

Clarion

SHIFTING INTO TOP GEAR

**ANNUAL REPORT
2005**

YEAR ENDED MARCH 31, 2005

PROFILE

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

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

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

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FORWARD-LOOKING STATEMENTS

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

TO OUR STAKEHOLDERS



Tatsuhiko Izumi
President

Fiscal 2004 — the First Year for “Vision-70”

The fiscal year under review (fiscal 2004, ended March 31, 2005) marked the year when we took an important first step forward, after successful completion of the “New Creation 21” plan, under which we undertook diligent efforts to solidify our business foundations.

Consolidated net sales for fiscal 2004 rose 5.6% year on year to ¥178,325 million, while operating income decreased 7.4% to ¥9,582 million. Net income was down 18.9% to ¥5,111 million, with net income per share at ¥18.09.

The rise in sales was the result of a strong OEM market in Japan and vigorous domestic demand for integrated audio-visual/navigation systems, overriding the impact of falling prices brought on by increasingly fierce price competition. The Electronics Manufacturing Service (EMS) business in Mexico also contributed to the increase in sales. Operating income, despite lower variable costs and the net rise in sales, declined due to aggressive investments in R&D and strategic investments for sales promotions and activities to strengthen brand awareness.

Net income was down due to transfers to allowance for doubtful accounts and changes in accounting standards for

retirement benefits. The fact that we were able to solidify foundations for future growth, however, demonstrates the underlying strength of the Company. The reversal of capital reserves approved at the general meeting of shareholders held in June 2004 eliminated the accumulated loss that we had been carrying on our consolidated financial statements. We shall continue our efforts to improve shareholders’ equity, and to increase retained earnings to allow us to invest more for R&D and other business areas, which will strengthen our market competitiveness. We plan to resume payment of dividends in the fiscal year to March 2006 in accordance with business performance.

Throughout the entire Group we promote cash flow management emphasizing consolidated ROA (the ratio of net income to total assets). In accordance with that goal, we are working to reduce total assets, including inventories and interest-bearing borrowings, and have set targets for fiscal 2007 to raise the consolidated shareholders’ equity ratio to 30% or higher. We also plan to bring down consolidated net interest-bearing borrowings to under ¥17.0 billion, and increase sales to over ¥210.0 billion.

Vision-70

The Clarion Group is pursuing reforms to its business portfolio, and emphasizing management stressing increased asset efficiency in order to build a corporate group able to quickly respond to market shifts, technological innovation, or other changes in the business environment. The new corporate vision, "Vision-70," was formulated this year in view of our 70th anniversary in 2010. It sets targets for that year of net sales of ¥260.0 billion, operating income of ¥18.0 billion, and an operating income ratio of 7.0%, as we strive to "reshape Clarion into something that people want and look forward to with great expectations."

Clarion's business domain is "a space that allows seamless enjoyment and sharing of music and information, anytime, anywhere and with anybody, based on the car environment." Since its founding Clarion has focused on developing technology and devices that can withstand the harsh environments inside vehicles. In recent years, more precision devices incorporating semiconductors, CDs and DVDs are being fitted in cars, and the importance for such technology and expertise as we have accumulated to this point has greatly increased.

CONSOLIDATED FINANCIAL HIGHLIGHTS

Clarion Co., Ltd. and subsidiaries
Years ended March 31

	Millions of yen, except per share amounts		Thousands of U.S. dollars, except per share amounts
	2004	2005	2005
For the Year:			
Net sales	¥ 168,947	¥ 178,325	\$ 1,660,537
Operating income	10,352	9,582	89,228
Net income	6,305	5,111	47,597
Per Share (Yen and U.S. dollars):			
Net income	¥ 22.32	¥ 18.09	\$ 0.168
Cash dividends	—	—	—
At Year-end:			
Total assets	¥ 128,536	¥ 119,527	\$ 1,113,024
Total shareholders' equity	20,987	26,729	248,905
Interest-bearing borrowings	58,585	41,619	387,556

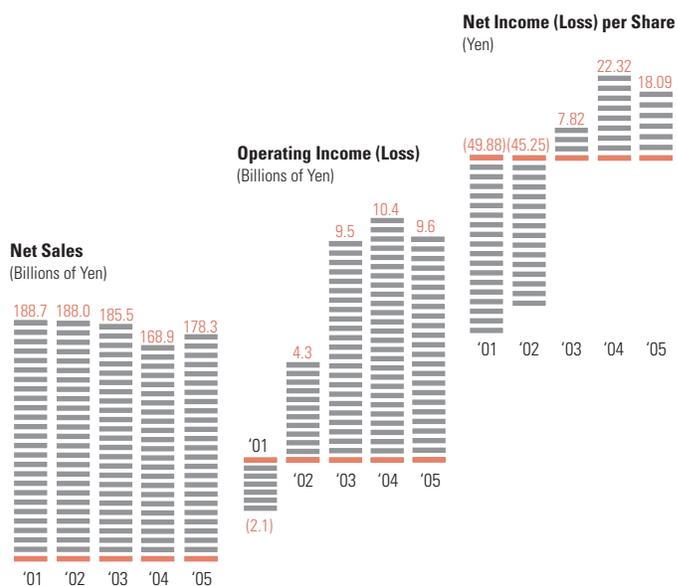
Note: The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2005, which was ¥107.39 to U.S. \$1.

Looking ahead, we will strengthen our sales capacity throughout the world by increasing awareness of our brand value and reorganizing the sales structure, enhance our product lineup and increase the speed of product planning for the global market. We have upgraded and expanded our global composition, and restructured our organizational makeup to be more customer-oriented, in order to respond more quickly and flexibly to the latent needs of the market.

In the Car Information Systems (CIS) business, focusing on such products as car navigation systems, we have strengthened our cooperative relationship with Hitachi, Ltd. We will bring development personnel together, and increase product competitiveness by combining the superior technologies of each company. We will also aim to develop integrated product platforms and increase efficiency, in order to effectively utilize product development resources. Through this alliance we will be able to reduce costs, as well as resolve the issue of retaining software engineers.

Corporate Governance

Clarion's corporate governance framework has been structured to ensure the sound management that will improve long-term corporate value. We also consider it important to seriously



consider compliance issues. For this reason we established a Compliance Committee, which I chair, in order to improve awareness of compliance issues among employees and ensure due implementation of various compliance measures. We have also given independent status to the Corporate Social Responsibility (CSR) Promotion Office and Internal Audit Office as a means of strengthening our internal control structure. The results of Group-wide internal audits are communicated with these offices as base stations, and implementation of any corrective actions and measures, if necessary, is overseen by these offices.

Clarion also maintains a management stance emphasizing shareholders' returns that properly reflect performance. We make efforts to establish good and smooth relationships with all stakeholders by respecting basic interests and equality, and by enhancing management transparency through proper information disclosure.

Clarion has adopted the auditing system, under which the Board of Directors sets management policies for the corporate group, makes decisions on important matters regarding management, and directs and supervises the conduct of business.

Clarion will continue to make efforts to enhance the effectiveness of its corporate governance by strengthening its compliance structure and ensuring proper management of the Board of Directors.

CSR

Preservation of the environment is one of the most vital issues common to everyone throughout the world, and management emphasizing CSR has become the standard for any corporate endeavor. To create a sustainable society, Clarion's corporate management is based on the principle of the triple bottom line of environment, business and society. By implementation of measures defined in Vision-70, we will not only make efforts to establish a firm management foundation, but also to make investment in environmental improvement and social contributions to reshape the Company to be a "More Valuable Enterprise."

Clarion continues to build an environmental management system based on ISO 14001 standards. Specifically, we take measures to curtail environmentally harmful substances, to develop more environment-friendly products that are smaller and lighter, and to implement product life cycle assessment initiatives based on design evaluations that include factors such as recyclability. Regarding our risk management strategy, we have implemented total risk management (TRM) to provide companywide control of information security, environmental and other risks faced by the Company.

Based on Clarion's corporate philosophy of "respecting the individuality and ability of each employee, and establishing a corporate culture of generosity," we have implemented a merit system that has fostered independent-minded employees able to rise to challenges. Our aim is to be in step with the ideals of our employees, and to build a company of which they are proud to be a part. We also maintain several avenues of communication with our suppliers. In this way we remain in harmony with our stakeholders while respecting local communities, conduct activities to contribute to society that reflect our awareness of our responsibilities as a corporate citizen, and strive to be a "company truly needed by society."

To Our Shareholders

Clarion eliminated its cumulative loss during the subject fiscal year, and succeeded in strengthening its management foundations. However, this has not yet provided the Company with the strength to offer dividends. We will devote all our efforts toward achieving the goals of our medium-term business plan by the end of fiscal 2007 and the Vision-70 program, and put the Company on a secure path to growth.

