



Tatsuhiko Izumi
President

Review of Operations for Fiscal 2010, Ended March 31, 2011

In 2010, Clarion celebrated its 70th year of doing business—a milestone that could only have been achieved with the support of everyone involved with the Company, for which we are very grateful. Since our earliest days, we have advanced in step with automobile culture and sought to develop the relationship among sound, information and human interaction. Making maximum use of the tangible and intangible assets that we have amassed throughout our history, we have been boldly facing challenges in new domains. In the process, we will continue to bring satisfaction and pleasure to customers as a company valued globally.

During fiscal 2010, the automotive industry, with which we are most closely associated, bounced back steadily from the Lehman

Shock. Markets in emerging nations expanded, particularly in Asia, while North America proceeded along a path of real recovery. In Japan, automobile sales were buoyant due in part to special demand stemming from an incentive for consumers to buy eco-cars. These factors resulted in strong automobile sales. On the other hand, the Great East Japan Earthquake of March 11 had severely negative impacts on several fronts.

In this market environment, the Clarion Group moved ahead to improve corporate structure, which has been a key challenge since the Lehman Shock. Our efforts to streamline operations in various areas are beginning to bear fruit in our business results.

We are carrying out structural reforms such as eliminating and consolidating production facilities, shifting functions to China and integrating offices. At the same time, we are accelerating our efforts to expand sales, reduce design and development costs and cut variable costs by expanding local material procurement. These measures put us on the road toward making our corporate structure profitable.

Medium- to Long-term Management Strategy

The Clarion Group aims to realize consolidated net sales of ¥215,000 million and an operating income ratio of over 5% in the fiscal year ending March 31, 2014. To this end, we are striving to establish a structure that facilitates timely response to changes in the management environment such as changing market conditions and technological innovation. We are also working to restructure our business portfolio corresponding to the scale of sales and achieve corporate management with higher capital efficiency.

Additionally, Clarion seeks to expand its range of new products such as vision systems (camera), audio systems with display and navigation systems linked with smartphones, as well as obtain new orders for audio and navigation systems for emerging countries, mainly with OEMs. We also seek to launch and expand new product offerings for the aftermarket.

Global Strategy

The world is changing at a dramatic pace. Diverse needs and subsequent business opportunities arise in every corner of the globe. The entire world is evolving into a marketplace of vast potential.

More than ever, activities must be rooted in respective regions. In other words, we must consider how Japanese companies can contribute to the global market and gear our efforts toward regional initiatives in individual markets, rather than exporting products and ideas from Japan.

Clarion has striven to be a “company that is truly needed by society” as its corporate creed. Accordingly, Clarion aims to accomplish its mission to respond swiftly to the world’s needs.

In that sense, the time has come for Clarion to live up to its full potential. Focusing firmly on the future, we will continue to deliver products that anticipate changes to come as we develop entirely new markets.



In Thailand, a new car audio/navigation/camera device plant scheduled for completion in April 2012 will produce approximately 560,000 units in its initial year. Production capacity for the year 2016 is targeted at two million units.

Strengthening Product Planning Capabilities

The importance of the environment is now widely acknowledged as globalization progresses. We have entered a stage in which we must determine how to implement eco-conscious activities. All companies in the automotive industry that we are a part of are making dynamic efforts to commercialize exciting new products and expand the scope of development to the infrastructure for the products.

Electric vehicles require new types of information such as energy flow data, navigational capabilities for getting to charge stations and network data supporting smart grids. Clarion has been quicker than competitors in developing and marketing an in-vehicle information terminal designed for the future in which eco-cars such as hybrid vehicles and electric vehicles will be in the mainstream.

We are solidifying our position with a substantial lead in accommodating electric vehicles, which are spreading worldwide. Moreover, to accommodate the ever-evolving telecommunications environment and the growing presence of smartphones, we are maximizing in-vehicle user benefits by developing a system that integrates these phones more seamlessly with car entertainment equipment. Also, we are enhancing driving safety supporting systems with innovations in image processing technology as well as devices integrating navigation and automobile control. By developing our strength in these domains even more, we aim to make society safer and friendlier to people and the environment.



Dedicated navigation system for electric vehicles

Dedicated functions for electric vehicles



Display of reachable destination zones



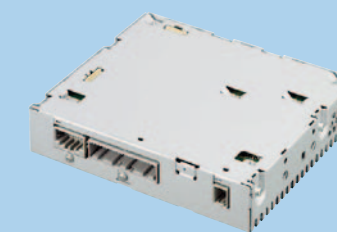
Search for charging stations



Electricity consumption status display



Timer setting for charging



Telematics unit

Environmental Initiatives

The effects of global warming, the most critical environmental issue, are being felt throughout the world with alarming frequency. Countermeasures to rapid environmental change have become increasingly important priorities of corporate social responsibility and the realization of a sustainable society.

At Clarion, we have positioned these issues as business challenges and consider the environment and relevant activities to be critical to our enterprise. We are implementing environmental management in all aspects of our business activities, including product development. Also, we are globally executing Clarion's original action plan, which was formulated according to the Hitachi Group Environmental Action Plan, and promoting environmental management overseas.

Business Outlook

Although the Great East Japan Earthquake significantly impacted the domestic economy, Japan has been recovering a step at a time thanks to the support of many countries and all Japanese citizens.

Overseas, financial insecurity in Europe and North America are big obstacles and the recent appreciation of the yen is a major concern.

Against this backdrop, for fiscal 2011, ending March 31, 2012, we forecast consolidated net sales of ¥176,500 million, a decrease of 1.0% year-on-year; consolidated operating income of ¥3,500 million; and net income of ¥1,200 million.

