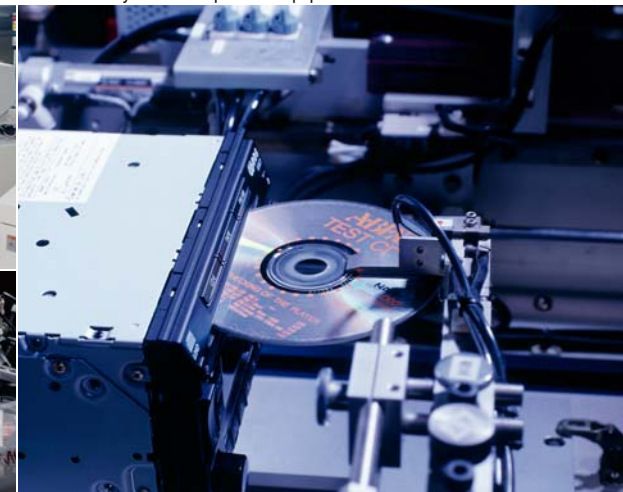
▼ Automatic inspection device



▼ X-ray scanning instrument

Printed circuit board  
▼ automatic inspection device

▼ Pre-delivery 100 % inspection equipment



▲ Automatic repeating endurance test



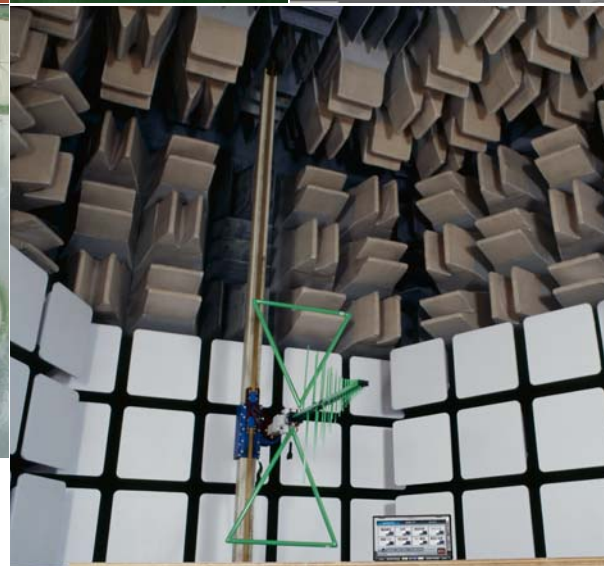
▲ Automatic evaluation test system



▲ Constant temperature and humidity chamber



▲ Resistance to heat and vibration test



▲ Radio anechoic chamber

### We are Clarion



**Tamaki Gotou**  
Design Quality Control  
Department

#### Aiming for Professional in Men's World

I am working in the vehicle conformity evaluation group, is a group to which traditionally no women have been assigned. Therefore, people at car manufacturers and other divisions are always surprised to find a female here. Not only that, there is a 12 year age gap between myself and my closest senior. Initially I was somewhat nervous but, after a year, I feel accustomed to the workplace atmosphere. The development quality control involves operating various models in our product line-up, and requires a lot of knowledge. Although I sometimes feel my progress is slow, I am steadily building up my experience to be a professional in this field.



**Taiji Okazaki**  
Quality Assurance  
Department 1

#### Feeling of Responsibility of Speaking for the Company

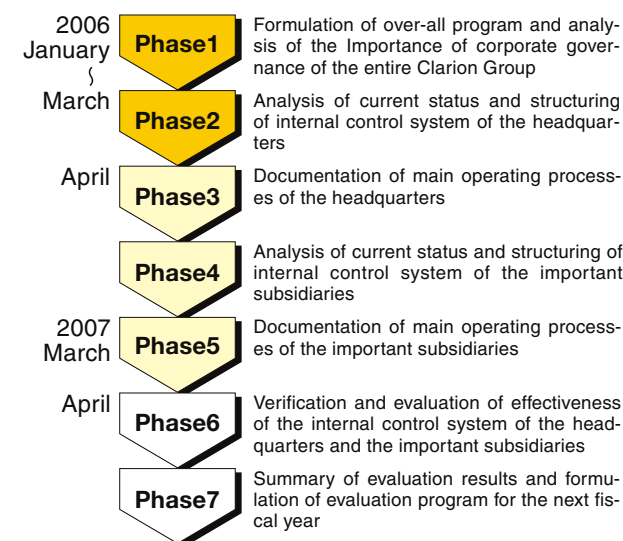
Nowadays, aftercare responses following the delivery of Clarion products to customers influence the confidence toward us. I am involved in quality management and aftercare primarily dealing with car manufacturers in the event of a problem. I have many opportunities to talk directly to the customers. And I feel a great sense of responsibility as on many occasions I am speaking on behalf of the company and what I say or do frequently leads to evaluation of our delivery quality. I strive for my daily works, feeling great responsibility and challenge.



## Pursuing Sound Management Systems to Foster Bonds of Trust with Society

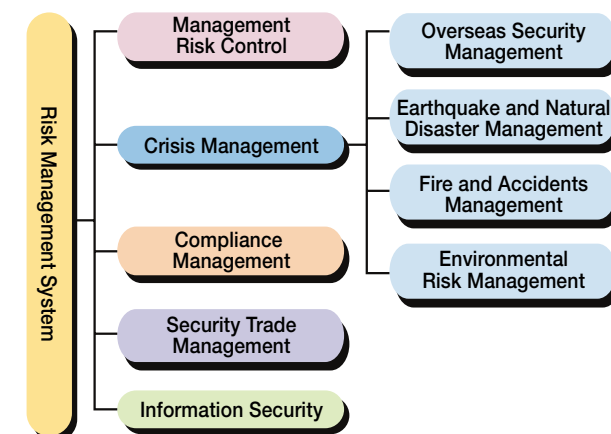
### Efforts to Establish Internal Controls

The society is paying closer attention to corporate governance of companies, and internal controls are bearing more importance in gaining confidence from the society toward any company. Responding to the enforcement of the Corporate Law in May 2006, the Board of Directors made resolutions on the policies towards stricter internal control and addressing issues in connection with Financial Instruments and Exchange Law. More specifically, the Internal Controls Core Project was launched in January 2006, with preparations proceeding in steps with the following processes.



### Risk Management System

Clarion aims to establish a TRM (Total Risk Management) System that controls risks surrounding the company from a companywide perspective. Our TRM is supported by activities in the areas of compliance and crisis management, information security and group strategic commodity management. Regarding crisis management in particular, we have undertaken a wide range of safety measures by introducing a Safety Confirmation System and conducting evacuation drills against possible disasters. In addition, Internal Audit Office has regular audits of all the departments related to management and operation of the System that lead to maintenance and enhancement of the System.



### Establishment of Compliance Management System

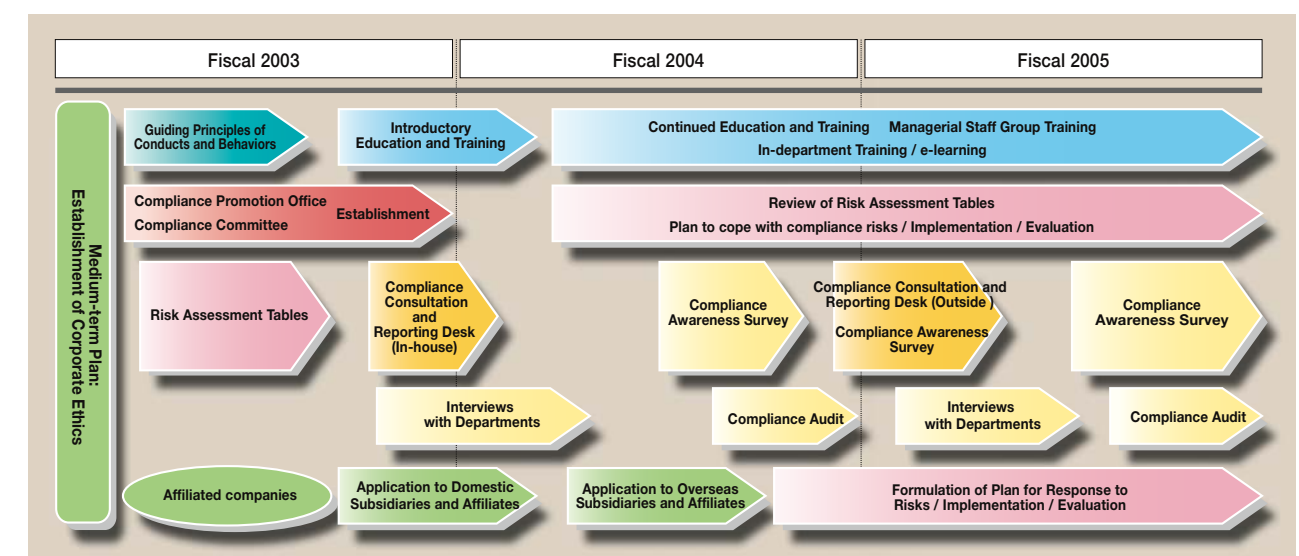
Clarion acknowledges that compliance is fundamental for a company to fulfill its social responsibility. Since fiscal 2003, the entire Group has been actively engaged in the activities under our commitment, "Clarion shall firmly establish corporate ethics on a compliance program having Corporate Philosophy as its core concept." In order to further strengthen our compliance management system, we extend to the entire Group our compliance program based on the Guiding Principles of Conducts and Behaviors, and try to attain integrity and transparency of corporate management.

#### Compliance Management Efforts

The compliance management initiatives since fiscal 2003, with establishment of "Guiding Principles of Conducts and Behaviors" and implementation framework as the introduction phase, have been applied to domestic and overseas subsidiaries and affiliates. Ongoing activities in fiscal 2005 included education and training for managerial-level staff with case studies of other companies and lecturing on new laws and ordinances, such as Personal Information Protection Law was

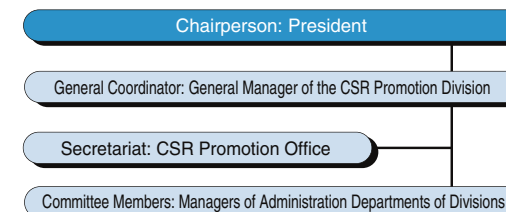
conducted through exchanges of opinions with departments and surveys on awareness of compliance throughout employees. The efforts are continuing through simultaneous audits of compliance management and information security and through priority activities at each department level in order to lower compliance related risks basing on risk assessment table in relations to applicable laws and ordinances, utilizing PDCA cycle method\*.

\* PDCA cycle method  
This is a repetitive process for operational improvements; first making plans (P=to plan), carrying out the plan (D=to do), evaluating the results (C=to check) and carrying out further actions for improvements (A=to act).



#### Compliance Promotion Framework

Clarion established Compliance Committee which is chaired by the President of the Company in July 2003, at the same time drafted out "Guiding Principles of Conducts and Behaviors." Regular meetings are held, with the CSR Promotion Office (the former Compliance Promotion Office) acting as secretariat. In these sessions, reports are made on the compliance activities on each department, and opinions regarding compliance issues are exchanged and shared by the members. Regular liaison meetings are also held with Group companies.



#### Guiding Principles of Conducts and Behaviors

All employees are informed of the Guiding Principles of Conducts and Behaviors via the Intranet, and it is also publicized outside the company on the home page. The principles are also printed on a card, so that all employees can carry it with them.

1. General rules (Observance of the Social Criteria)
2. Relationship with the Society
3. Relationship with Customers, Business Partners and Competitors
4. Relationships with Shareholders and Investors
5. Relationship with Employees
6. Relationships with Company and Company Properties
7. Additional Rules (Consultations / Reporting Desk)



### We are Clarion



Mitsutaka Seki  
Clarion Service Co., Ltd.

#### Our goal: to Provide Technical Services that Satisfy our Customers

The term "technical services" probably makes the reader think of things like repairing defective or broken down products or dealing with customer complaints. On the front lines of the marketplace, however, it covers a wider range of operations that can not be summed up in a simple word. For example, to pinpoint malfunctions will require actually going there to examine the customer's vehicle and providing explanations and service that satisfy the customer. It is also a job for us, FEs (Field Engineers) to undertake actions that will be useful in incorporating customer opinions in future product improvements.



Etsuko Fujita  
Clarion M&L Co., Ltd.