Thank you for your continued support of Clarion.

June 28, 2005



Tatsuhiko Izumi
President

Under Vision-70, we are carrying out various measures.

Clarion's Competitive Advantage

Precision devices in vehicles are subject to vibration, temperature and humidity fluctuations, and face an environment far harsher than that of ordinary consumer electronic devices.

In addition, because of structural and functional restrictions in vehicles, sophisticated technology is necessary to incorporate computer or vibration-sensitive CD/DVD devices into navigation systems. In recent years the links between these in-vehicle computing systems (IVCSs) and the driving functions of the automobile have become closer, demanding greater and higher reliability.

Clarion possesses not only the cumulative audio technology acquired since its founding, but also application- and installation-specific technologies. We have also established relationships of trust with automobile manufacturers that give us a unique competitive advantage over manufacturers of household consumer electronics. Building on this advantage, and in accordance with our "Vision-70" corporate vision, we present the business strategies and measures that will increase our corporate value.

Brand Strategies and Organizational Restructuring

We cannot achieve the goals of Vision-70 without strengthening our corporate brand, and as such we have been building a brand strategy promotion structure since January 2005. The first aspect of this promotion is a "We are Clarion" series of activities within the corporate group. We then plan to expand investments to draw attention to the brand, beginning with exhibitions at shows of leading technologies, and increasing spending on such sales promotion and advertising as campaigns and displays.

Organization restructuring will focus on Company-wide cross-functional efforts that link the front office, which has direct contact with customers and markets, the middle office

that creates product value through conduct of operations, and the back office providing business support.

Sales Strategies throughout the World

Nearly four million car navigation systems are shipped in Japan each year. Because R&D expenses and fixed costs are high, it is important to maintain an absolute production quantity. The rule of thumb in the industry is that each company must produce 700,000 to one million units annually to keep from falling behind the competition.

To maintain this level going forward it is important for us to strengthen our sales power throughout the world. In the OEM markets we maintain and expand business with Japanese car manufacturers, while developing new customer bases in Asia, and expanding and developing business with customers in Europe and the Americas.

In the aftermarket we are making efforts to enhance our brand image, restructure and strengthen our product planning and marketing functions region-by-region, with special focus on strengthening IVCS products and expansion of markets.

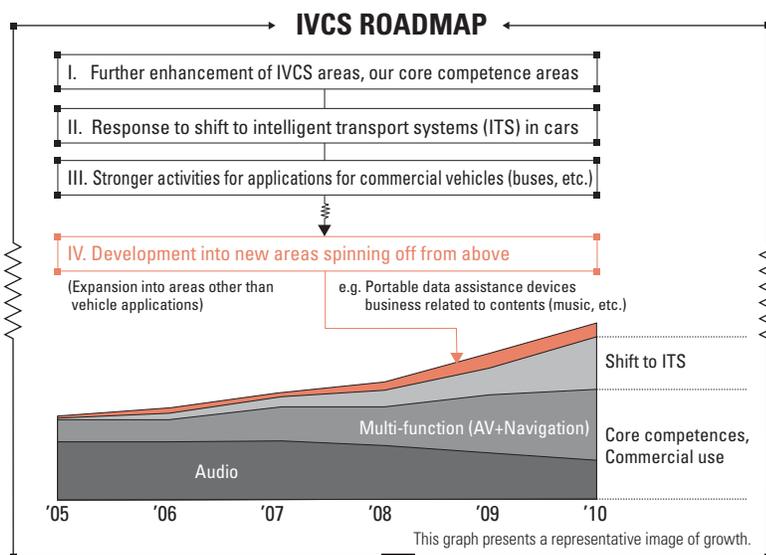
The time is also finally right for expansion of sales of navigation systems overseas. In 2006 Clarion will introduce an HDD navigation system in Europe, and a DVD navigation system in China. With the popularity of portable navigation systems in the U.S., Clarion has introduced an HDD transportable audio-visual navigation system.

Digital Technology Strategies

Car information systems (CISs) have become more sophisticated in recent years as they link together the basic functions of an automobile, as seen in the intelligent transport system (ITS) and other increasingly sophisticated safety control technologies, and cruise control systems with integrated navigation features.

Clarion has prioritized in-vehicle information terminals as its core competence, and is pursuing development of technologies in response to the increasing sophistication of automobile safety control systems and detection cameras. We already have experience with bus driving control systems in the form of commercial in-vehicle information communication devices incorporating Linux and JAVA™ software. Looking ahead, Clarion is focusing on products and designs to meet the needs beyond those of vehicles in the age of the ubiquitous society.

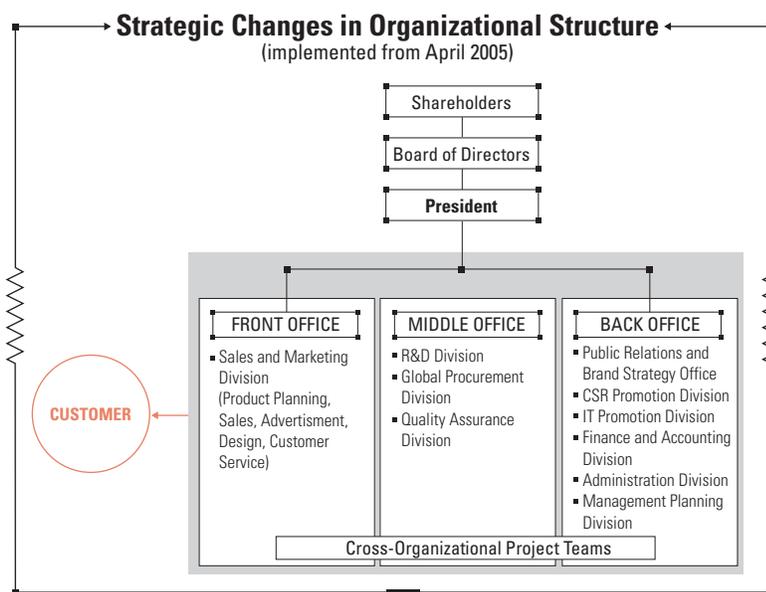
As product development expands in scale, with more focus on software, Clarion formed H.C.X. Corporation in 2000, a joint venture company with Hitachi, Ltd., to develop in-vehicle information systems. In April 2005 an agreement was reached on comprehensive cooperation for development of basic software and future technologies, along with



Clarion possesses not only the cumulative audio technology acquired since its founding, but also application — and installation-specific technologies.

material procurement, manufacturing, sales and follow-up service. We plan to draw on this collaboration to raise development efficiency by modularizing and developing platforms for both hardware and software, and pursue business development by function, customer and business area.

We plan to increase research and development spending from ¥10.7 billion in fiscal 2004 to ¥11.8 billion in fiscal 2005 in order to develop products to meet customer needs. From our ten research facilities in eight countries around the world, we will strengthen development worldwide, placing emphasis on Japan and China. In Japan we will increase the number of software developers at the Company and H.C.X. to facilitate development of new products with higher added value.



CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

Clarion's Corporate Governance Structure

Clarion has adopted the auditing system. The Board of Directors sets basic management policies for the corporate group, makes decisions on important management issues, and directs and supervises the conduct of business. A management committee comprising of directors and corporate officers has been established as a consultative body to assist the Board. It is here that the direction and policies of Clarion and its corporate group are clarified. The Board of Directors consisted of eight members as of the end of the subject fiscal year. The effective management now being provided through the Board of Directors demonstrates the efficiency of its functions under the current auditing system. Clarion has also introduced the corporate officer system. Based on the decisions of the Board of Directors, corporate officers, under the direction of the Board of Directors and the representative directors, are able to conduct business expediently. The term of office for directors has been set at one year since June 2002, a change that increased flexibility.

Development of Clarion's Internal Control Systems

Clarion established a Compliance Promotion Office in July 2003 to promote corporate activities based on compliance, as well as to establish and further the Group's internal control structure. We also established a cross-organizational Compliance Committee, chaired by the president, with the aim of developing a compliance program among all affiliated companies. This committee has become an integral part of our organization.

In November 2003 we introduced a consultation/reporting system that has helped us to quickly identify and resolve internal problems. In April 2005 we gave independent status to the CSR Promotion Office and Internal Audit Office, a reorganization that strengthened our internal control structure.

Clarion also undertook a thorough revision and updating of its internal regulations beginning in fiscal 2004, which is still ongoing. Along with drafting and implementing proper and appropriate operating procedures, new regulations have been established that cover internal auditing, timely disclosure and

protection of personal information, serving to enhance the internal control system. We have also launched a Crisis Management Committee as part of our risk management structure, to facilitate a quick response to any unforeseen occurrence.