Basic Approach to CSR

As stated in our 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." Based on this commitment, we are working to enhance our CSR activities. Our "Clarion Group Code of Conduct" was laid out and comprehensively applied to fulfill social responsibilities as a global corporation in the areas of quality control, environmental protection and social contribution.

Clarion will also work to develop car information systems that help make cars more environment-friendly.

Corporate Governance

We have developed a corporate governance structure in recognition of its importance in our business operations. Through efforts to enhance our risk management system and internal control system, we strive to respond swiftly and appropriately to any kind of risk while ensuring management transparency.

To Our Shareholders and Investors

Clarion views maintaining good communication with our stakeholders as a very important responsibility. With this in mind, we aim to attain continued growth as we tackle challenges and work swiftly toward becoming a company that is truly needed by society.

I ask for your continued support and guidance as we move forward.

July 2011

Tatsuhiko Izumi
President

Impact of the Great East Japan Earthquake

The Great East Japan Earthquake that struck on March 11 severely damaged eastern Japan, particularly the Tohoku region. The catastrophic accident at Tokyo Electric's Fukushima No. 1 nuclear power plant, as an immediate consequence, led to the spread of radioactive material and power shortages, causing a serious situation that continues. The extent and scale of the damage have reached shocking levels and affected other countries as well.

We at Clarion extend our heartfelt sympathy to all those affected by the disaster. We sincerely wish for their swift recovery.

We would also like to express our gratitude to everyone in Japan and throughout the world for providing support at this difficult time.

Effect on Business Performance for Fiscal 2010

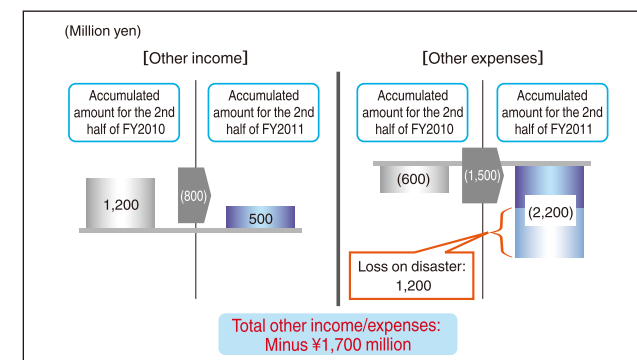
In terms of the disaster's impact on the Clarion Group, Clarion Manufacturing and Service Co., Ltd., one of Clarion's most important production facilities globally and the only one of its kind in Japan, located in Koriyama City, Fukushima Prefecture, did not suffer maximum damage. Luckily, our worst fears were not realized, as we avoided human casualties. Minor damage to some buildings and facilities was reported as production equipment was jolted slightly out of alignment. The diligent recovery efforts of Clarion employees allowed us to resume normal operations on March 22, only 11 days after the earthquake.

However, certain items of inventory, including raw materials and products, were destroyed.

Despite suffering relatively minor damage, Clarion nevertheless posted an extraordinary loss of approximately ¥1.2 billion, which included around ¥500 million in loss including fixed assets, and about ¥600 million in non-recoverable fixed expenses during the period in which operations were halted.

Net sales were down approximately ¥3.6 billion for fiscal 2010 as both the OEM market and the aftermarket were affected.

Other Income/Expenses



Conditions in the First Half of Fiscal 2011

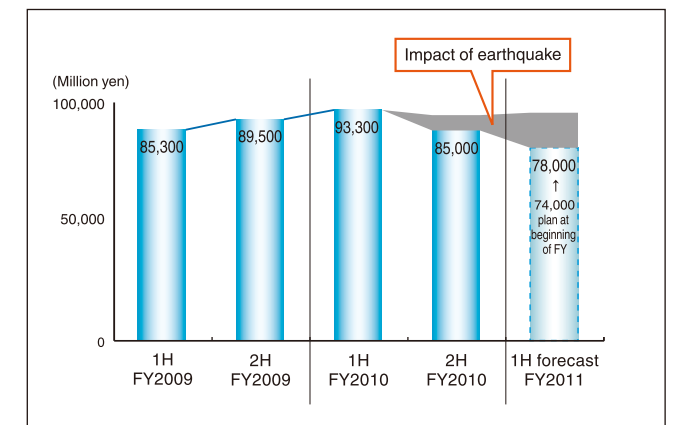
Although Clarion Manufacturing and Service sits 55 kilometers from the Fukushima No. 1 nuclear power plant, there have been no direct effects of radiation on employees or products. Also, we have not been informed of any procurement problems by any of our customers and shipments have continued as normal.

To conserve electricity in the face of power shortages that started in July, operations will be shut down on Thursdays and Fridays in line with the policies of the automotive industry and the Hitachi Group. Furthermore, we aim to substantially reduce power consumption by introducing generators for use at our Saitama Head Office and the factory in Koriyama City, in addition to saving electricity by carefully controlling lighting, air conditioning and other power-consuming devices, which we hope will result in electricity saving exceeding the plan.

We expect issues with component procurement and shortfalls due to the disaster to be resolved by the end of August, thanks to around-the-clock recovery efforts by each company involved.

Meanwhile, car manufacturers' recoveries in production are exceeding expectations in terms of volume and timing.

Net Sales



Regarding hedging risk in future production, we have been shifting manufacturing operations to China and establishing facilities in Thailand. We plan to accelerate efforts aimed at optimizing production sites and decentralizing production operations.

Finally, again we would like to express our sincerest appreciation to all those in Japan and around the world for providing tremendous support after the disaster. Clarion will also continue to cooperate as much as possible with the disaster recovery and rehabilitation efforts.