#### Working with Sense of Pride and Joy that "I" have made the product

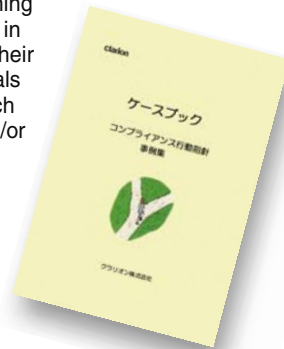
I am working in our vehicle-mounted CCD camera product line. Product variety in this area is increasing rapidly and we expect the market to expand in the future. In the past, my family and friends didn't understand what "vehicle-mounted camera" meant. But recently TV commercials began to mention such cameras, and I'm happy to say that they now understand when I say: "That's what I'm making." I would like to continue sending each product off to the customers about which I can say with confidence and pride that I have made it.



## Becoming a Company known for its Integrity and Transparency by Encouraging Compliance Activities

### Education and Training on Compliance

Compliance education and training are carried out constantly throughout the entire company. The fiscal 2006 group education and training sessions for managerial level staff focused on newly enacted/enforced laws and ordinances (Financial Instruments and Exchange Law, Whistleblower Protection Act, RoHS Directives, etc.). In addition, managerial staffs of group companies take an e-learning course in compliance. Launched in FY 2004, this course enhances their understanding of the fundamentals of compliance management. Each department uses casebooks and/or videos to reach employees company wide in an effort to improve their awareness of compliance.



### Administration of Personal Information

Information provided by customers who purchase our products is used by Clarion in after-sales service and product development. Proper administration of personal information is ensured by "Policies of Personal Information Protection," which are also posted on the home page.

We also are working to prevent information leaks by reinforcing our control not only customer information but also that of employees. A Personal Information administrator is appointed at each department and the Corporate Officer in charge of Compliance Issues supervises as the General Manager Responsible for Personal Information Protection in compliance with the Personal Information Protection Law. From fiscal 2005 on, the status of personal information management in each department is regularly audited in an effort to ensure more thorough security administration.

### Global Approach

Clarion has extended its Compliance Program to the entire Clarion Group, covering eight domestic and 20 overseas affiliates and subsidiaries. All have formulated their own codes of conduct based on the Headquarters' Guiding Principles of Conducts and Behaviors. The codes appear in eight languages, including English, Spanish, Chinese, and Malay. In a similar manner as the Headquarters, the subsidiaries and affiliates are executing programs to identify and address risks, which is the core of the Compliance Program.

#### < Communication >

Clarion holds regular liaison meetings with domestic affiliate to share information on various issues. We additionally try to improve the level of activities through departmental interviews and audits. Regular interviews and discussion sessions are given to senior management staff of overseas affiliates and subsidiaries every year in order to enhance understanding on the issue. Overseas activities are also stimulated by regular reports from overseas facilities and follow-ups tracking responses. In 2005, we made a circuit visit to overseas facilities and personal meetings with local staff helped to put a human face on activities.

#### <For Further Vitalization>

Clarion intends to further stimulate global activities through commendation of "Best Practice Award" to overseas affiliates and through holding CSR World Conferences where all affiliates and subsidiaries throughout the world get together to report on the status of their activities and exchange views.

### Compliance Consultation and Reporting Desk

Our Compliance Consultation and Reporting Desk was set up in November 2003 with the objectives of preventing compliance violations and creating a corporate culture that precludes compliance violations by encouraging employees to discuss and report possible violations. Consultations and reports can be made in person, by telephone, mail, or e-mail (even anonymously). The following year, in November 2004, we set up a similar desk outside the company (for telephone or fax reports), thus facilitating consultations and reports. In connection with the enforcement of the Whistleblower Protection Act in April 2006, we formulated the procedures and schemes of these desks (offices) as a internal regulation, "Regulations on Internal Reports" and publicized it throughout the company. As indicated by the graph, we see more consultations than reports and they are functioning as a communications tool.

### Compliance Audit / Compliance Awareness Survey

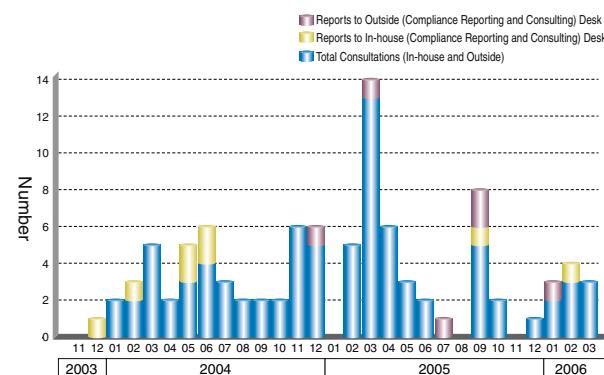
Since fiscal 2004, Clarion carries out Compliance Audits to find out how well Clarion observes its own "Guiding Principles of Conducts and Behaviors," and whether there are any compliance-related problems.

The audit checks all offices for their efforts, compliance with laws, and progress of their information security and risk reduction programs and other aspects, and issues necessary directions for improvements.

As part of progress monitoring, a survey on employee's awareness is also regularly conducted with all employees, and its results are publicized within the company. As the table (excerption) below indicates, employee's understanding and awareness of compliance, including awareness of its importance and reporting methods, are improving steadily, year by year.



#### <Status of Consultations and Reporting>



#### Compliance Awareness Survey

(Conducted in September 2005, covering all employees. Response rate was 82%)

Questionnaire survey questions (excerptions)	Answer	September 2005	September 2004
Is awareness of the importance of compliance well understood in your workplace?	Yes	95%	92%
Do you think making reports inside the company (internal reports to and consultations with the Compliance Consultation and Reporting Desk) is not a right thing to do?	Agree	3%	4%
Do you think that whistle-blowing (reporting and making accusations outside of the company) is not a right thing to do?	Agree	8%	12%
Do you think it would be against your interests to make a report to the Compliance Consultation and Reporting Desk?	Agree	39%	38%
Do you know how to make a report to the Compliance Consultation and Reporting Desk?	Yes	65%	45%

### We are Clarion



Jennifer Wong  
Clarion (Malaysia) Sdn. Bhd.

#### Spreading Compliance by Check and Promotion Activities

Being an Administration Officer, I am also involved in the compliance activities in the company where I assist in carrying out checks on compliance by the staff with the company's guidelines and regulations.

We also receive the regular CSR newsletter that I circulate in turn to the various departments. The departments are aware of the need for compliance and with the appointment of an Internal Audit unit in the company, we hope to improve our compliance level.



Chen Quiang  
Dongguan Clarion  
Orient Electronics Co., Ltd.

#### Aiming to Carry Out Flawless Plans to meet Customer Requests

My job concerns the formulation of weekly plans covering everything from the delivery of components to production and product shipment as well as operations such as product shipment. The role bears great importance to reduce unnecessary costs, to keep inventories down and to supply the products on the time-point requested by customers. And so, I have to aim always flawless plans without any slippage, mistakes or missing of delivery timing. Most recently, through cooperation with Hong Kong and other delivery-related offices, we launched the operation of Yantian Port to reduce logistics costs. I engage in my daily work with a feeling that I always have so many things to learn.



## Working for Sincere, Broad and Far Reaching Communication with Customers throughout the World

For Clarion, the whole world is the stage for the growing business activities, and we see different needs and lifestyles by country and region. In order to meet such different requests, we pursue activities for CS (Customer Satisfaction) tailor-made for each country and region, and, at the same time, we aim to create a unified corporate brand (image) throughout the world. We launched the new Clarion Logo in January 2006, under which we communicate with our customers with unified global branding activities.

### Customer Satisfaction

#### Bolstering Customer Support

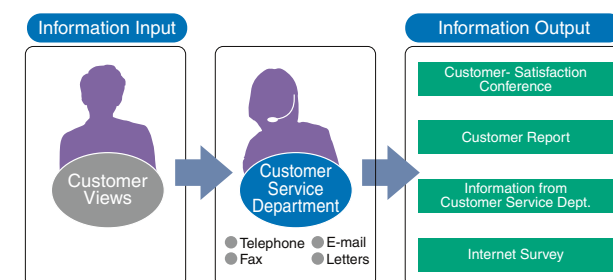
We reinforced the number of staff at the Customer Service Dept. in order to bolster up efficiency in handling increasing inquiries, complaints and other customer related consultations via telephone from customers including our sales outlets and dealerships. Our enhanced system for better Customer Satisfaction now includes reception of inquiries through e-mails and product related FAQ (Frequently Asked Question) page on our website. Furthermore, we have built up a framework making use of our Intranet to reflect opinions and views of our customers obtained through such customer service activities on our products and services and to share such information with our Group companies, domestic and overseas.

#### ■ Inquiry Page on our Website



Total 312 FAQs on our website with monthly access of over 30,000

#### ■ Feedback System for the Views of Customers



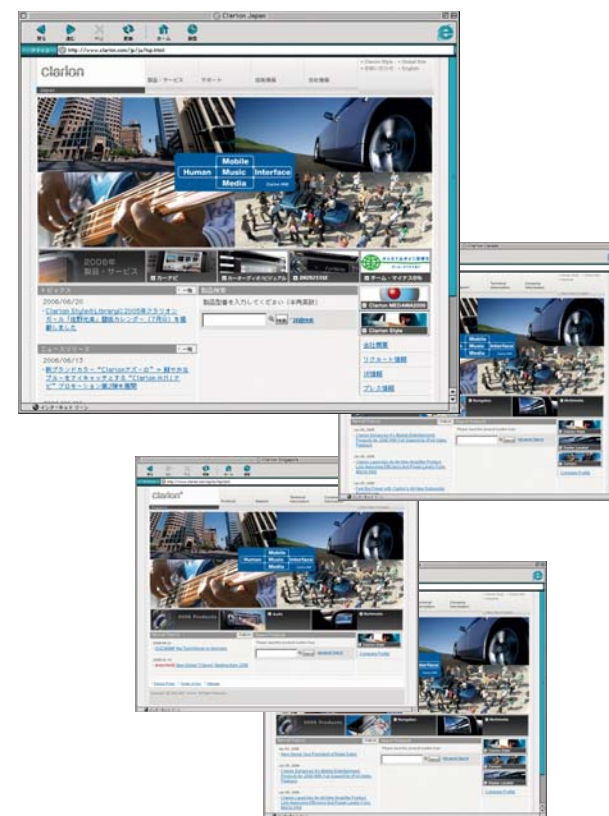
We have set up a system to actively feed back customer views and opinions to (throughout) the company via various pathways, including the CS Conference, service-related conferences, customer reports, and the issuance of information memos.

### Websites

#### Integration of the Websites Enabling Clarion to Provide Uniform Services to the Global Market

Nowadays, a company's website is the most important medium for communication with customers. As part of its global strategy, Clarion has been integrating and renewing the group websites, which used to be autonomously operated in each country. We strive to make images and contents uniform as well as the level of the services. The integrated and upgraded operation of the Group websites will help to make our brand stronger through interactive communications with customers to meet their needs.

URL: <http://www.clarion.com/>



Uniform design formats for our websites in various countries

### Events throughout the World



Exhibition at "2006 International CES," the Consumer Electronics Show in Las Vegas, USA



Exhibition at "KL Motor Show 2006" (at Kuala Lumpur in Malaysia)

Exhibition at "CAR & SOUND 2006" (at Sinsheim in Germany)



Holding "New Global Clarion Brands and New Products Release Exhibition" (at seven locations nationwide)

Exhibition at the "39th Tokyo Motor Show" (at Makuhari Messe in Chiba Pref., Japan)



### We are Clarion



Renato Favatti  
Clarion do Brasil Ltda.

#### Intending to Expand Market Shares with a Spirit of Challenge

As the Director of the Sales and Marketing Division, I am responsible for the sales departments in OEM and retail markets. My goal is to boost sales of retail products. Every day I approach my job in a spirit of challenge, and gratifying results have been appearing gradually over the past several years. Every day at work I have a sense of my great responsibility and a feeling that my job is worth doing in order to attain the goals of growing the company and increasing its market share.



Nayala Paulino de Oliveira  
Clarion do Brasil Ltda.

#### Approaching Daily Work with Customer Satisfaction in Mind

As the head of the Sales Administration Dept., my duties are mainly reception of orders and issuing invoices. Company's sales are rising, and administrative operations are increasing in step. I approach my job by asking myself what I can do to be thanked by customers, not to mention for being able to contribute to the company's business results.