Status of Internal, Corporate and Financial Auditing

The Internal Audit Office conducts regular audits of all the Company's divisions and group companies in accordance with the internal control system described in the preceding section. The Office evaluates business activities in terms of efficiency, conformity and compliance with laws and regulations as well as internal regulations. It reports its findings to the president, who takes actions to correct any inconsistencies.

The Board of Corporate Auditors consists of four members, two of whom are outside auditors. Each auditor objectively supervises and evaluates the duties conducted by the directors, regularly exchanging opinions with representative directors, and offering advice and counsel regarding the management structure.

Clarion has a public accountant auditing contract with ChuoAoyama PricewaterhouseCoopers, provides appropriate management information to markets and other relevant parties, and makes appropriate revisions to its corporate environment to guarantee equitable auditing.

Status of Measures to Enhance Corporate Governance Implemented within the Last Year

Clarion avoids holding its general meeting of shareholders on a day when many other companies hold their meetings as a means of respecting the basic rights of shareholders and ensuring that they are able to properly exercise their voting rights. We are also making efforts to improve the system by sending out invitation notices as early as possible, and adopting systems for shareholders to exercise their voting rights electronically.

Clarion has formulated a remuneration system for directors that incorporates performance-linked factors. With increased transparency and closer links to performance in the system

regulations, we aim to merge the interests of shareholders and directors, and increase corporate value. We also require the purchase of the Company's stock through the Executive Shareholder Association spending a part of executive remuneration, helping to foster a sense of sharing the corporate value with shareholders.

Clarion is increasing its management transparency by enhancing its IR website with timely and appropriate information disclosure and globalization of its homepage. We have also been working to strengthen our communication with foreign shareholders by sending English translations of our shareholder meeting invitation notices through standing proxies.

Environmental Measures

Widespread adoption of highly safe and efficient car navigation systems will improve driving efficiency of automobiles, reduce fuel consumption and lead to a reduction in CO₂ emissions. The new HDD car navigation systems now coming on the market do not have such accessories as CD auto-changers, and so can be made up to 30% lighter. Also, networked auto-guidance systems for community buses will facilitate operation management by communicating information on accidents and number of passengers between the operations center and the bus, thereby leading to a reduction in CO₂ emissions.

Clarion employs a green purchasing program in response to End-of-Life Vehicle (ELV) regulations in Europe and the requirements from automobile manufacturers to limit substances that are potentially harmful to the environment. We are also developing our products to be lead free and eco-friendly, with a limited amount of environmentally harmful substances and eco-friendly. We have set targets to reduce energy use by 4% and waste output by 10% by 2007, and are making steady progress with efforts to promote zero waste output, and reduce amounts of waste oil, solder, and paper.

Social Contributions

Clarion has established a leave system to allow its employees to participate in local volunteer efforts, and is working to create a corporate environment contributing to a better society. One example is our support for cleanup efforts along the Tone River in Gunma Prefecture.

The Company's corporate philosophy with regard to its employees is "respecting the individuality and ability of each employee, and establishing a corporate culture of generosity." In accordance with this philosophy, we have introduced coaching management practices and evaluations based on degree of contribution, as well as HR systems such as the annual salary and free agent systems. We have also created a work environment incorporating flex time and various leave systems that allow employees to feel comfortable with their jobs, and give due consideration to the health management of all employees.

Clarion is attentive to preventing workplace accidents, and we have not had a work-related injury for the past five years. During fiscal 2004 there were no accidents, violations of laws or legal actions filed against the Company.



Clarion Sustainability Report 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of Fiscal 2004, Ended March 31, 2005

The automobile industry in Japan showed improved performance from the previous year in terms of both production and sales of new cars, due to the launch of a series of new cars on the market. Performance in North America and Europe also improved slightly from the previous year.

Clarion's consolidated net sales for the subject fiscal year rose 5.6% year on year to ¥178,325 million. Despite falling prices and other effects of increasingly fierce sales price competition, sales increased as a result of growth in car navigation systems in both the domestic OEM market and aftermarket, along with increased sales of our Electronics Manufacturing Service (EMS) business in Mexico.

In terms of profitability, however, consolidated operating income fell 7.4% year on year to ¥9,582 million. This was due to an increase in strategic investments such as R&D expenses, and an infusion of advertisement expenses for publicity through various advertising media, and aggressive sales promotion activities.

Other income totaled ¥1,134 million, of which ¥255 million was from interest and dividend income, and ¥122 million from gain on reversal of patent fees.

Other expenses totaled ¥7,766 million, of which ¥1,501 million was for interest expenses, ¥2,690 million was for an increase in the allowance for doubtful accounts stemming from our evaluation of recoverability, ¥464 million was for the transition obligation expenses for pension and severance costs, and

¥304 million was for business restructuring expenses associated with integration of production in Europe and other areas.

Excluding current income taxes, deferred income taxes and minority interests in subsidiaries, consolidated net income declined 18.9% year on year to ¥5,111 million. Net income per share was ¥18.09.

Overview of performance by business segment is as follows.

■ Car audio-visual equipment

Car audio-visual equipment in the Japan market was characterized by growth in sales of car navigation systems on the aftermarket, while in the OEM market there was an increase in the number of new car navigation units installed. Sales were sluggish in the European market, while in the North American OEM market there was a decline in the number of precision devices sold, and increasingly fierce price competition that resulted in a fall in sales prices and other negative effects. However, overall sales of this business segment increased 4.3% year on year to ¥166,365 million.

In terms of profitability, however, operating income was down 10.8% year on year to ¥8,132 million, due mainly to strategic investments such as R&D expenses, and aggressive spending on advertising and sales promotions.

■ Specialty equipment

In the specialty equipment business, which includes audio-visual equipment for buses, we launched an IT-based bus location system aimed at improving service of bus operators in the



□ MAX950HD:
Car AV navigation system for the Japanese market



□ VRX935VD:
Car AV system for the Japanese market



□ VRX755VD:
Car AV system for the U.S. market

tourist and community bus industries. Demand was also steady for rear view monitor and camera systems using CCD cameras and other devices, due to increased safety awareness of drivers.

As a result, sales in this segment increased 13.4% year on year to ¥6,949 million, and operating income rose 5.3% to ¥1,233 million.

Other business

In other business, we started an Electronics Manufacturing Service (EMS) business in Mexico during the subject fiscal year, resulting in a significant improvement in earnings. Sales in this segment rose 53.0% year on year to ¥5,010 million, while operating income totaled ¥216 million, compared to ¥67 million the previous fiscal year.

Results by geographic segment are as follows.

Japan

In the automobile industry, domestic production and sales rose from the previous year. In terms of results, rising sales stemming from growth in car navigation systems in the OEM market and aftermarket resulted in an increase in sales of 8.8% year on year to ¥96,658 million in this segment.

In terms of profitability, however, operating income was down 19.6% to ¥6,304 million, due mainly to strategic investments in R&D, and aggressive investment and spending on advertising and sales promotions.

Americas

A recovery in sales in the aftermarket and the launch of the EMS business through our production subsidiary in Mexico during the subject fiscal year resulted in an increase in

sales of 14.6% year on year to ¥38,577 million in this segment. In terms of profitability, a significant increase in income was realized from efforts to streamline production and reduce expenses, resulting in a rise in operating income of 257.2% to ¥1,675 million.

Asia and Australia

The start of OEM deliveries in China and recovery of OEM sales in Taiwan resulted in an increase in sales of 8.5% year on year to ¥10,737 million in this segment. Operating income, however, fell 5.0% to ¥790 million due mainly to increases in sales expenses, and development expenses in China.

Europe

Contraction of the aftermarket and price declines due to price competition resulted in a decline in sales of 11.5% year on year to ¥32,351 million in this segment. Operating income, however, rose 53.8% to ¥348 million due to cost reduction benefits realized from streamlining of production in Europe, and cuts in sales expenses.

Financial Position

Total assets decreased by ¥9,008 million compared to the end of the previous consolidated fiscal year to ¥119,527 million. Current assets declined by ¥10,889 million to ¥73,687 million, due mainly to decline in cash on hand and in banks of ¥14,946 million to ¥11,059 million. With the increased sales, notes and accounts receivable increased by ¥4,646 million to ¥35,359 million. Despite the efforts in shortening purchasing and production lead times, the rise in sales resulted in an increase in inventories of ¥689 million compared to the end of the previous fiscal year, to ¥22,871 million. The number of days for

DRZ9255



DXZ955MC



Car audio systems for the U.S. market



VRX848RVD:

Car AV system for the European market



DXZ958RMC



DXZ558RMP



DXZ658RMP



DXZ758RMC

Car audio systems for the European market

inventory turnover, however, improved by nine days in the same period to 46 days, the shortest in the industry. Due to active investment, tangible fixed assets totaled ¥24,873 million, and intangible fixed assets ¥7,637 million, both increased from the previous fiscal year. Investments and other assets were ¥13,329 million.

Liabilities declined 13.1% year on year to ¥92,649 million. Current liabilities decreased by ¥16,803 million from the end of the previous fiscal year to ¥67,791 million. This was due mainly to a decrease in short-term loans of ¥18,612 million compared to the end of the previous fiscal year, to a total of ¥30,592 million. Total long-term liabilities increased ¥2,796 million from the end of the previous fiscal year to ¥24,857 million. The Company received funding from the establishment of a commitment line and a term loan in October 2004 on a syndicated loan system, and benefited from controls that brought cash on hand and in banks to an appropriate level. Interest-bearing borrowings were continually reduced, declining ¥16,965 million from the end of the previous fiscal year, and dependence on borrowing fell from 45.6% to 34.8%.

Total shareholders' equity increased ¥5,742 million to ¥26,729 million, while the equity ratio improved 6.1 percentage points compared to the end of the previous fiscal year to 22.4%. A proposal for reversal of additional paid-in capital was approved at the general meeting of shareholders held in June 2004, resulting in retained earnings for the fiscal year to March 2005 of ¥2,934 million.

Cash Flows

Net cash provided by operating activities increased by ¥8,038 million due mainly to income before income taxes of ¥2,950 million and depreciation of ¥4,497 million, along with reductions in interest expense. Net cash provided at the end of the previous consolidated fiscal year was ¥16,058 million.

Net cash used in investing activities was ¥6,030 million, compared to ¥158 million in the previous consolidated fiscal year. This was due mainly to ¥329 million from proceeds from sales of investment securities, acquisition of production equipment and other tangible fixed assets in China, acquisition of software and other intangible fixed assets, and additional acquisition of stock in consolidated subsidiaries.

Net cash used in financing activities was ¥17,537 million, compared to ¥16,467 million in the previous fiscal year. This was due mainly to capital injections from the establishment of a commitment line in October 2004 and a syndicated loan, controls that brought Group-wide cash on hand and in banks to an appropriate level, and continued reductions in interest-bearing borrowings.

As a result of the above, cash and cash equivalents at end of year were ¥11,016 million, a decrease of ¥14,989 million from ¥26,005 million at the end of the previous consolidated fiscal year.

Outlook for Fiscal 2005, Ending March 31, 2006

In the automobile industry we expect an increase in R&D investment related to on-board IT systems, along with development of provided content and modularization of hardware. On the other hand, fierce competition for cost reductions will continue. In order to cope with this adversity, we will strive for lower variable costs through international purchasing, taking advantage of information-based technology to structure systems for reduced costs through better production efficiency, while at the same time offering more attractive products.

We expect the business environment for in-vehicle computing systems (IVCSs), mainly car navigation systems, to steadily develop. We anticipate that automobile manufacturers will begin full-scale information-communication services, and that audio-visual navigation systems—the area in which the Group is able to maximize its strengths—will steadily expand, mainly in the OEM market. In the China market, where growth in the aftermarket is expected, we will strengthen our R&D functions. Although the business environment remains unfavorable with fierce price competition, the Clarion Group will continue to strive to strengthen its consolidated earnings capacity and to improve consolidated cash flow.

Forecast of operating results for fiscal 2005 are as follows.

Net sales	¥180.0 billion	(up 0.9% year on year)
Operating income	¥7.5 billion	(down 21.7% year on year)
Net income	¥3.5 billion	(down 31.5% year on year)

CLARION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen, except per share amounts			Thousands of U.S. dollars, except per share amounts
	Year ended March 31			Year ended March 31
	2005	2004	2003	2005
Net sales	¥178,325	¥168,947	¥185,530	\$1,660,537
Cost of sales	140,786	132,103	146,946	1,310,980
Gross profit	37,538	36,844	38,583	349,556
Selling, general and administrative expenses (Note 11.16.)	27,956	26,491	29,049	260,328
Operating income	9,582	10,352	9,534	89,228
Other income:				
Interest and dividend income	255	253	195	2,377
Gain on sales of property, plant and equipment	55	58	78	520
Gain on sales of investments in securities	78	384	-	726
Gain on reversal of excess patent fee	122	-	-	1,136
Equity in gain of affiliates	136	112	120	1,266
Others	487	878	1,005	4,537
	1,134	1,688	1,399	10,564
Other expenses:				
Interest expenses	1,501	2,339	2,589	13,977
Net loss on foreign currency transactions	468	159	409	4,365
Loss on sales and disposal of property, plant and equipment	89	946	226	831
Impairment loss on property, plant and equipment	270	-	-	2,516
Reorganization costs	304	697	-	2,836
Transition obligation expenses for pension and severance costs	464	464	464	4,323
Loss on devaluation of investments in securities	96	15	765	899
Provision for doubtful accounts	2,690	-	-	25,053
Others	1,880	1,517	4,076	17,513
	7,766	6,139	8,531	72,316
Income before income taxes	2,950	5,900	2,402	27,476
Provision/(benefit) for income taxes:				
Current	546	669	766	5,084
Deferred	(2,874)	(1,184)	(38)	(26,765)
	(2,328)	(514)	727	(21,681)
Income before minority interests	5,279	6,415	1,675	49,158
Minority interests in subsidiaries	167	109	119	1,560
Net income	¥5,111	¥6,305	¥ 1,555	\$47,597
Per share:				
Net income	¥ 18.09	¥ 22.32	¥7.82	\$0.168
Cash dividends	¥ -	¥ -	¥ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

CLARION CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	<u>Millions of yen</u>		<u>Thousands of</u>
	<u>March 31</u>		<u>U.S. dollars</u>
	<u>2005</u>	<u>2004</u>	<u>March 31</u>
			<u>2005</u>
<u>ASSETS</u>			
Current assets:			
Cash on hand and in banks	¥11,059	¥26,005	\$102,984
Notes and accounts receivable	35,359	30,712	329,261
Allowance for doubtful accounts	(1,299)	(1,348)	(12,104)
Inventories (Note 4.)	22,871	22,181	212,972
Deferred income taxes (Note 10.)	2,018	2,828	18,794
Other current assets	3,678	4,198	34,253
Total current assets	<u>73,687</u>	<u>84,576</u>	<u>686,162</u>
Investments in securities (Note 5.)	4,252	4,376	39,599
Property, plant and equipment:			
Buildings and structures	20,634	20,240	192,147
Machinery and equipment	34,336	33,345	319,735
Land	11,741	11,688	109,330
Construction in progress	133	12	1,245
Accumulated depreciation	(41,972)	(40,686)	(390,841)
Total property, plant and equipment	<u>24,873</u>	<u>24,600</u>	<u>231,617</u>
Other assets:			
Intangible assets	7,637	7,039	71,122
Other	9,076	7,942	84,520
Total other assets	<u>16,714</u>	<u>14,981</u>	<u>155,643</u>
Total assets	<u>¥119,527</u>	<u>¥128,536</u>	<u>\$1,113,024</u>

The accompanying notes are an integral part of these consolidated financial statements.

CLARION CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2005	2004	2005
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current liabilities:			
Short-term loans (Note 7.)	¥30,592	¥49,205	\$284,873
Notes and accounts payable	22,972	22,070	213,912
Accrued bonuses	968	954	9,017
Accrued expenses	7,213	6,849	67,168
Income taxes payable	259	87	2,415
Other current liabilities	5,785	5,427	53,875
Total current liabilities	<u>67,791</u>	<u>84,595</u>	<u>631,261</u>
Long-term liabilities:			
Long-term loans (Note 7.)	11,027	9,379	102,683
Accrued pension and severance costs (Note 8.)	10,025	9,391	93,356
Deferred income taxes on revaluation of land	2,065	1,765	19,230
Deferred income taxes (Note 10.)	138	91	1,292
Other long-term liabilities	1,601	1,433	14,910
Total long-term liabilities	<u>24,857</u>	<u>22,061</u>	<u>231,473</u>
Minority interests in subsidiaries	<u>148</u>	<u>892</u>	<u>1,383</u>
Shareholders' equity:			
Common stock, no par value			
Authorized: 450,000,000 shares			
Issued: 282,744,185 shares at March 31, 2005 and 2004	26,100	26,100	243,042
Additional paid-in capital	2,669	33,559	24,858
Retained earnings/(losses)	2,934	(33,062)	27,325
Net unrealized gain on revaluation of land (Note 9.)	2,272	2,572	21,163
Net unrealized gain on other securities	813	561	7,576
Foreign currency translation adjustments	(8,031)	(8,726)	(74,786)
Treasury stock	(29)	(17)	(276)
Total shareholders' equity	<u>26,729</u>	<u>20,987</u>	<u>248,905</u>
Commitments and contingencies			
Total liabilities and shareholders' equity	<u>¥119,527</u>	<u>¥128,536</u>	<u>\$1,113,024</u>

The accompanying notes are an integral part of these consolidated financial statements.