## Deepening our Bonds with Stakeholders throughout the World through a Wide Range of Contributions

Clarion involves itself in activities helping communities in Japan and overseas. Examples include scholarship for promising students, afforestation campaigns and active support for blood donation.

### Activities in Japan

#### Support for Plant Observation Tours and Academic Activities

Clarion Tohoku Office invites schoolboys and students from elementary schools to universities, to visit the factory, and actively supports their studies, as part of its community contribution. In fiscal 2005, 100 junior high-school students from Koriyama-shi, Fukushima Pref. took part in the "work-experience tours." It also invites groups in the neighboring community to such tours. These activities enable us to deepen the bonds with the local communities.



#### Help with Local Clean-Ups

Besides cleaning up the surroundings of the premise at each plant and office, we take part in clean-up campaigns sponsored by local governments, and we contribute to everyday environmental protection activities as part of our role as a member of the local community.

#### Promotion of Afforestation Activities

Promoting afforestation activities, Clarion's Tohoku Office plants dogwood trees every year.



#### Cooperation with Blood Donation Campaign

Our headquarters and Tohoku Office regularly assist with blood donation campaigns as a part of contribution to local health care activities. In fiscal 2005, many employees contributed, and will continue participation in future enthusiastically.



#### Assistance to Pakistan Earthquake Victims

Clarion conducted campaigns to raise donations for the relief of victims of the earthquake in Pakistan. Clarion itself provided a matching gift on top of the amount of funds collected by domestic Group employees, and contributed the aggregated amount to the Japanese Red Cross Society for rebuilding.

### We are Clarion



Takatoshi Sakagami  
Clarion Sales Co., Ltd.

#### I want to be called as "THE Clarion Salesman."

I joined the company in 2005 and am engaged in sales to dealerships of national chains of car accessory shops. Right after I joined the company, I noticed each dealership has different age group of customers and popular products are different by locality of the dealership. And this made me realize, as a salesman, how important it was always to extend the antenna to pick up useful information. Even now, as I have become accustomed to the job, I collect such information steadily. I try to propose event plans and so on to customers based on the collected information, and when a business deal has been concluded successfully, I feel overjoyed and have a sense of accomplishment. As the sales division is the face of the company, I want to be a salesman recognized as "THE Clarion salesman."

### Activities Overseas

#### China

CXEE provides assistance to the education of children. Every year on Children's Day (June 1), CXEE makes donations to local kindergartens and elementary schools. It also regularly visits local elderly people's groups, and assists them with donations and gifts of blankets, and so on.



CXEE : Xiamen Clarion Electrical Enterprise Co., Ltd.



#### The Philippines

CMCP contributed food and clothes to victims of the landslide in the southern part of Leyte.

CMCP: Clarion Manufacturing Corporation of the Philippines

#### Malaysia

CM presented donations in cash and in articles for daily living to orphanages. As part of its 35th anniversary celebration, it invited over 300 physically handicapped and underprivileged children, as well as orphans to a charity lunch. It also contributed to 11 charity organizations.

CM: Clarion (Malaysia) Sdn., Bhd.



#### Mexico

ELECLA has contributed toys to underprivileged children and booklets on environmental education to elementary schools.

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



#### U.S.A.

CCA provided a matching gift on top of the amount collected as donation by the employees and contributed the aggregated amount to the victims of Hurricane Katrina through the American Red Cross.

CCA: Clarion Corporation of America

#### Hungary

CHE contributed aid funds to a technical high school for improvement of educational environment.

CHE: Clarion Hungary Electronics Kft.



Shotaro Nakano  
Clarion Associe Co., Ltd.

#### Providing an Environment in which Employees can Work Comfortably with a Sense of Security

At present, I'm in the H.R. (Human Resources) Support Dept., where I deal with salary, labor, and welfare matters. My job is to help to create an environment in which each and every employee can work comfortably with a sense of security in each and every workplace. It's a big responsibility, and it's worth doing because all of my duties have a lot of influence on employees everyday life inside and outside of the company. In the future, I'll be thinking not only of the happiness of employees but also of my own happiness. I think this will be a new motivation to my work.



# Fostering Individuality and a Challenging Spirit in a Free and Relaxing Atmosphere

One of Clarion's corporate philosophy is a call to "Respecting the Individuality and Ability of Each Employee, and Establishing a Corporate Culture of Generosity."

Our H.R. Administration System operates on the basis of that corporate philosophy.

## Recruiting

Clarion aims to recruit and train people with a wide range of personal values, without setting any boundaries of nationality, gender or religion.

### Basic Policies

- Openness to Any Person with no Discrimination
  - People as Themselves
  - Transparent Processes
- ↔ Fusion of Various Values

### New Graduate Recruiting and Mid-Career Recruiting

#### ■ The Kind of People We Want

Clarion is looking for "independent personnel defined as people who can independently think, positively work on anything, and learn with curiosity."

#### ■ Selection

Clarion's recruitment puts emphasis on people as themselves, irrespective of their academic background, gender, religion or nationality. Through the selection procedures, Clarion evaluates personalities based on interviews with all applicants. During the interviews, assessments are made on the applicant's capability of good communication and of shaping unique ideas through methods such as group works and presentations on pre-assigned topics. All prospective employees are given feedback of the full content of their assessment, to make sure hiring proceeds under a clear selection process. Clarion Headquarters recruit foreigners every year to expand their employment, with two foreigners newly hired in April 2006.

### Employment of People with Disabilities

Clarion aims to expand its hiring of disabled people. Our employment rate of the disabled is improving year by year, with the initial goal of reaching the level of legal requirement. The rate of employees with disabilities at the headquarters was 1.3% in fiscal 2003, rose to 1.5% in fiscal 2004 and 1.6% in fiscal 2005.

### Thorough Implementation of Equal Opportunity and Treatment in Employment

The proportion of female employees at Clarion Headquarters is low, at 10.6%, but our hiring policies make no gender discrimination. Our ratio of hiring new female graduates was 19.1% in fiscal 2003, rose to 22.7% in fiscal 2004 and 29.5% in fiscal 2005. Newly hired female graduates are also finding a wider range of worksite opportunities into our design, purchasing, and sales departments.

### Introduction of Continued Employment System

In response to the governmental measures on "Stabilization of Employment of Older Persons" which took effect in April 2006, we introduced a re-employment system following employees' mandatory retirement at age 60. The system has been applied to applicable persons since May.

## H.R. Administration System

Clarion has instituted new H.R. Administration System since 2003, based on which we have been strengthening our human resource management function to give our employees an incentive to pursue their tasks confidently, with a sense of security.

### Basic Policies

- Establishing Self-realization
  - Establishing a Corporate Culture of Generosity
  - Discovering and Fostering of "Independent Personnel"
- ↔ Appraisals based on the roles and degree of contribution to the company

#### ■ Grading System by Roles

Role grades are determined on the basis of commitment between the employee and the company, with roles corresponding to the characteristics of business processes.

#### ■ Assessment System for Contribution

$$\text{Degree of contribution} = \text{Productivity of working processes} \times \text{customer satisfaction}$$

Rather than taking a results-oriented approach, we assess the processes that lead to results, and use the assessments of the customers\* who will benefit from the results.

\*Customers: The counterparts who buy or use what each person creates as output of his/her work.

#### ■ Semiannual Salary System and Performance-Linked Bonuses

We have adopted a salary system linked to the market level of remuneration. Results are timely reflected in wages, in semi annual units, and the level is based on our awareness of the market.

#### ■ In-House Recruitment System and FA System

To encourage independent career formation, we switched from a company-led system to a vocational system of in-house recruitment, in which employees can select their roles (workplace reassignment procedures in line with personal wishes, as an opportunity for staff to select their own jobs within the company). We also adopted the FA (Free Agent) system to encourage flexible movement of personnel within the company. As a result, six employees made use of the "In-house Recruitment System" and one "FA System" in the second half of fiscal 2005.

## Human Resource Development

Clarion uses its Career Development Support System for human resource development. We support development of human resource in various forms and fields with aims strategically to develop "human resource" in the company and departments and to support autonomous individual activities.

### Basic Policies

- Support for Self-realization
  - Clarification of Competence
  - Clarification of Roles
- ↔ Enhancement of Employability

### Education and Training System

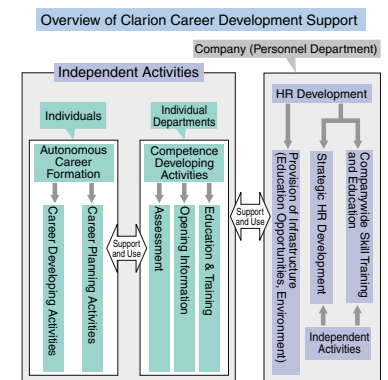
Based on its Corporate Philosophy, Clarion sees human resource as the driving force of company management, and realizes importance of continued education and training for employees. On this belief, we offer education/training programs via internet/e-mails, and other programs aiming at sustainable management.

	General Staff	Experienced Staff	Managerial Staff
Management Education/Training		Next Generation Manager Education/Training MOT* Training Management Skill Education/Training	
MS Education/Training (Management System Education)	Third-year Follow-up Education/Training	Career Planning Education/Training	
Job Skill Training	Technology and Quality Education/Training (Specific Engineering Skills, Administration and Designing Skills)	Global Skill Education/Training	
Basic Education/Training	Companywide Skill Education/Training	Language Training Linguistic Education/Training	
Self-development	New Employee Education/Training	In-house Internship Training	Career Guidebook (e-learning/correspondence courses)
OJT	OJT		

\*MOT is initial letter of Management of Technology

### Career Development Support System

The company (Human Resources Dept.), the departments and the individuals all act independently, according to their roles and objectives, and the synergetic effects among them enable the company and departments to improve the quality of human resource, so that the individuals can enhance their market value.



#### ■ Internal Internship Program

Clarion provides employees with opportunities for practical workplace experience when they use the in-house staff recruitment system and the FA system

#### ■ Mentor System

Each new employee (a mentee) is allocated with a senior staff member from the same department as his/her mentor. This method encourages each new recruit to become independent and to build up internal network within the company at an earlier stage of employment. Clarion is the first company to have adopted this system in Japan.

#### ■ Support for Community Activities

Clarion supports a wide range of volunteer activities such as problem-solving teams and seminars

#### ■ Support for Career Planning Activities

Clarion provides career planning education and training to assist each employee to independently examine and implement his/her carrier formation.

#### ■ Global HR Development

Since 1999, we have been accepting technical trainees from China every year as part of our global human resource development. In fiscal 2006, we have promoted further mutual exchanges by accepting personnel affairs trainees for the first time.

## We are Clarion

During work, my mentor is a strict senior associate, but in private she's kind and sisterly.

Ms. Yokoyama, who is my mentor, is strict with me during work. But when work is over, she behaves as if she is a kind older sister. She gives me good advice on both work and private matters. When I started my career as a buyer, there were times when things didn't go as well as I had hoped, and I got depressed. On such occasions, she eased my worries and anxieties like magic by telling me her failure stories about the time when she too was new on the job. I intend to try even harder from now on, too, so that I can become as soon as possible a senior who has won as much trust from subordinates as her.



Li Dandan  
Global Purchasing  
Department

Ikuko Yokoyama  
Global Purchasing  
Department

I want to learn from her "Can-Do Spirit"; and I hope both of us will be able to grow together.

Ms. Li, who is my mentee, doesn't yet fully understand how things work in the company. But from her first year with the company, she's been going through even difficult coordination works with customers or the company's internal sections as a professional buyer. I've been keeping my eyes on the way she works, and if she should happen to get into trouble or make a mistake, I would surely give her precise and appropriate advice. I want to learn from her can-do spirit; and I hope both of us will grow together.



# Creating a Working Environment where Every Employee can Achieve their Maximum Potential

Clarion pursues a wide range of health and safety activities to build a safe, healthy and comfortable workplace environment for the employees.

## Safety in the Working Environment

Clarion has established a committee called Health and Safety Committee to draw up a basic health and safety plan.

### Basic Policies

- Maintenance and Improvement of Mental and Physical Health
- Eradication of Industrial Accidents (Zero Accidents)
- Creation of a Comfortable Working Environment

### The Health and Safety Committee

The committee meets once a month to discuss topics relevant to health and safety based on the basic policies. The Clarion Group Health and Safety Council, comprised of affiliated companies in Japan, also meets once a month to share the headquarters' basic policies across the group and promote related activities.