CLARION CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Number of common shares outstanding (Thousands)	Common stock	Additional paid-in capital	Retained earnings/(losses)
Balance at March 31, 2002	186,203	¥20,761	¥28,278	¥(41,150)
New issuance of common stock	59,287	4,150	4,150	-
Conversion of convertible bonds	37,253	1,188	1,161	-
Net income	-	-	-	1,555
Change in treasury stock	-	-	-	-
Net unrealized loss on securities	-	-	-	-
Foreign currency translation adjustments	-	-	-	-
Others	-	-	(30)	13
Balance at March 31, 2003	282,744	26,100	33,559	(39,581)
Net income	-	-	-	6,305
Decrease due to change in equity method affiliate	-	-	-	(6)
Change in treasury stock	-	-	-	-
Net unrealized gain/(loss) on revaluation of land	-	-	-	250
Net unrealized gain on securities	-	-	-	-
Foreign currency translation adjustments	-	-	-	-
Others	-	-	-	(29)
Balance at March 31, 2004	282,744	26,100	33,559	(33,062)
Transfer to retained earnings	-	-	(30,889)	30,889
Net income	-	-	-	5,111
Change in treasury stock	-	-	-	-
Net unrealized loss on revaluation of land	-	-	-	-
Net unrealized gain on securities	-	-	-	-
Foreign currency translation adjustments	-	-	-	-
Others	-	-	-	(4)
Balance at March 31, 2005	282,744	¥26,100	¥2,669	¥2,934

	Number of common shares outstanding (Thousands)	Common stock	Additional paid-in capital	Retained earnings/(losses)
Balance at March 31, 2004	282,744	\$243,042	\$312,499	\$(307,874)
Transfer to retained earnings	-	-	(287,640)	287,640
Net income	-	-	-	47,597
Change in treasury stock	-	-	-	-
Net unrealized loss on revaluation of land	-	-	-	-
Net unrealized gain on securities	-	-	-	-
Foreign currency translation adjustments	-	-	-	-
Others	-	-	-	(38)
Balance at March 31, 2005	282,744	\$243,042	\$24,858	\$27,325

The accompanying notes are an integral part of these consolidated financial statements.

Net unrealized gain on revaluation of land	Net unrealized gain/(loss) on other securities	Foreign currency translation adjustments	Treasury stock	Total shareholders' equity
2,763	(695)	¥(6,025)	¥(2)	¥3,930
.	.	.	.	8,300
.	.	.	.	2,350
.	.	.	.	1,555
.	.	.	(9)	(9)
.	(428)	.	.	(428)
.	.	(1,063)	.	(1,063)
.	.	.	.	(17)
<u>2,763</u>	<u>(1,123)</u>	<u>(7,088)</u>	<u>(12)</u>	<u>14,617</u>
.	.	.	.	6,305
.	.	.	.	(6)
.	.	.	(5)	(5)
(191)	.	.	.	58
.	1,685	.	.	1,685
.	.	(1,637)	.	(1,637)
.	.	.	.	(29)
<u>2,572</u>	<u>561</u>	<u>(8,726)</u>	<u>(17)</u>	<u>20,987</u>
.
.	.	.	.	5,111
.	.	.	(11)	(11)
(300)	.	.	.	(300)
.	251	.	.	251
.	.	695	.	695
.	.	.	.	(4)
<u>¥2,272</u>	<u>¥813</u>	<u>¥(8,031)</u>	<u>¥(29)</u>	<u>¥26,729</u>

Thousands of U.S. dollars

Net unrealized gain on revaluation of land	Net unrealized gain on other securities	Foreign currency translation adjustments	Treasury stock	Total shareholders' equity
\$23,957	\$5,233	\$(81,260)	\$(164)	\$195,433
.
.	.	.	.	47,597
.	.	.	(111)	(111)
(2,794)	.	.	.	(2,794)
.	2,343	.	.	2,343
.	.	6,474	.	6,474
.	.	.	.	(38)
<u>\$21,163</u>	<u>\$7,576</u>	<u>\$(74,786)</u>	<u>\$(276)</u>	<u>\$248,905</u>

CLARION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31
	2005	2004	2003	2005
Cash flows from operating activities:				
Income before income taxes	¥2,950	¥5,900	¥2,402	\$27,476
Adjustments -				
Depreciation and amortization	4,497	4,587	5,090	41,881
Amortization of goodwill	78	74	428	733
Equity gain of affiliates	(136)	(112)	(120)	(1,266)
Increase in allowance for doubtful accounts	2,591	226	282	24,135
Increase/(decrease) in accrued pension and severance costs, less payments	629	881	(1,066)	5,861
Interest and dividend income	(255)	(253)	(195)	(2,377)
Interest expense	1,501	2,339	2,589	13,977
Devaluation of investments in securities	96	15	765	899
Gain on sales of investments in securities	(78)	(384)	-	(726)
Gain on sales of property, plant and equipment	(55)	(58)	(78)	(520)
Changes in assets and liabilities:				
(Increase)/decrease in notes and accounts receivable	(3,671)	(1,628)	3,433	(34,187)
(Increase)/decrease in inventories	(210)	4,932	5,465	(1,962)
Increase/(decrease) in notes and accounts payable	331	1,920	(5,693)	3,088
Others, net	1,463	431	2,046	13,628
Sub-total	9,734	18,872	15,349	90,642
Interest and dividend received	255	247	235	2,378
Interest paid	(1,448)	(2,401)	(2,528)	(13,489)
Income taxes paid	(502)	(659)	(904)	(4,677)
Net cash provided by operating activities	8,038	16,058	12,153	74,853

(Continued on following page.)

The accompanying notes are an integral part of these consolidated financial statements.

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31
	2005	2004	2003	2005
Cash flows from investing activities:				
Increase in time deposits	(43)	(10)	(359)	(401)
Decrease in time deposits	.	780	2,712	.
Payment for purchases of property, plant and equipment	(3,066)	(1,816)	(2,410)	(28,558)
Proceeds from sales of property, plant and equipment	77	942	699	719
Payment for purchases of intangible assets	(2,709)	(1,713)	(1,624)	(25,227)
Proceeds from sales of investments in securities	329	1,616	476	3,070
Proceeds from sales of common stock in subsidiaries	.	(31)	(186)	.
Increase in loans receivable	(9)	(8)	(9)	(83)
Decrease in loans receivable	95	110	193	893
Payment for acquisition of shares from minority shareholders	(690)	(14)	.	(6,425)
Others, net	(15)	(14)	(22)	(142)
Net cash used in investing activities	<u>(6,030)</u>	<u>(158)</u>	<u>(530)</u>	<u>(56,154)</u>
Cash flows from financing activities:				
Decrease in short-term loans, net	(19,540)	(12,010)	(1,082)	(181,954)
Proceeds from long-term loans	20,019	6,840	30	186,414
Repayment of long-term loans	(17,886)	(8,241)	(9,396)	(166,551)
Proceeds from issuance of common stock	.	.	8,300	.
Payment for redemption of debentures	.	(3,000)	.	.
Others, net	(130)	(55)	(9)	(1,213)
Net cash used in financing activities	<u>(17,537)</u>	<u>(16,467)</u>	<u>(2,158)</u>	<u>(163,306)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>540</u>	<u>(1,223)</u>	<u>(612)</u>	<u>5,031</u>
Net (decrease)/increase in cash and cash equivalents	(14,989)	(1,790)	8,852	(139,575)
Cash and cash equivalents at beginning of year	<u>26,005</u>	<u>27,795</u>	<u>18,943</u>	<u>242,159</u>
Cash and cash equivalents at end of year (Note 12.)	<u>¥11,016</u>	<u>¥26,005</u>	<u>¥27,795</u>	<u>\$102,583</u>

The accompanying notes are an integral part of these consolidated financial statements.