### Work Health and Safety Management System

Two overseas plants (in China and Hungary) have acquired international certification OHSAS18001 for their work health and safety management system.



## Eradication of Industrial Accidents

Clarion promotes safety measures with the goal of zero industrial accidents in major scale. This comes from Clarion's highest priority to secure safe working environment for the employees as well as to fulfill its corporate social responsibilities. There were no accidents in fiscal 2005.

## Maintenance and Improvement of Mental and Physical Health

As lifestyles of the employees change, the risks of lifestyle-related disease are rising. Clarion encourages all employees to go through the regular health checkups. At the same time, we promote various programs and measures for maintaining and improving health, with emphasis on the importance of prevention of lifestyle-related diseases.

### Regular Health Checkups for all Employees

One of Clarion's primary goals is to make all the employees go through regular health checkups for the early discovery of diseases. In fiscal 2005, 100% of employees, other than those under long-term absence or maternity leave, went through the checkups.

### Follow-Up after Health Checkups

Clarion gives consultations by health care professionals to those employees aged 35 or over, who unfortunately received the result with comments, "secondary tests required" or "treatment required," with advice on how to improve lifestyle habits. Clarion also gives instructions to those who received the results with requirement for secondary tests, to get such tests at local medical institutions, and to report the results to the company, if they consent.

## Mental Health

As stress due to workload and personal relationships in the workplace increases, mental health becomes increasingly important. Clarion takes action on mental health, because it believes that the vigor of the company is enhanced when employees are healthy in mind and body.

### Establishment of the Health Counseling Office

Based on the "Guidelines for Improving the Mental Health of Workers in the Workplace" by the Ministry of Health, Labor and Welfare, Clarion established a health counseling office with outside counselors under contract in fiscal 2004. Employees can go directly for counseling, without going through the company or corporate health insurance union. The office also accepts consultations via telephone and e-mail, making it an easy place for people with mental health problems to reach counselors to talk to.

### Promoting Awareness on Mental Health

The Health and Safety Committee stages mental health lecture by expert lecturers for better understanding on mental health in the workplace. In fiscal 2005, approximately 140 people, mainly managers, participated, and learned the importance of communication and early noticing of possible problems in the workplace.

## Welfare

Clarion is working to create an environment in which each individual employee can work more comfortably.

### Efforts to Support Child Caring and Nursing

Clarion has set up a childcare leave system and a nursing leave system, to ensure an environment and working conditions that allow employees who need to take care of small children or older family members to balance their roles at work and at home.

(Clarion HQs)

	Fiscal 2003	Fiscal 2004	Fiscal 2005
Childcare Leave	5 persons	5 persons	3 persons
Family-Care Leave	None	None	None
Nursing Leave	None	None	None

### Efforts for the Full Consumption of Paid Holidays

Clarion recognizes the obstacles in actual workplace conditions and is working to create an environment which makes it easier to take paid holidays, with the goal of ensuring full uptake of paid holidays.

### Vacation Deposit System

Clarion has instituted a system for saving up paid holidays (up to a limit of 60 days). Under this system, the employees can save up a maximum of five days per year of the unconsumed annual paid holidays which expire in two years from the date of the grant. The saved-up paid holidays are used as a leave for the treatment of non-work-related injuries or to care for family members.

## We are Clarion



Béla Hórti  
Clarion Hungary  
Electronics Kft.

### I fulfill my duties in the firm belief that "Continuation is Power."

I am in charge of receiving Purchase Orders, making Production Plans, and operating Warehouse for Finished goods. To keep the delivery to our customers completely on time is most worthwhile in my job. I am also the chairman of the daily production meeting (DP), which starts from 9:00 am every morning for half an hour. I am proud that we have been holding DP meeting every morning without missing it for 6 long years. I think that a continuation is power.

### Keeping a Close Watch on Quality, Delivery Schedules, Cost, and other Production Processes from Start to Finish



(from the left)

Maricris Arayata  
Amie Soriano  
Sandy Tolentino  
Al Buclatin  
Mylene Angel

Clarion Manufacturing Corporation of the Philippines

Our job in Production Control is mainly to receive production orders and follow its development from production and materials planning to final delivery to the customer. Along the way, we have to find ways to do things more efficiently and more effectively - balancing inventory, reducing production balances, and controlling costs to a minimum while getting the products delivered on time. All of these are achieved through careful planning, cooperation and teamwork, and continuous communication, both internally and externally with the importance on quality in mind at all times. We are Clarion!



# Complying with Legal and Voluntary Requirements to Balance Business with Environmental Protection

## Environmental Policy / Promotional Framework for the Environment

Clarion works for harmony among people, communities and nature and engage in sustainable corporate activities. Clarion commits itself to be an environment friendly enterprise through such measures as effective use of the limited natural resources as well as energy. Based on the Corporate Philosophy, the entire Clarion Group undertakes environmental protection activities, by concentrating its resources in areas of technical, economic, and human resource fields.

### Environmental Policy

#### Environmental Philosophy

We, Clarion Co., Ltd. acknowledge that preservation of the environment is one of the most important issues of the world and the fundamental issue in the management of an enterprise. We shall act with considerations to the well being of the environment in every aspect of the corporate activities based on the Management Commitments stated in the Corporate Philosophy:

- Maintaining a strong awareness of our place in nature and a commitment to the environment.
- Fulfilling our responsibility, as a corporate citizen, for better society.

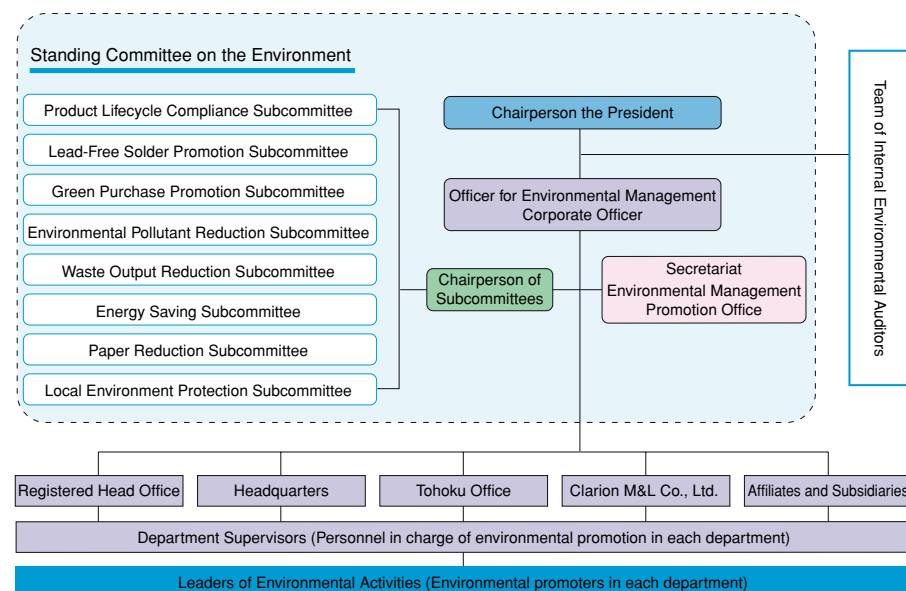
#### Basic Policies

We shall evaluate the environmental effects by its business activities, by products and services which are development, production and distribution of devices mainly of car-multi-media, and shall set up environmental objectives and targets for important aspects, review them and improve the environmental burdens as much as technically and economically possible.

- 1) We shall comply with all laws and regulations, treaties and self-designated standards concerning the environmental preservation.
- 2) We shall promote to minimize use of hazardous substances and natural resources from the designing stage and promote such resource-saving and recycling designs
- 3) We shall, in the production activities, promote activities for energy conservation, for less factory wastes and recycling of substances, and aim at recycling-based society.
- 4) We shall take preventive measures against environmental pollution from waste water from offices and factories, or in case of accidents or other emergency situation from leakage of oil or other hazardous substances.
- 5) We shall also make efforts to preserve the community environment about the offices and factories by greening with tree planting, by improving appearances, by preventing noise and vibrations.
- 6) We shall let all employees be aware of the Environmental Policy and shall improve their knowledge regarding environmental preservation.
- 7) This Environment Policy shall be made publicly known.

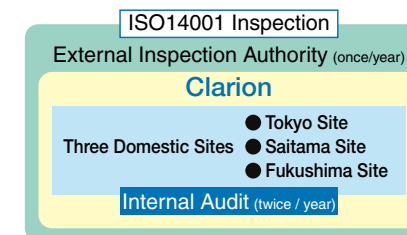
### Promotional Framework of Environmental Management System

Clarion has constructed an environmental management framework to promote environmental protection activities. We established the Standing Committee on the Environment, chaired by the President, in order to promote environmental protection activities throughout the company. Within the committee are eight subcommittees cutting across departmental boundaries. These subcommittees play a central role in addressing environmental protection issues in each specific field from a companywide perspective. In addition, each department assigns one or more leaders of environmental activities to promote environmental activities in that department.



## ISO14001 Certification and Developments

Clarion completed establishment of a companywide environmental management system as the international standard ISO14001 certification was awarded to the entire company in April 2000. At present, three company sites have acquired the certification, reflecting changes in the scope of application. One more group company site is expected to be certified in June 2006. As of May 2006, the company remains certified, having passed two renewal audits and four regular audits. In Japan, internal environmental audits are conducted twice annually to assess whether the environmental management system at our domestic sites is being appropriately implemented and maintained. At our overseas affiliates and subsidiaries, 10 sites, largely production bases, have successfully been certified and one site is in the process of earning certification.



Region	No. of Sites	Date Certified
Japan	3	April 2000
Mexico	1	February 2002
U.K.	1	February 2002
China	3	Sep. - Dec. 2002
Taiwan	1	July 2003
Hungary	1	October 2004
Malaysia	2	May 2005
France	1	May 2006
Philippines	1	Certification expected within 2006

### Compliance with Environment-Related Laws and Regulations

Clarion compiles and shares a companywide database covering major environment-related laws and regulations as well as customer requirements. Compliance with laws and regulations is checked on a monthly basis, and "the Standing Committee on the Environment" determines the compliance level of the entire company. For everyday operations, the relevant departments identify deviations from the reference values set by laws and regulations and the risks of environment-related accidents and/or complaints, and set up and strictly follow "self-imposed standards." There were no violations of environment-related laws and regulations or ordinances nor any accidents or complaints in fiscal 2005.

### Environmental Education

Clarion provides systematic education so that all employees properly understand environmental problems and carry out activities accordingly.

#### 1. General Environmental Education

The department in charge of Environmental Management provides education and training to department managers, including managers from domestic affiliated companies. Based on this education and training, the managers take the lead in conducting an education program for employees of their respective departments at least once per year.

#### 2. Level-Specific Education

This program for education of environmental management system is provided by the H.R. Dept. and the departments in charge of the Environmental Management to each organizational level staff from new employees to department managers.

#### 3. Training For Internal Environmental Auditors

This program consists of training by an external training institution and training by Clarion's leading internal auditor group, twice a year, in June and November (targeting approx. 29 people). Follow-up training sessions are also held as necessary.

#### 4. Professional Training for Workers Engaged in Designated Tasks

Personnel qualified for certain designated jobs under laws and regulations and employees engaged in tasks that have profound impact on the environment are categorized as "workers engaged in designated tasks," and are provided with professional training in accordance with their duties.

## We are Clarion



**Bryan Buhain**  
Clarion Corporation of America

#### Ensuring a User-Friendly IT Environment for the Staff

My responsibilities include troubleshooting and repair of PC systems, and support of the Local Area Network in the headquarters office, seven other facilities in the United States, as well as Clarion Canada Inc. Using remote control software, I am able to help employees at other sites with their PC problems, without being in their office. But supporting computers now also includes mobile phones and handheld devices, which are particularly challenging. I enjoy continuing to learn more about computers and networks, as well as using my technical skills in helping employees to solve their computer problems, and use their computers more effectively.



**Scott Kozick**  
Clarion Corporation of America

#### Supporting Clarion Products Working together with Car Manufacturers

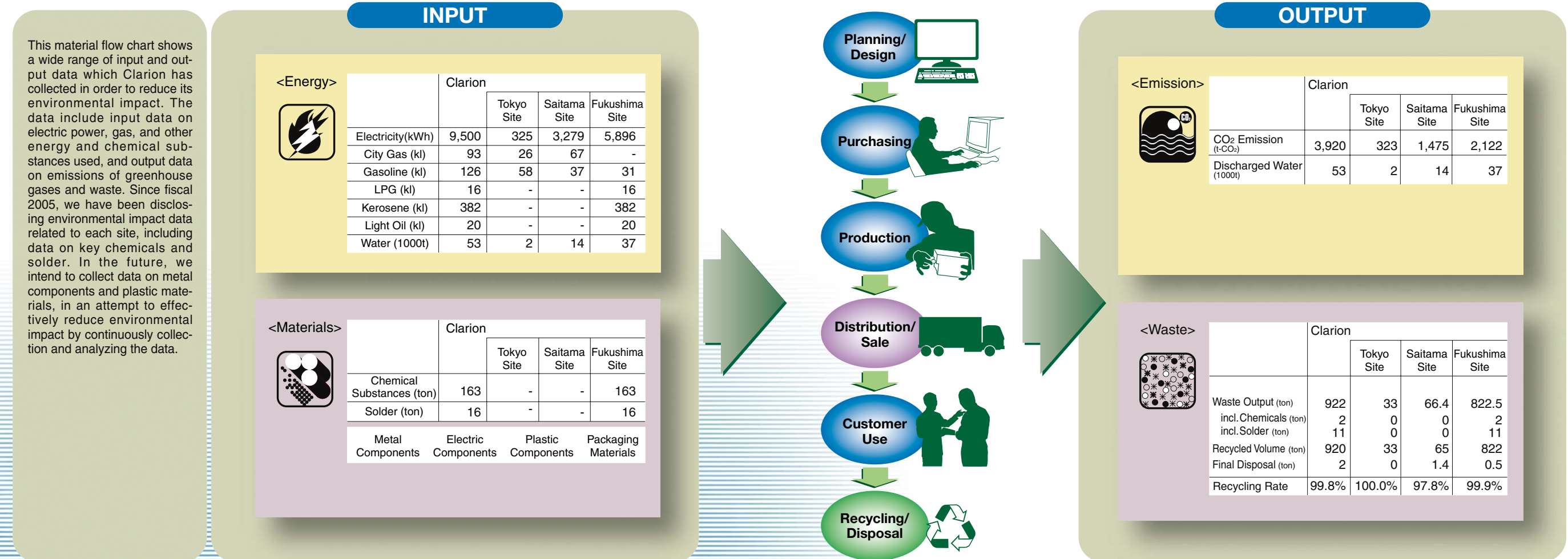
My main job duties are to work closely with the engineers at Honda R&D Americas, Inc. during the development of new models to ensure our products meet or exceed the strict requirements and specifications set forth by Honda. Most recently this was done for the 2006 2-door Civic, which has gone on to win "Car of the Year" awards from numerous automotive publications in the US. It is personally rewarding to be able to develop the product from concept to mass production. We are working hard to provide the customer with the highest quality automotive entertainment products, which will help us grow our sales and product base to Honda in the future.



## Promoting Ongoing Environmental Protection Activities to Realize a Recycling-Based Society

### Material Flow

Clarion is committed to implementation and promotion of environmental protection activities, ranging from the procurement of materials to development and production, in order to mitigate the environmental impact of its business activities.



### We are Clarion



Doug Timms  
Clarion (G.B.) Ltd.

#### Paving the Way for Business Success by Bearing Part of the Global Business Framework

OEM sales team takes care of European carmakers: Nissan, Honda and Ford etc., including car importer and dealer option.

Our responsibilities include business development, account management, project management and sales administration.

Thanks to our company infrastructure, I believe that Clarion has the ability to react and cope with these increasingly more difficult and diversified needs of customers throughout the world. Together we can make it happen!



Nick Grattan  
Clarion (G.B.) Ltd.

#### Group Backup Supporting Hard Work

My job is mainly to administer the inventory management of OEM products and new projects. Requirements from leading automakers regarding quality and delivery schedules are getting more rigorous year by year, which keeps me busy with working to handle each item accurately and reliably day by day. Naturally, there's a great deal of pressure associated with such operations. And yet, what makes my job worth doing is the fact that I have reliable associates, thanks to the strong backup provided by the Clarion group as part of its growing role on the world stage.



Naoto Watanabe  
Resident Engineer  
at Clarion (G.B.) Ltd.

#### Aiming to be a Specialist as "Technical Intermediary"

If I can say about my job in a word, which is "a technical agent". The role assigned to me is to ensure smooth communication between Japan and U.K. (Europe) which is often jeopardized because of invisible barriers of language, customs and physical distance.

The role extends to vast areas of operations, from taking care of sales and quality related issues to handling telephone inquiries. I feel, though, I am in a great environment, where I can encounter various experience as well as people. From these I can learn many things in a well-balanced manner.



## Focusing on the Future through Achievements and Prospects in Environmental Protection

Self assessments (achievement ratio) consist of evaluations converted into numerical values. ○...100% △...70% or more ×... less than 70%.

Issues and Items			Mid Term Environmental Plan (Fiscal 2006 - 2008)	Fiscal 2005 Targets	Fiscal 2005 Achievements	Self Assessments	Page
Product	Development of eco-friendly products	Development of product lifecycle assessment	Reduction of environment impact by saving resources, promoting recycle design, and controlling and reducing harmful substances in products under development	Reduction of the use of parts with environmentally harmful substances Use of alternative components based on the self-imposed standards in compliance with ELV (End of Life Vehicles) Directive and VOC(Volatile Organic Compounds) regulations Promotion of low environmental impact design Promotion of design based on environmental assessments (Lighter weight, recyclability, degradability, environment-preserving, energy-saving, longer life, easy disposal, etc.)	Completed replacement with alternative components within fiscal year Compiled and implemented requests from each OEM customer Set up environmental mark (labels) Type I	○	P41 P42
		Use of lead-free solder in products	Implementation of lead-free soldering in the manufacturing processes for OEM products in response to customer requests Limited implementation for aftermarket products to European models, with the full-scale implementation in sight from 2007 models onward	Partial implementation of lead-free soldering in new products for OEM and aftermarkets with limited destinations	Implemented lead-free production for OEM models and Europe-designated aftermarket models	○	P42
		Promotion of green purchasing	Reduction of environmental impact by controlling and reducing harmful substances contained in products Development of control system for substances subject to environmental regulations	Promotion of green purchasing	Commercially used alternative components standards based on self-imposed standards	○	P42
Business Activities	Prevention of global warming	Promotion of energy-saving activities	Reduction in energy usage of 4% (converted to CO <sub>2</sub> ) by March 2009 from the fiscal 2004 level	(vs. Fiscal 2004 achievement) Reduction in energy usage of 2%	(vs. FY 2004 achievement) Reduced energy use 4%	○	P40
	Continuation of zero waste output	Reduction of waste output Promotion of recycling	Reduction of waste output and expansion of recycling Promotion and continuation of zero waste output (Target: Recycling rate of 99% or more)	(vs. Fiscal 2004 achievement) Reduction in waste output of 20% Promotion and continuation of zero waste output Recycling rate 99% or more	(vs. FY 2004 achievement) Reduced waste output 89.5% Achieved zero waste output Recycling rate 99.8%	○	P39
	Control of chemical substances	Reduction in discharge of environmental pollutants	Reduction in discharge of environmental pollutants	Reduction in discharge of environmental pollutants IPA (Isopropyl alcohol) 600kg or less Waste oil 1,200kg or less Solder 7,200kg or less	Amount discharged IPA 905kg Waste oil 890kg Solder 10,578kg	×	P39
				Implementation of measures to prevent environmental pollutants	Implemented prevention measures and environment patrols	○	P39
	Conservation of resources	Reduction in usage of office paper	Reduction in use of copy and EDP papers to 9,800 thousand sheets or less by March 2009	Copy and EDP papers usage: 11,000 thousand sheets or less	Copy and EDP papers usage: 9,328 thousand sheets	○	P36
Social Activities	Environmental Communication	Environmental activities in local communities	Implementing afforestation activities Cleaning up areas surrounding sites Communicating with local residents Volunteer activities in Japan and overseas Cooperation with education programs at schools, etc	Afforestation (tree planting)	Planted trees at the Fukushima site	○	P25
				Cleaning up areas surrounding sites	Held regular cleanups around the three sites	○	P25
				Cooperation with local residents	Cooperated in educational activities at local schools from primary schools to universities	○	P25
Administration Activities	Continuation of environmental management system	Acquisition of certification after ISO14001 renewal audit	Acquisition of certification after regular and renewal audits	Passage of 2006 renewal audits at the all three domestic sites (Complied with ISO14001:2004 version)	Renewal audit conducted in February 2006; passed the audit for continuing certification	○	P32
		Compilation of environmental accounting and publication of CSR report	Publication of "Clarion Report" and improvement in quality and enhancement of its contents year by year	Publication of "Clarion Report 2005" in Japanese and English	Published the domestic version of "Clarion Report 2005" in August and the English translation version in October	○	P45

### Environmental Protection Activities: Targets and Achievements

#### Efforts and Achievements

Clarion undertakes a wide range of social and environmental initiatives in its business activities. Based on the achievements of the fiscal 2005, we have reviewed the mid term management plan set forth in the previous year and have formulated a new three-year management plan running to March 2008. The entire company is promoting environmental protection activities in order to achieve the targets set out in the new plan.

#### Self Assessment for the Fiscal 2005

Results for the fiscal 2005 show the chemical substance control did not meet its annual target. This was because larger production volume resulted in more usage and discharge of environmental pollutants. From now on, Clarion will make every effort to reduce use of chemical substances in production as much as possible. As for the other items, the targets were all achieved, and Clarion is determined to further promote environmental protection activities under the new mid term management plan.

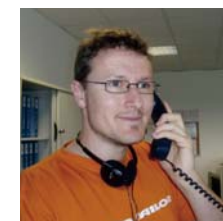
### We are Clarion



**Ryusuke Kaneshiki**  
Resident Engineer  
at Clarion Europe S.A.S.

**I want to create good synergy effects by absorbing French culture.**

After gaining experience in the mechanism development and OEM product design, I'm now working as resident engineer in France. Every day I handle a wide range of requirements and questions from customers acting as a liaison between head office and local staff-members in order to enhance customer satisfaction. Culture gaps tend to cause frictions, and the frictions may result in various problems. But at the same time, I think this enlarges our perspective. I'm bracing myself up to absorb French culture and create good synergy effects instead of frictions.



**Matthias Hirsch**  
Clarion Europa GmbH

**I want to deliver best satisfaction to customers through our products.**

Since 2000, I'm working for Clarion as quality engineer. I'm responsible for all quality inquiries coming from our subsidiaries or agents. Furthermore, I carry out initial incoming inspections of new products. Based on the results, improvements or modifications will be discussed together with Tokyo engineers. Since approx. 4 years, I'm taking care of our quality management system (ISO9001) as management representative in addition. I love the daily challenge, which is included in our customer's questions. To duplicate their problem and to send the answer they need. It is much fun, to work with people around the world. A satisfied customer is the best accomplishment you can ever get.



# Objectively Assessing Our Achievements through a Stringent Auditing System

Clarion adopted environmental accounting as a tool to more effectively promote the environmental management. Environmental accounting figures have been compiled for our domestic sites since 2002 in accordance with Clarion's environmental accounting guidelines, which follow "the Environmental Accounting Guidelines" of the Ministry of the Environment. In fiscal 2005, we expanded the coverage of environmental impact data to the 11 overseas sites that had acquired ISO14001 certification. We are striving to gain understanding on our environmental protection activities through active disclosures of the environmental information.

## Environmental Accounting

### Results for Fiscal 2005

- In terms of environmental protection costs in fiscal 2005, we made investments of ¥34 million and incurred costs of ¥433 million.
- The total amount of investment increased by ¥5 million over the previous year because we have been making investments since last year on facilities to implement more lead-free production facilities in order to constrain environmental impact at the manufacturing stage.
- The total amount of costs increase by ¥242 million over the previous year due to the appropriation of ¥252 million as the asbestos disposal, while other costs slightly decreased or remained almost the same as in the previous year.
- Energy saving activities led to decreases in the amount of electricity and fuel oil used. Thanks to these achievements, along with the results of recycling and benefits of producing lighter weight products, total economic benefits (for the domestic sites) amounted to ¥92 million.