CLARION CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presenting consolidated financial statements:

Clarion Co., Ltd. ("Clarion") and its subsidiaries in Japan maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, while its foreign subsidiaries maintain their records and prepare their financial statements in conformity with accounting principles generally accepted in their respective countries. The accompanying consolidated financial statements of Clarion, its subsidiaries and affiliates (collectively, "the Company") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application of and disclosure requirements of International Financial Reporting Standards, and are compiled from consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

The accompanying consolidated financial statements include certain reclassifications and rearrangements in order to present them in a form that is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information that is not required under generally accepted accounting principles and practices in Japan, but which is provided herein as additional information. None of the reclassifications nor rearrangements have a material effect on the consolidated financial statements.

Certain notes and amounts previously reported have been rearranged and reclassified to conform to the current year presentation.

The amounts presented in millions of yen are truncated for amounts less than 1 million. Totals may not be added up exactly because of such truncation.

2. Summary of significant accounting policies:

(1) Consolidation and investments in affiliates

The accompanying consolidated financial statements include the accounts of Clarion and its subsidiaries that are controlled by Clarion. Under the effective control approach, all majority-owned companies are to be consolidated. Additionally, companies in which share ownership equals 50% or less may be required to be consolidated in cases where such companies are effectively controlled by other companies through the interests held by a party who has a close relationship with the parent in accordance with Japanese accounting standards. All significant intercompany transactions and accounts and unrealized intercompany profits are eliminated on consolidation.

Investments in affiliates in which Clarion has significant influence are accounted for using the equity method. Consolidated income includes Clarion's current equity in net income or loss of affiliates after elimination of unrealized intercompany profits.

A difference in fiscal periods of Clarion and its subsidiaries does not by itself justify the exclusion of a subsidiary from consolidation. As the difference is not more than three months, it is acceptable to use, for consolidation purposes, the subsidiaries' statements for its fiscal period. For significant transactions during the period between those subsidiaries' fiscal year-end and the balance sheet date, necessary adjustments are included in the consolidated financial statements. The closing date of the fiscal year for Clarion Hungary Electronics Kft., was changed from December 31 to March 31 effective this current fiscal year, so the results of operation and cash flows of this subsidiary for the period from January 1, 2004 to March 31, 2005 were included in the consolidated financial statements.

The excess of the cost over the underlying fair value of investments in subsidiaries is recognized as goodwill. Goodwill relating to the Mexican subsidiaries is amortized over 20 years.

(2) Translation of foreign currency balances and transactions

Foreign currency transactions are generally translated using foreign exchange rates prevailing at the transaction dates. Assets and liabilities denominated in foreign currencies are translated at the current exchange rates at the balance sheet date.

All assets and liabilities of overseas subsidiaries are translated at current rates at the respective balance sheet dates whereas the shareholders' equity is translated at historical rates and all income and expense accounts are translated at average rates for the respective periods.

(3) Cash and cash equivalents -

Cash and cash equivalents in the consolidated statements of cash flows is comprised of cash on hand, bank deposits able to be withdrawn on demand, and short-term highly liquid investments with original maturities of three months or less, which represent a minor risk of fluctuations in value.

(4) Financial instruments -

(a) Securities:

Investments in debt and equity securities are classified into three categories: 1) trading securities; 2) held-to-maturity debt securities; and 3) other securities.

These categories are treated differently for the purpose of measuring and accounting for changes in fair value.

Trading securities held for the purpose of generating profits from changes in market value are recognized at their fair value in the consolidated balance sheets. Unrealized gains and losses are included in current income. Held-to-maturity debt securities are expected to be held to maturity and are recognized at historical or amortized cost in the consolidated balance sheets. Other securities for which market quotations are available, are recognized at fair value in the accompanying consolidated balance sheets as of March 31, 2005 and 2004, respectively. Unrealized gains and losses for these other securities were classified as a separate component of shareholders' equity.

Other securities for which market quotations are unavailable are stated at cost, based on the weighted-average cost method. Other than temporary declines in the value of other securities are reflected in current income.

Investments in securities as of March 31, 2005 and 2004, included net unrealized gains on other securities amounting to ¥813 million and ¥561 million, respectively, which were included as a separate component of shareholders' equity.

(b) Derivative financial instruments:

All derivatives are stated at fair value, with changes in fair value charged to current income for the period in which they arise, except for derivatives that are designated as "hedging instruments" (see (c) Hedge accounting below).

(c) Hedge accounting:

The Company has a policy to utilize hedging instruments to reduce their exposure to the risk of fluctuation in foreign currency exchange rates and interest rates.

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and charged to income in the same period the gains and losses on the hedged items or transactions are recognized.

The derivatives designated as hedging instruments by the Company are principally forward foreign currency exchange contracts and interest rate swaps.

(5) Allowance for doubtful accounts -

The allowance for doubtful accounts is calculated based on the aggregate amount of estimated credit losses for doubtful receivables, in addition to an amount for receivables, other than doubtful receivables calculated using historical write-off experience from certain prior periods.

(6) Inventories -

Inventories are stated at cost and determined by the weighted-average method. Supplies are stated at cost, which is determined by the last purchase price method.

(7) Property, plant and equipment -

Property, plant and equipment, including significant renewals and improvements, are carried at cost less accumulated depreciation. Maintenance and repairs, including minor renewals, are charged to income as incurred.

For Clarion and its domestic subsidiaries, depreciation, except for dies, is computed under the declining-balance method at rates based on the estimated useful lives of the assets, which are prescribed by the Japanese income tax laws. Dies, included in machinery and equipment, are depreciated under the straight-line method over the estimated useful lives of the assets. For the overseas subsidiaries, depreciation is computed under the straight-line method in accordance with the generally accepted accounting principles prevailing in the respective countries.

(8) Intangible assets ·

Intangible assets, including goodwill and capitalized software costs, are carried at cost less accumulated amortization.

Goodwill represents the excess of purchase price and related costs over the value assigned to the fair value of the business acquired and is amortized using the straight-line method.

Capitalized software costs consist of costs of purchased or developed software. All capitalized software costs are amortized using the straight-line method over five years.

(9) Accounting standards for impairment of fixed assets –

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standards for Impairment of Fixed Assets". The standards require that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standards shall be effective for fiscal years beginning April 1, 2005. However, earlier adoption is permitted for fiscal years ending March 31, 2004 and March 31, 2005.

Clarion and its domestic subsidiaries have not applied this new standard; however, has not yet determined the effect of applying the new requirement.

(10) Accrued bonuses ·

Accrued bonuses to employees are provided for the estimated amounts which Clarion and its several subsidiaries expect to pay to employees after the fiscal year-end, based on services provided during the current period.

(11) Accrued pension and severance costs ·

Accrued pension and severance costs at the end of each fiscal year represent the estimated present value of projected benefit obligations in excess of the fair value of pension plan assets. The unrecognized transition amount, arising from adopting the new accounting standard effective from April 1, 2000, of ¥2,321 million is amortized on a straight-line basis over five years, and unrecognized actuarial differences are amortized on a straight-line basis over 10-15 years from the next year in which they arise.

(12) Research and development costs ·

Research and development costs are expensed as incurred.

(13) Income taxes ·

The provision for income tax is computed based on income before income taxes and minority interests in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax base assets and liabilities.

Clarion obtained approval from the Japan national tax agency to file a consolidated tax return system effective from the year beginning April 1, 2002. Clarion has adopted the consolidated tax return system for the calculation of income taxes effective from the year ended March 31, 2003. Under the consolidated tax return system, Clarion consolidates all wholly-owned domestic subsidiaries based on the Japanese tax regulations.

(14) Revenue recognition ·

Sales are generally recognized at the time the goods are delivered to the customers.

(15) Leases ·

Capital leases, other than those which involve transfer of ownership of the leased assets to the lessee by the end of the lease terms, are allowed to be accounted for as operating leases with footnote disclosure of the estimated acquisition cost, accumulated depreciation and future lease payments under the Japanese accounting standards.

(16) Appropriations of retained earnings ·

Appropriations of retained earnings reflected in the consolidated financial statements are recorded after approval by the shareholders as required under the Japanese Commercial Code.

(17) Net income per share -

Calculation of net income per share for the year ended March 31, 2005 follows:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Net income	¥5,111	\$47,597
Weighted-average number of shares outstanding	282,533,426	

There were 244,142 of treasury shares as of March 31, 2005.

	<u>Yen</u>	<u>U.S. dollars</u>
Net income per share	¥18.09	\$0.168

Clarion has no dilutive potential common shares, such as convertible bond or warrants, outstanding during the current year.

"Bonus to directors and corporate auditors", which is determined through appropriation of retained earnings by resolution of general shareholders' meeting subsequent to fiscal year-end and not reflected in the statements of income for the current year, should be reflected in the calculation of net income per share, as if "bonus to directors and corporate auditors" was charged to income in the current year.

3. U.S. dollar amounts:

U.S. dollar amounts stated in the consolidated financial statements are included solely for convenience of readers outside Japan. The rate of ¥107.39 = US\$1, the approximate rate of exchange as of March 31, 2005, has been used in translation. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars. The amounts presented in thousands of U.S. dollars are truncated for amounts less than 1 thousand. Totals may not be added up exactly because of such truncation.

4. Inventories:

Inventories as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of
	March 31		U.S. dollars
	2005	2004	March 31
Finished products	¥14,369	¥14,571	\$133,809
Work in process	523	479	4,877
Raw materials and supplies	7,977	7,131	74,285
Total	¥22,871	¥22,181	\$212,972

5. Marketable securities and investments in securities:

The aggregate cost and market value of other securities with market values, which were included in investment securities as of March 31, 2005 and 2004 follow:

	Millions of yen			Market value (carrying value)
	March 31, 2005			
	Gross unrealized			
Cost	Gain	Loss		
Equity securities	¥2,852	¥1,221	¥(401)	¥3,672
Debt securities	-	-	-	-
Other	-	-	-	-
Total	¥2,852	¥1,221	¥(401)	¥3,672

	Millions of yen			Market value (carrying value)
	March 31, 2004			
	Gross unrealized			
Cost	Gain	Loss		
Equity securities	¥3,059	¥963	¥(401)	¥3,621
Debt securities	-	-	-	-
Other	-	-	-	-
Total	¥3,059	¥963	¥(401)	¥3,621

Thousands of U.S. dollars				
March 31, 2005				
Gross unrealized				
	Cost	Gain	Loss	Market value (carrying value)
Equity securities	\$26,561	\$11,377	\$(3,739)	\$34,199
Debt securities	-	-	-	-
Other	-	-	-	-
Total	<u>\$26,561</u>	<u>\$11,377</u>	<u>\$(3,739)</u>	<u>\$34,199</u>

Other securities sold for the years ended March 31, 2005, 2004 and 2003, respectively, follow:

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31
	2005	2004	2003	2005
Sales amount	¥329	¥1,609	¥452	\$3,070
Total gain on sales	78	384	-	726
Total loss on sales	-	(0)	(92)	-

The carrying value of unlisted investment equity securities and others as of March 31, 2005 and 2004 follow:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2005	2004	2005
Other securities			
Unlisted equity securities	¥134	¥242	\$1,256

6. Fair values of derivative financial instruments:

The Company enters into forward foreign currency exchange contracts and interest rate swaps to manage market risks relating to fluctuations in the foreign currency exchange rates and interest rates. The Company does not hold or issue financial instruments for trading purposes. The listed contract amount and fair values as of March 31, 2005 and 2004 follow:

	Millions of yen		
	March 31, 2005		
	Contract amount	Fair value	Unrealized gain/(loss)
Forward foreign exchange contract:			
Sold			
U.S. dollar	¥6,807	¥6,842	¥(34)
Euro	5,185	5,302	(116)
Hong Kong dollar	2,324	2,332	(7)
U.K. pound	743	762	(18)
Singapore dollar	419	422	(2)
Australian dollar	77	82	(4)
Purchased			
U.S. dollar	123	123	0
Total unrealized gain/(loss) from forward foreign currency exchange contracts			¥(186)
	Millions of yen		
	March 31, 2004		
	Contract amount	Fair value	Unrealized gain/(loss)
Forward foreign exchange contract:			
Sold			
U.S. dollar	¥3,877	¥3,837	¥40
Euro	1,830	1,755	75
Purchased			
U.S. dollar	952	938	(13)
Total unrealized gain/(loss) from forward foreign currency exchange contracts			¥102

Thousands of U.S. dollar			
March 31, 2005			
	Contract amount	Fair value	Unrealized gain/(loss)
Forward foreign exchange contract:			
Sold			
U.S. dollar	\$63,390	\$63,716	\$(325)
Euro	48,290	49,379	(1,089)
Hong Kong dollar	21,645	21,717	(71)
U.K. pound	6,926	7,103	(176)
Singapore dollar	3,907	3,933	(26)
Australian dollar	719	764	(44)
Purchased			
U.S. dollar	1,145	1,147	1
Total unrealized gain/(loss) from forward foreign currency exchange contracts			\$(1,733)

These forward foreign currency exchange contracts were entered into for hedging purposes. Unrealized gains and losses from these contracts are recognized in earnings. Forward foreign currency exchange contracts designated to monetary items denominated in foreign currencies are excluded from the above table.

Millions of yen			
March 31, 2005			
	Nominal amount	Fair value	Unrealized loss
Interest rate swaps:			
Pay-fixed, Receive-floating	¥6,221	¥(83)	¥(83)

Millions of yen			
March 31, 2004			
	Nominal amount	Fair value	Unrealized loss
Interest rate swaps:			
Pay-fixed, Receive-floating	¥8,201	¥(119)	¥(119)

Thousands of U.S. dollar			
March 31, 2005			
	Nominal amount	Fair value	Unrealized loss
Interest rate swaps:			
Pay-fixed, Receive-floating	\$57,936	\$(780)	\$(780)

7. Short-term and long-term loans:

Short-term and long-term loans as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of
	March 31		U.S. dollars
	2005	2004	March 31
Short-term loans	¥23,547	¥42,662	\$219,269
Current portion of long-term loans from banks and insurance companies	7,045	6,542	65,604
Total short-term loans	<u>30,592</u>	<u>49,205</u>	<u>284,873</u>
Long-term loans from banks and insurance companies	<u>11,027</u>	<u>9,379</u>	<u>102,683</u>
Total	<u>¥41,619</u>	<u>¥58,585</u>	<u>\$387,556</u>

The weighted-average rates for the short-term loans, current portion of long-term loans and long-term loans as of March 31, 2005, were 1.49%, 1.84% and 1.90%, respectively.

Clarion had been furnished with financial funds at a lower interest rate due to using of a syndicated loan.

The maturity of long-term loans from banks and insurance companies follow:

Year ending	Millions of yen	Thousands of
March 31		U.S. dollars
2006	¥7,045	\$65,604
2007	7,041	65,572
2008	3,243	30,202
2009	245	2,287
2010	47	445

As of March 31, 2005 and 2004, assets pledged as collateral for short-term and long-term loans follow:

	Millions of yen		Thousands of
	March 31		U.S. dollars
	2005	2004	March 31
Accounts receivable	¥ -	¥360	\$ -
Buildings and structures (net)	3,836	3,523	35,722
Machinery and equipment (net)	63	245	594
Land	7,597	8,901	70,743
Investments in securities	-	3,187	-
Total	<u>¥11,497</u>	<u>¥16,218</u>	<u>\$107,060</u>

In addition to the above, time deposits of ¥6 million (\$63 thousand) and ¥6 million were pledged as a guarantee as of March 31, 2005, and 2004, respectively.

Secured loans and debt as of March 31, 2005 and 2004 consist of the following:

	Millions of yen		Thousands of
	March 31		U.S. dollars
	2005	2004	March 31
			2005
Short-term loans	¥29,840	¥29,468	\$277,868
Long-term loans	10,427	9,343	97,096
Total	¥40,267	¥38,812	\$374,964

8. Accrued retirement benefits to employees:

Clarion and some of the domestic subsidiaries maintain tax qualified pension plans and employees' severance indemnities plans, which are defined benefit pension plans covering all employees. The other domestic subsidiaries and some of the overseas subsidiaries adopt employees' severance indemnities plans as defined benefit pension plans. In addition, some overseas subsidiaries adopt defined contribution pension plans.

The funded status of retirement benefit obligations as of March 31, 2005 and 2004 follow:

	Millions of yen		Thousands of
	March 31		U.S. dollars
	2005	2004	March 31
			2005
Projected benefit obligations	¥(13,429)	¥(13,394)	\$(125,055)
Plan assets at fair value	2,039	1,901	18,993
Securities contributed to employee retirement benefit trust	235	266	2,197
Unfunded status	(11,153)	(11,225)	(103,864)
Unrecognized transition amount	-	464	-
Unrecognized actuarial differences	1,128	1,370	10,508
Accrued pension and severance costs	¥(10,025)	¥(9,391)	\$(93,356)

Net periodic pension expense relating to the retirement benefits for the years ended March 31, 2005, 2004 and 2003 follow:

	Millions of yen			Thousands of
	Year ended March 31			U.S. dollars
	2005	2004	2003	Year ended March 31 2005
Service cost	¥720	¥842	¥933	\$6,713
Interest cost	328	323	380	3,060
Expected return on plan assets	(42)	(37)	(77)	(396)
Amortization of transition amount	464	464	464	4,323
Amortization of actuarial difference	110	105	9	1,024
Net periodic pension expense	¥1,581	¥1,697	¥1,710	\$14,725

In addition to the above, extra employees' severance indemnities of ¥46 million (\$431 thousand), ¥242 million and ¥1,127 million were included in other expenses for the respective periods ended March 31, 2005, 2004 and 2003, respectively.