#### <Scope of Data Compilation>

Japan	Non-production Sites	Tokyo Site Saitama Site
	Production Sites	Fukushima Site
Overseas	Non-production Sites	CGB (the U.K.) CHI (Hong Kong, China) CF (France)
	Production Sites	CHE (Hungary) DCOE (China) DDCE (China) CTC (Taiwan) CXEE (China) CM & CPM (Malaysia) CMCP (the Philippines) ELECLA (Mexico)

\* For information on abbreviated company names, please refer to "Covered Sites of Environmental Accounting and Environmental Impact Data" on page 45.

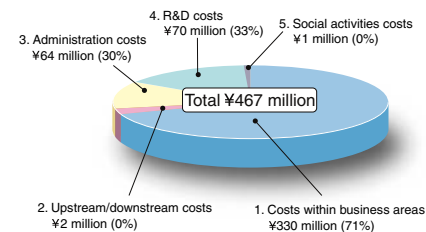
#### <Applicable Period>

Fiscal 2003	April 1, 2003 - March 31, 2004
Fiscal 2004	April 1, 2004 - March 31, 2005
Fiscal 2005	April 1, 2005 - March 31, 2006

## Environmental Conservation Costs (Domestic)

		Fiscal 2003		Fiscal 2004		Fiscal 2005	
Category		Investment	Cost	Investment	Cost	Investment	Cost
1. Costs within business areas		0	57	9	54	12	318
2. Upstream/downstream costs		0	2	0	1	0	2
3. Administration costs		0	93	0	94	0	64
4. Research and development costs		0	47	20	47	23	47
5. Social activities costs		0	0	0	0	0	1
6. Environmental remediation costs		0	0	0	0	0	0
Subtotal		3	199	29	197	34	433
Total			202		225		467

\* Figures rounded to nearest million yen



## Economic Benefits (Domestic)

		Fiscal 2003	Fiscal 2004	Fiscal 2005
Category	Description			
Effects of environmental protection related to resources utilized in business activities	Utilities cost, purchasing cost of copy and EDP paper, etc.	10	(20)	15
Environmental impact and waste resulting from business activities	Cost of general and industrial waste disposal, etc.	6	(3)	8
Benefits related to goods and services produced by business activities	Benefits of producing lightweight products	32	55	55
Conservation effects mainly related to transportation	Gasoline and light oil usage fees, etc.	6	(1)	6
Amount of sales of valuable materials, etc.	Sales of valuable items	9	15	9
Total		62	46	92

\* Figures rounded to nearest million yen

#### <Standards for Calculating Economic Effects>

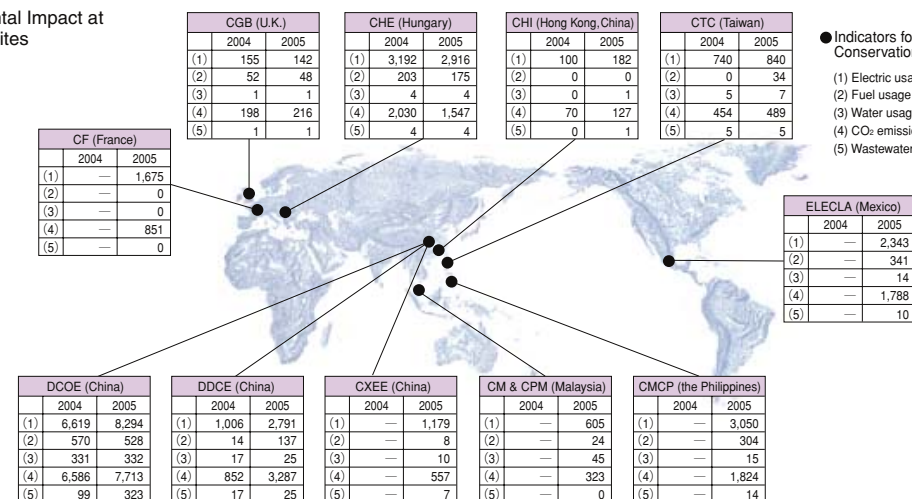
- Economic Effects Calculated based on Substantial Grounds
  - Costs Reduced through Energy-saving Efforts, etc. (amount of increase/decrease compared to previous term)
  - Amount of Sales of Valuable Materials
  - Cost Reduction Effect of Streamlining Management Activities
- Estimated Economic Effects
  - Economic Effects of More Lightweight Products
 

At Clarion, the economic effects were calculated in terms of reduced gasoline consumption, which resulted from machine module and other product weight-reduction efforts as well as from vehicle weight reductions when our products are installed.

## Environmental Conservation Benefits

Category		Indicators for Environmental Conservation Benefits (unit)	Japan			Environmental Conservation Benefits	Environmental Impact including 11 Overseas Sites Fiscal 2005
			Fiscal 2003	Fiscal 2004	Fiscal 2005		
1 Effects generated by costs within business areas	Effects related to resources used in business activities	Amount of electricity used (1000kWh)	10,251	10,709	9,500	1,209	26,067
		Amount of fuel oil used (crude oil equivalent kℓ)	588	743	637	106	1,739
		Amount of water used (1000t)	53	57	53	4	464
	Effects related to environmental impact and waste produced by business activities	Amount of CO <sub>2</sub> emissions (t-CO <sub>2</sub> )	4,582	4,683	3,920	763	19,976
		Amount of wastewater discharged (1000t)	53	57	53	4	398
2 Effects generated by upstream/downstream costs	Effects related to goods and services produced by business activities	Amount of waste final disposal (tons)	111	19	2	17	—
		Recycling rate (%)	89.7	1,192	920	272	—

#### Environmental Impact at Overseas Sites Fiscal 2005



- Indicators for Environmental Conservation Benefits
- (1) Electric usage (1000 kWh)
- (2) Fuel usage (crude oil equivalent kℓ)
- (3) Water usage (1000 tons)
- (4) CO<sub>2</sub> emissions (t-CO<sub>2</sub>)
- (5) Wastewater (1000 tons)

## Future Direction

Clarion intends to be a company with high transparency through active and timely disclosures of environmental accounting information. At the same time, we strive to improve the environmental accounting in order to make it an effective tool for environmental management assessment and business decision-making. In fiscal 2005, we extended the scope of environmental accounting to 11 overseas sites. However, at present, only data for environmental impact are compiled; benefit indicators have not been implemented or utilized. Going forward, we plan to broaden the application of assessment indicators for use in environmental management at our overseas sites as well.

## We are Clarion



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

#### Covering the Markets of All Central and South American Countries from the Base in Mexico

I'm responsible for the After Market Sales. We manufacture some models locally and some others are acquired from other countries. We keep a warehouse in Laredo from where we distribute all our merchandise to Mexico, Brazil and Latin America (through Miami). If you need information on these areas in detail, please contact me, and I shall be happy to help you.



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

#### Boosting Market Share in Response to Changes in the OEM Business Formats

I am in charge of OEM Sales in Mexico and Latin American countries. The business way in Mexico has changed drastically during the last 5 years. We used to deliver our products to our customers (car manufacturers) at their factory for factory installation, which was just about 5% among the imported cars by them. Because of tax favor for locally produced products, today we can sell our products to 65% of the imported cars by our customers. Our customers import cars without radio, we make the installations at port, it satisfies customers to increase local contents. Now we call it "Port Installation." The increase of the "Port Installations" dramatically increased our business. All these radios are manufactured here, with the certificates of origin of Mexico. It gives more favorable conditions for the car manufactures.



# Achieving Substantial Results from the Accumulation of Everyday Efforts

## Zero Waste Output

In order to build a recycling-based society, Clarion promotes recycling activities as well as striving to reduce the total amount of waste generated by its business activities. Clarion Group achieved zero waste outputs\* at its three domestic sites in fiscal 2004. From fiscal 2005 on, we are promoting even more advanced recycling (recycling material by material).

\* Clarion's Definition of Zero Waste Output: Recycle 99% or more of waste materials generated from our sites, thereby reducing the amount for final disposal to less than 1%.

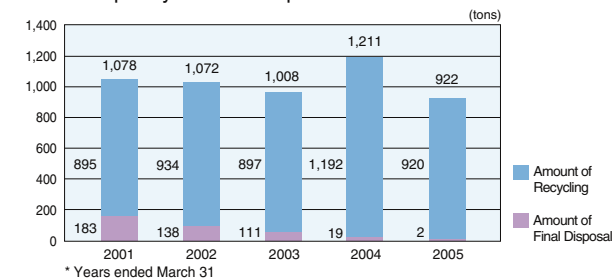
### The "5R Policy" for Waste Reduction

Clarion is promoting zero waste output activities through observation of the "5R policy." We reduce the risk of illegal disposal by improving the production process and disaggregating waste, thereby promoting material recycling.



### Total Amount of Waste Output

We have successfully reduced waste outputs each year as a result of activities such as monitoring for sorting waste and environmental educations/trainings. In fiscal 2005 we reduced waste output by 89.5% compared to the level of fiscal 2004.



### Reducing Waste Output by Improving Product Delivery Packages

Clarion succeeded in reducing the output of cardboard and other industrial waste by improving the packaging of parts and other products delivered to the company. In addition, we check and register materials of trays, on which parts are delivered, on computer terminals, separate them according to the material and recycle them accordingly.



### Thorough Control of Facilities/Parts that Contain PCBs

Clarion stringently controls devices (transformers, fluorescent lamp ballasts, etc.) that contain PCBs (polychlorinated biphenyls) at its Saitama site under the measures to prevent PCB leakage. Clarion conducts conclusive waste treatment in compliance with "Waste Disposal and Public Cleansing Law" and "the Law Concerning Special Measures against PCB Waste," as a registered company with Japan Environmental Safety Corporation, which is mainly engaged in the PCB waste treatment.

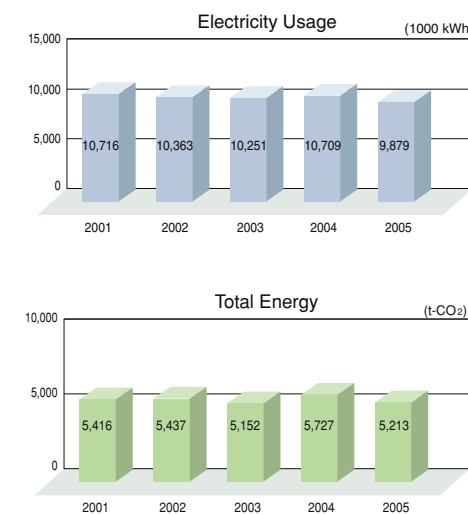
## Efforts to Prevent Global Warming

Clarion devotes itself to activities for energy-saving and reducing CO<sub>2</sub> emission as measures to prevent global warming through cutting down electricity and fuel. We are studying ways to reduce CO<sub>2</sub> emission by products and also applying our energy-saving activities to physical distribution as part of our contribution to preventing global warming.

Clarion assents to "Team Minus 6%," a national movement initiated after the Kyoto Protocol went into effect. Since June 2005, the company has been registered as a Team member. We have been seeking to raise the awareness of employees and family members toward the environment via our participation in "Cool Biz" or a campaign to wear cool, casual clothes in the office during summer in order to reduce the use of air-conditioning.



### Reductions in Energy Usage



Source: the Ministry of the Environment's GHG Calculation Method Guidelines (Tentative Ver. 1.6)

\* Years ended March 31

### Energy-Saving Activities in Physical Distribution

#### 1. Promotion of Modal Shifts

Truck transportation has major impact on the environment, in particular, air pollution. We promote modal shifts in long-distance transportation, and encourage the use of rail transport instead of trucks, for example.

#### 2. Volume Efficiency

Taking consideration of transportation conditions, Clarion seeks to improve transportation efficiency by using the right-sized transportation containers so that no space is wasted. We also try to achieve efficient loading ratios corresponding to the size of the truck bed or other means of transportation.

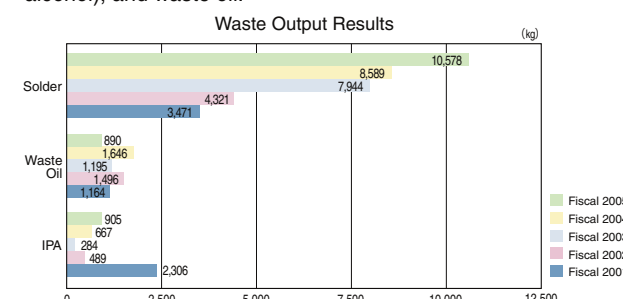
#### 3. Joint Transportation and Freight Collection

If each and every company transports its products on an individual basis, the impact on the environment would be substantial. For this reason, Clarion cooperates with other companies and implements a joint freight collection system.

## Chemical Substance Management Activities

### Reducing the Output of Chemical Substances

Clarion strives to reduce the output of chemical substances from its production to the greatest extent. In fiscal 2005, the amount of solder used and its waste output rose due to larger production volumes of car navigation equipment and other products. However, we are recycling solder, IPA (isopropyl alcohol), and waste oil.



### Complying with the Pollutant Release and Transfer Registers Law (PRTR)

Clarion runs a system that can track the amounts of chemical substances used, even if they are used only in small portion. We conduct thorough chemical substance management through education and training activities with the objectives of reducing environmental pollution risks and complying with laws and regulations. In fiscal 2005, we did not use any chemical substances that needed to be reported under the PRTR Law. (The law concerning reporting, etc. of the release to the environment of specific chemical substances and promoting improvement in their management). We are also striving to reduce the amount of VOCs (volatile organic compounds) used and VOCs waste output, although VOCs are not covered under the PRTR Law.

## We are Clarion



**Hisamitsu Nogata**  
Resident Information System  
Engineer at Xiamen Clarion  
Electrical Enterprise Co., Ltd.

### Sowing done, and I work hard dreaming of harvesting.

We established the Operations Development Department with the objective of strengthening EDP functions in China. As the first head of the department, I take initiative in teaching local employees on AS400 training. I sometimes feel lonely being away from home and family, but I've had a lot of moving experiences that I could never have in Japan. When I was a small child, my dream was to become a school teacher. My dream has come true in China; where I encounter deep moving scenes of tears and laughter every day, just like "Teacher Kinpachi," in a good and old Japanese TV drama. Right now, the time of sowing has passed; and the time for the seedlings to grow has started. Having given a lot of fertilizer and water, I work hard every day waiting the blossoms to bloom and rich harvest to come.



**Nobuyuki Takahashi**  
Resident Quality Engineer  
at Xiamen Clarion Electrical  
Enterprise Co., Ltd.

### The Joy of Working Together with the Youth who will Shoulder the Future of China

I've already been stationed in China for three and a half years since I started my life immersed in a foreign culture and fresh surprises from it. I'm in charge of quality assurance in our Xiamen plant, where the average age of employees is 23 years. I'm working together with the young people who will carry the future of China on their shoulders. Sometimes I have to speak hard to them, but they are also my friends; who share the same spirit and do their best for the company. My dream is to let them know how wonderful it is to listen to music while driving and to infuse them with pride and deep affection to their products.



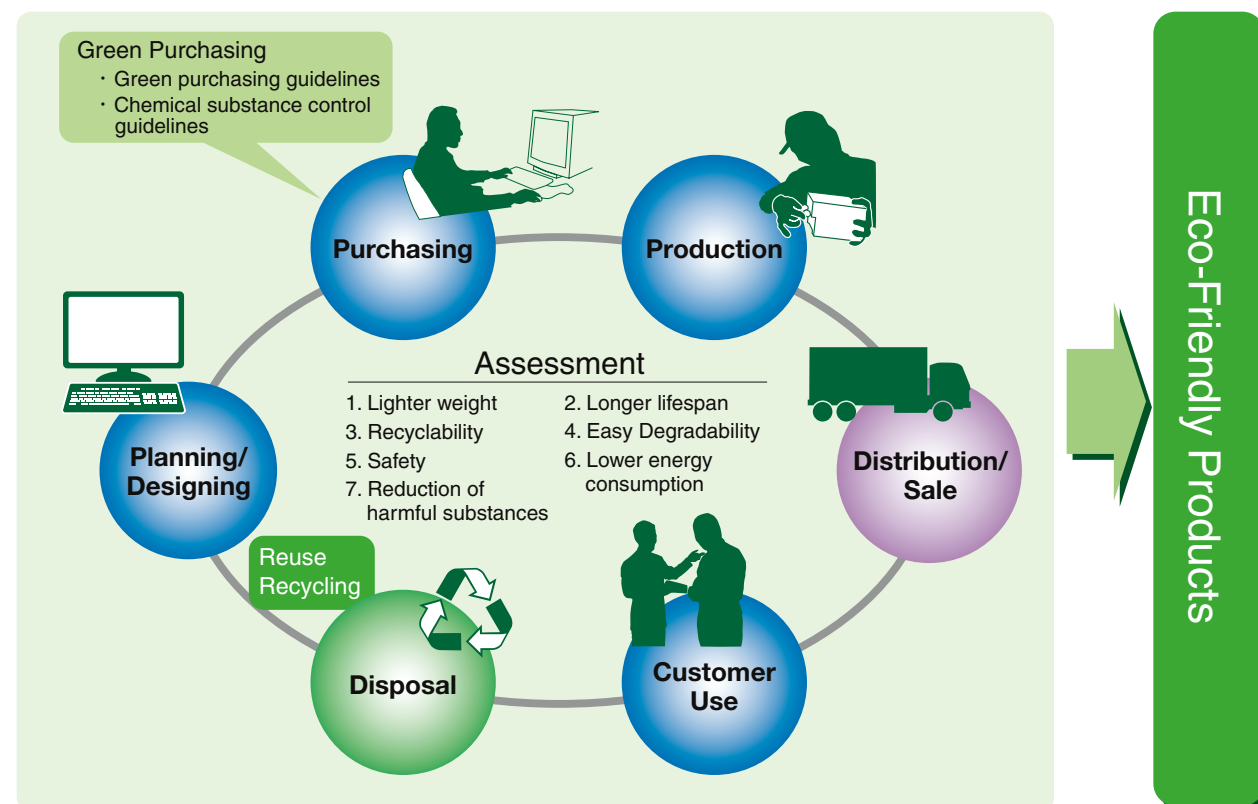
# Protecting the Earth by Researching and Developing Eco-Friendly Products

## Efforts for Eco-Friendly Products

Clarion is strongly committed to developing products that have minimal environmental impact by promoting LCA (Life Cycle Assessment), a system of assessing the environmental impact of products not only during production process but over their entire life cycles, from procurement of components and materials, physical distribution, customer use and to finally to disposal. We also promote efforts from the designing stage on curb-

ing harmful substances in order to comply with stringent laws and regulations and with the requirements of car manufacturers. In addition, we promote green purchasing and have constructed a chemical substance analysis system. With these, we strive to manage and curtail substances impacting the environment from the very level of materials and components.

### ●Initiatives over the Entire Life Cycle



To develop and offer eco-friendly products, Clarion conducts the environmental impact assessment, which is comprised of the following seven items: lighter weight, longer lifespan, recyclability, easy degradability, safety, lower energy consumption, and reduction of harmful substances. Those products that comply with self-imposed guidelines are labeled with Clarion Eco-Mark, indicating that they are eco-friendly, and are displayed as such in our 2006 product catalogs.



## Control of Chemical Contents in Products

### Complying with EU Directives

Clarion complies with the laws and regulations of the EU (European Union) such as the directive restricting the use of specific hazardous substances (RoHS <sup>\*1</sup>). We have been working to discontinue the use of six banned substances <sup>\*2</sup> within the company as well as in cooperation with suppliers. We took action to keep screws and sheet metal, etc. free of hexavalent chromium and to keep wiring and electronic components free of lead. As a result, all components of 2006 European models have been verified as not containing any of the banned substances, and the products that we ship are now RoHS-compliant. In addition, we have switched to lead-free solders, and the products display with labels accordingly.

<sup>\*1</sup> Restriction of Hazardous Substances (RoHS) directive  
This directive restricts the use of certain specific hazardous substances contained in electronic devices. Effective since July 2006, the EU has prohibited sales of products containing six banned substances within the EU.  
<sup>\*2</sup> Six banned substances  
These are lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB), and polybrominated diphenyl ethers (PBDE)



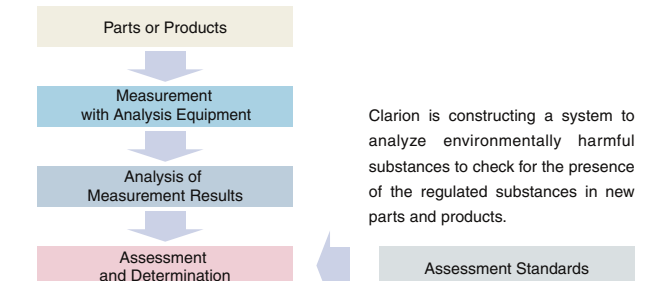
### Compliance with VOC

In response to requirements of car manufacturers, Clarion is taking action to reduce Volatile Organic Compounds (VOC). VOCs, which cause "sick car syndrome," may inflict upon drivers and passengers within a car space. Consequently, we are working to make products that do not discharge VOCs within a car space.

### Building Up Chemical Substance Control System

Measures to control chemical contents in products are not limited to promotion of green purchasing. In addition to (relying on) information provided by suppliers, Clarion analyzes environmentally harmful substances by itself with such equipment as fluorescent X-ray spectrographic analyzers. We are rebuilding our chemical substance information system, configuring our analysis/inspection system, and preparing a global environmental quality assurance system.

#### ●System for Analyzing Environmentally Harmful Substances



### Promotion of Green Purchasing

Clarion cooperates with suppliers in developing and offering products that comply with various laws, regulations and industry standards. These are prescribed in our "Green Purchasing Guidelines" and "Toxic Substances List."

## We are Clarion



Ryosuke Nakayama  
Information Systems  
Department

**I want to play active role globally acquiring wide range of experience.**  
Our job at Information Systems Department covers a broad spectrum, ranging from the analysis of system requirements, through development, network configuration, and maintenance. Most recently, it has extended to cover the visualization of the product life cycle, inventory reduction, and network integration. I am working on applications development. Up to now, I have had a broad range of experiences in sales, production, accounting, and so on. Now I look forward to playing an active role in the global arena with adding more experience in requirement analysis and system design on top of what I have had till now.



Atsuko Hattori  
Production Planning  
Department

**Sense of Achievement in Carrying Out Production Planning Strictly Keeping Delivery Schedules**  
The operations that I am in charge of are to supply products to our customer car manufacturers with reliable time schedule. I set up plans for production processes based on sales plans for each product model. My motto is to strictly keep delivery schedules. That means I have to make delicate adjustments with the related departments and offices every day. There are hard times as having surplus inventory or delivery schedule being difficult to keep which make me feel frustrated and stomach ache. But this is a workplace in which I can fully feel a sense of achievement when I can manage all these difficult situations. I recharge my batteries on holidays with my children and I feel freshly resolved to continue to do my best.



## Economic Performance

In an effort to add further value to the company, Clarion has focused the total group power on reforming its business structure. In the same vein, we formulated our corporate vision "Vision-70" toward the 70th anniversary in business (fiscal year ending March 30, 2010), aiming to further reinforce our corporate brand value.

We achieved consolidated net sales of ¥184,176 million for the fiscal year ended March 31, 2006 (fiscal 2005), an increase of 3.3% compared with the previous fiscal year. Sales increases in navigation devices for the domestic OEM (Original Equipment Manufacturers) and after-market, audio-visual equipment for buses as well as increased sales in our EMS (Electronic Manufacturing Services) in North and Central America and Europe contributed to this increase, overcoming price erosion caused by intense competition.

Turning to profit and loss, consolidated operating income stood at ¥5,228 million, down 45.4% from the previous year. This decline reflected increases in strategic investments such as development costs and capital expenditures, the rising cost of distribution, and increases in advertisement and sales promotion expenses due to the operation of vigorous campaigns. Nonetheless, net income rose 14.7% to ¥5,862 million mainly on account of a gain on sales of property, plant and equipment including the sale of the land of Saitama Head Office in line with plans to move operational headquarters and a gain on sales of securities for investments.

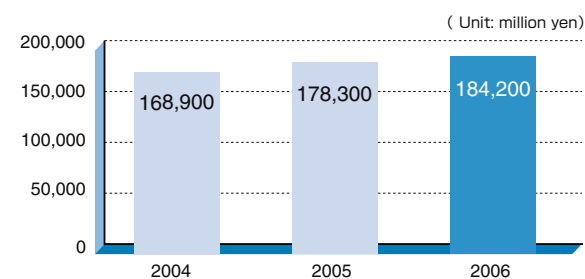
## Consolidated Financial Highlights

### Consolidated Performance Trend

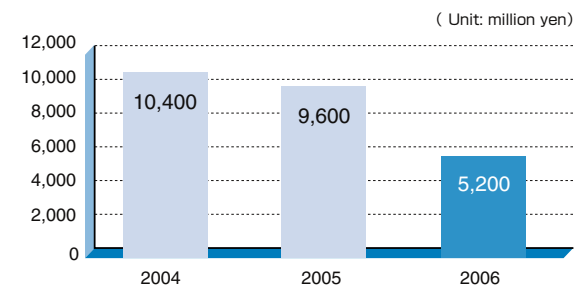
(Unit: million yen)

Consolidated	Year ended 2004	Year ended 2005	Year ended 2006	Year ended 2007 (forecast)
Net sales	168,900	178,300	184,200	190,000
Operating Income	10,400	9,600	5,200	5,600
Net Income	6,300	5,100	5,900	3,000

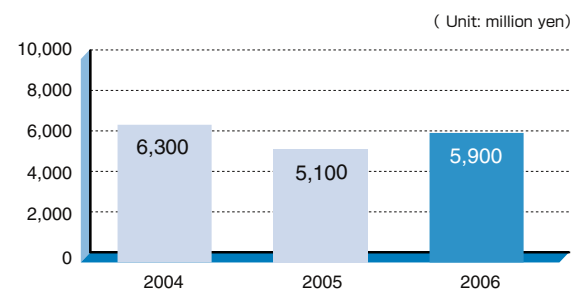
### Net Sales



### Operating Income



### Net Income

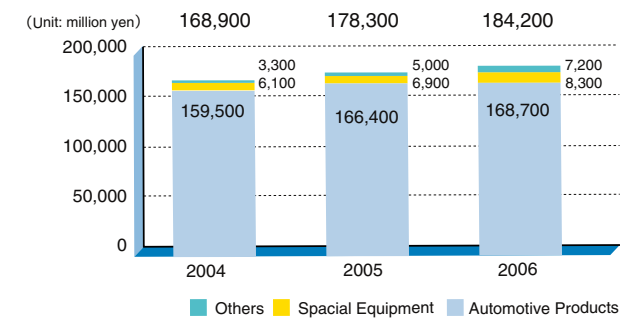


\*Years ended March 31

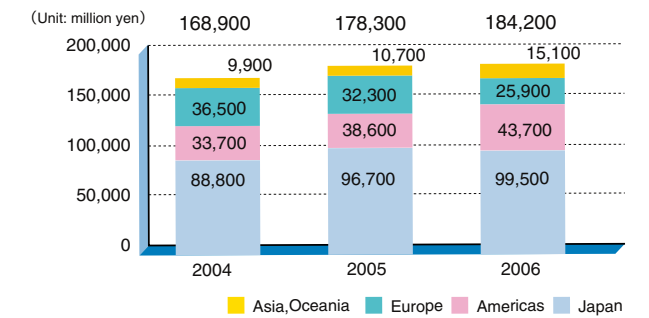
## Segment Information

\*Years ended March 31

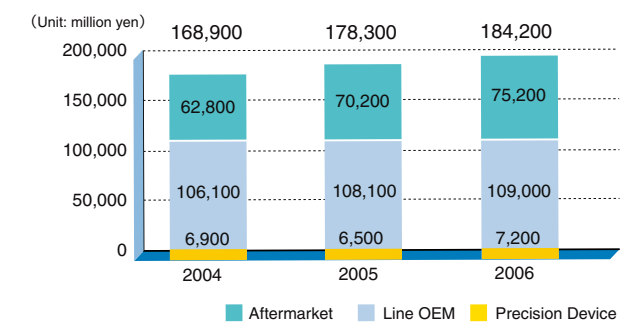
### Product Segment



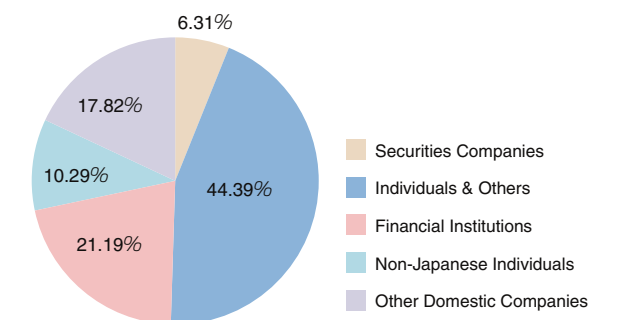
### Geographic Segment



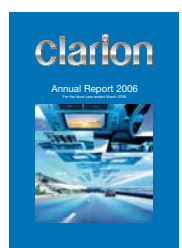
### Business Segment



### Breakdown of Shareholders (As of March 31, 2006)



■ IR tools  
 <Main Company Publications>  
 Annual Report  
 Business Report  
 Website (IR Report)



## We are Clarion



Yutaka Watanabe  
Clarion Engineering Co., Ltd

**I want to be an engineer who can respond to "Nice-to-Have-Wishes" of customers.**

Some people think that engineers are involved only in studies and research on technologies that are very difficult. In fact, the starting point of development is always the same; it starts from human feelings and one's state of mind, be it taking care of customer needs or finding solutions to offer more enjoyment and comfort to people. We devote ourselves in designing new products, keeping our slogans in mind: "Just do it" and "Let's be the base transmitting fine ideas!" I want to be able to respond positively when a customer says "It should be nice to have such feature as..." To me as an engineer, that is something worth doing.



Noriko Chiyo  
Clarion System House Co., Ltd

**Active interaction is the mother of good products.**

Programmers are often thought to be lonely professionals. Actually, the job of programming involves a lot of team work, like in World Cup football, to reach the intended goal. Therefore, what I regard most important is to have good communication within the team. Active interactions make confidence stronger both in vertical and horizontal links. This gives us a sense of achievement and the power to produce good products. I do my best every day, among colleagues with exceptional spirit of teamwork, not to speak about individual talents.



## Editorial Policy/Covered Sites

Clarion discloses information, not only of our business activities but also of our efforts in the areas of environmental protection and social contribution, using various media as a measure to maintain active communication with a wide range of stakeholders.

### “Clarion Report 2006” Editorial Policy

The publication of Clarion Report 2006 has two major goals. Firstly, we intended to inform you about Clarion’s “corporate power,” its visions and strategies in business operations. Secondly, we also intended to inform the readers our activities in corporate social responsibility (CSR) in a manner easy to understand. In order to make this report easy-to-read and friendly communications tool to our stakeholders, we conducted interviews with as many employees as possible and they appear on columns with under the title “We are Clarion.” Through this report, we aim to establish ever closer communication with our stakeholders, and enhance our activities in information disclosure and in bringing forth a sustainable society for the future.

This information is not only published in pamphlet format but is also carried in full on our corporate websites.

URL <http://www.clarion.com/jp/en/company/effort/index.html>

### Relevant Period

The relevant period runs from April 1, 2005 to March 31, 2006 (including some latest information for fiscal 2006).

### Covered Sites

● Domestic environmental accounting and environmental impact data refer to the following three sites:

- Saitama Site (Toda-shi, Saitama Ken )
  - Clarion Co., Ltd. Headquarters
  - Clarion Sales Co., Ltd.
  - Clarion Engineering Co., Ltd.
  - Clarion System House Co., Ltd.
  - Clarion Finance Co., Ltd.
- Tokyo Site (Bunkyo-ku, Tokyo)
  - Clarion Co., Ltd. Registered Head Office
  - Clarion Sales Co., Ltd.
  - Clarion Shoji Co., Ltd.
- Fukushima Site (Koriyama-shi, Fukushima)
  - Clarion Co., Ltd. Tohoku Office
  - Clarion M&L Co., Ltd.

● Overseas environmental impact data refer to the following regions:

- China
  - Clarion (H.K.) Industries Co., Ltd.(CHI)
  - Dongguan Clarion Orient Electronics Co., Ltd.(DCOE)
  - Dongguan Dongkeng Clarion Electronics Factory(DDCE)
  - Xiamen Clarion Electrical Enterprise Co., Ltd.(CXEE)
- Malaysia
  - Clarion (Malaysia) Sdn., Bhd.(CM)
  - Crystal Precision (Malaysia) Sdn., Bhd.(CPM)
- The Philippines
  - Clarion Manufacturing Corporation of the Philippines(CMCP)
- Taiwan
  - Clarion (Taiwan) Manufacturing Co., Ltd.(CTC)
- Hungary
  - Clarion Hungary Electronics Kft.(CHE)
- United Kingdom
  - Clarion (G.B.) Ltd.(CGB)
- France
  - Clarion France S.A.S.(CF)
- Mexico
  - Electronica Clarion, S.A. de C.V.(ELECLA)

### Reference Guidelines

- Complies with “Environmental Accounting Guidelines 2005”, Ministry of the Environment
- Refers to “Environmental Report Guidelines (Fiscal 2003)”, Ministry of the Environment
- Refers to “Sustainability Reporting Guidelines 2002”, Global Reporting Initiative (GRI)

Next publication: September 2007

## Comments from Sustainability Advisor

We have been asked by Clarion Co., Ltd. (hereafter “the Company”) to provide advice from a third party perspective on the social, environmental and economic sections of the “Clarion Report 2006” (hereafter “the Report”) with regard to preferable contents and readability. The main comments we made during the advisory process are provided below:

### 1. Communication with employees and expansion of its reporting scope

Since last fiscal year, the Company has combined its reports on corporate profile and CSR activities into one report, the “Clarion Report.” By featuring interviews with employees on each page, the Report is designed to give a clearer picture of the Company’s corporate activities and show its characteristics. These interviews include not only domestic employees, but also overseas employees, which indicate the strong willingness of the Company to reporting.

On the other hand, the way interviews are currently presented may not be sufficient, as the correlation between the descriptions of the Company’s efforts and employees’ comments given on each page is not always clear. From the perspective of reader-friendliness, it would be more desirable to make both articles more closely and clearly related. In addition, including comments by employees who play a role in CSR practices, such as the areas of quality, environment, occupational safety, and human resources, would help to give readers a greater understanding of the Company.

Furthermore, we hope that the Company will further promote communication with stakeholders through interviews other than employees, and disclose its efforts and achievements in future reports.

### 2. CSR initiatives appropriate for the global brand “Clarion”

The Company demonstrates its commitment to CSR initiatives in its policy of recruiting people irrespective of their academic background, gender, or nationality. The Report contains an example of an achievement under this policy. The recruitment ratio of women has risen from 19.1% in fiscal year 2003 to 29.5%, which indicates that their efforts are beginning to bring tangible results. Moreover, the Company has been making gradual improvements in disclosing quantitative social information. This includes the disclosure of the results of the in-house recruitment system and the FA system, both of which have been implemented since last fiscal year. In this way, the Company is making efforts to precisely understand the progress of activities and enhance information disclosure even in social areas, which we found commendable.

In April 2006, the Company struck out in a new direction by launching its new global brand “Clarion”. Its global initiatives such as acquiring ISO14001 and OHSAS18001 certification at overseas sites and expanding compliance programs to overseas affiliated companies are also demonstrated in the Report. In this way, the Company has shown steady developments in social and overseas activities, in its assessment of the situations, and in information disclosure. Looking ahead, we hope that the Company will further clarify its policies and specific programs for CSR activities, including domestic and overseas group companies, take action systematically, assess progress, and further enhance the content of reporting.

Please note that the comments above do not express any of our independent views and/or opinions either on the effectiveness of the information gathering and reporting process for the Report or on the reliability of the information contained therein.



July 31, 2006  
ChuoAoyama PwC Sustainability Research Institute Co., Ltd.  
(ChuoAoyama PricewaterhouseCoopers Group)

### <Enquiries>

Clarion Co., Ltd.  
50 Kamitoda, Toda-shi, Saitama 335-8511, Japan

Public Relations & Brand Strategy Promotion Office  
TEL: (81)48-443-0628 / FAX: (81)48-443-0792

A questionnaire regarding this report is posted at our website  
(<http://www.clarion.com/jp/ja/company/effort/index.html>).  
We appreciate your cooperation in responding to the questionnaire.

Publication: October 2006