Assumptions used in calculating the above information follow:

	Year ended March 31		
	2005	2004	2003
Discount rate	2.0~2.5%	2.0~2.5%	2.0~2.5%
Expected rate of return on plan assets	2.0~2.5%	2.0~2.5%	2.0~2.5%
Amortization term of actuarial difference (Amortized from the next fiscal year)	10~15 years	10~15 years	10~15 years
Amortization term of transition obligation	5 years	5 years	5 years

9. Revaluation of land used for business operations in accordance with the land revaluation law:

In accordance with Article 119 of 1998 Cabinet Order – Article 2-1 of the Enforcement Ordinance relating to the Land Revaluation Law, revaluation is performed by the method of calculating land value for the standard basis of land in accordance with the Law for Government Appraisal of Land Prices. Under Article 2-4 of the Enforcement Ordinance, revaluation is performed by using the method of calculating land value for a taxable basis of Land Value Tax amounts along with reasonable adjustments, such as shape of the land and accessibility, in accordance with the Article 16 of the Land-Holding Tax Law. This method is established and published by the Director General of National Tax Administration, and the land is valued by the real estate appraiser in accordance with Article 2-5.

As a result, deferred income taxes on revaluation of land is recorded as liabilities and net unrealized gain on revaluation of land, net of tax, was recorded as a component of shareholders' equity.

The differences between fair value and carrying amount after revaluation as of March 31, 2005 and 2004 follow:

	Millions of yen		Thousands of
	March 31		U.S. dollars
	2005	2004	March 31
Difference between fair value and carrying amount after revaluation	<u>¥(1,766)</u>	<u>¥(1,319)</u>	<u>\$(16,449)</u>

Date of latest revaluation: March 31, 2001

10. Income taxes:

Significant components of the Company's deferred income tax assets and liabilities as of March 31, 2005 and 2004 follow:

	Millions of yen		Thousands of
	March 31		U.S. dollars
	2005	2004	March 31
Deferred income tax assets:			
Net operating tax losses carried-forward	¥9,337	¥11,528	\$86,951
Accrued pension and severance costs	3,627	3,575	33,779
Loss on devaluation of inventories	587	530	5,474
Loss on devaluation of marketable securities	2,392	2,513	22,279
Allowance for doubtful accounts	1,188	469	11,065
Foreign taxes paid	369	402	3,444
Accrued bonuses	375	373	3,494
Others	1,690	1,470	15,737
Sub-total	<u>19,569</u>	<u>20,861</u>	<u>182,227</u>
Deferred income tax liabilities:			
Inventory valuation	415	507	3,867
Others	253	107	2,361
Sub-total	<u>668</u>	<u>615</u>	<u>6,229</u>
Less: Valuation allowance	<u>(12,737)</u>	<u>(16,991)</u>	<u>(118,605)</u>
Net deferred income tax assets	<u>¥6,163</u>	<u>¥3,255</u>	<u>\$57,392</u>

The difference between the Company's statutory income tax rate and income rate reflected in the consolidated statements of income were reconciled as follows:

	March 31,	
	2005	2004
Statutory income tax rate	40.7%	42.1%
Permanent differences	2.8	3.4
Fixed levy of local inhabitant taxes	1.1	0.6
Valuation allowance	(113.1)	(51.8)
Variance of effective tax rate between Clarion and the subsidiaries	(11.3)	(4.3)
Others	0.9	1.3
Effective income tax rate	(78.9)%	(8.7)%

11. Research and development expenses:

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2005, 2004 and 2003 totaled ¥309 million (\$2,884 thousand), ¥334 million and ¥495 million, respectively.

12. Cash flow information:

Cash and cash equivalents as of March 31, 2005 and 2004 were comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31
	2005	2004	2005
Cash on hand and in banks	¥11,059	¥26,005	\$102,984
Deposits with original maturities of more than three months	(42)	-	(400)
Cash and cash equivalents	¥11,016	¥26,005	\$102,583

The following assets and liabilities have been excluded from subsidiaries after the sale of common stock of McIntosh Laboratory Inc. and the sale amount of the common stock :

	<u>Millions of yen</u>
	<u>March 31</u>
	<u>2004</u>
Current assets	¥1,365
Non-current assets	309
Goodwill	759
Current liabilities	(373)
Non-current liabilities	(1,923)
Foreign currency translation adjustments	(2)
Sale amount of common stocks	<u>135</u>
Cash and cash equivalents	<u>(167)</u>
Netting with cash and cash equivalents	<u>¥(31)</u>

13. Leases:

The Company, as a lessee, charges periodic lease payments for capital leases to expense on payment. Such payments for the years ended March 31, 2005, 2004 and 2003 were ¥1,591 million (\$14,823 thousand), ¥1,583 million and ¥2,448 million, respectively. As a lessor, the company recognizes periodic lease receipts as revenue. There were no such receipts for the years ended March 31, 2005 and 2004; however, receipt of ¥109 million was received for the year ended March 31, 2003.

The amount of outstanding future lease payments for capital leases as of March 31, 2005 and 2004, excluding the interest thereon, are summarized as follows:

	<u>Millions of yen</u>		<u>Thousands of</u>
	<u>March 31</u>		<u>U.S. dollars</u>
	<u>2005</u>	<u>2004</u>	<u>March 31</u>
			<u>2005</u>
Future lease payments:			
Due within one year	¥1,221	¥1,066	\$11,374
Due after one year	<u>1,386</u>	<u>970</u>	<u>12,910</u>
Total	<u>¥2,607</u>	<u>¥2,037</u>	<u>\$24,284</u>

Pro forma information for capital leases as of March 31, 2005 and 2004 (acquisition cost, accumulated depreciation, depreciation expense and interest expense for the period) follow:

The following assets and liabilities have been excluded from subsidiaries after the sale of common stock of McIntosh Laboratory Inc. and the sale amount of the common stock :

	<u>Millions of yen</u>
	<u>March 31</u>
	<u>2004</u>
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Pro forma information for capital leases as of March 31, 2005 and 2004 (acquisition cost, accumulated depreciation, depreciation expense and interest expense for the period) follow:

	Millions of yen		Thousands of
	March 31		U.S. dollars
	2005	2004	March 31
			2005
Acquisition cost	¥4,251	¥3,664	\$39,586
Accumulated depreciation	(1,765)	(1,726)	(16,435)
Carrying value	¥2,486	¥1,938	\$23,150
Depreciation expense	¥1,428	¥1,404	\$13,303
Interest expense	¥157	¥150	\$1,469

Depreciation is calculated based on using the straight-line method over the lease term of the assets with no residual value. Interest expense on leased assets is calculated as the difference between the total lease payments and the assumed acquisition cost for the asset and is allocated over the lease term using the effective interest method.

The amount of outstanding future lease receipts as of March 31, 2005 and 2004, including interest, follow:

	Millions of yen		Thousands of
	March 31		U.S. dollars
	2005	2004	March 31
			2005
Future lease receipts:			
Due within one year	¥-	¥0	\$-
Due after one year	-	-	-
Total	¥-	¥0	\$-

Future lease obligations for non-cancelable operating leases at March 31, 2005 and 2004 follow:

	Millions of yen		Thousands of
	March 31		U.S. dollars
	2005	2004	March 31
			2005
Due within one year	¥232	¥253	\$2,160
Due after one year	583	599	5,432
Total	¥815	¥853	\$7,593

14. Commitments and contingencies:

The Company was contingently liable as a guarantor of indebtedness of a distributor and customers. There was no such contingency as of March 31, 2005; however, in the aggregate amount of ¥13 million was contingent as of March 31, 2004.

15. Segment information:

(1) Information by business segment

The Company operates principally in three business segments.

- (a) Car audio-visual equipment: Car radios, car stereo players, car televisions with diversity antenna system, VCRs and others
- (b) Specialty equipment: Audio, visual and other specialty equipment for public transportation, and CCD (Charged-Coupled Devices) rear view cameras
- (c) Others: Wireless communication equipment and others

Audio entertainment equipment was excluded from business segments after Clarion sold the common stock of McIntosh Laboratory Inc., which operated in this business segment in the period ended March 31, 2004.

	Millions of yen				
	Year ended March 31, 2005				
	Car audio- visual equipment	Specialty equipment	Others	Elimination and corporate	Consolidated total
Net sales	¥166,365	¥6,949	¥5,010	¥ -	¥178,325
Operating expenses	158,232	5,716	4,794	-	168,742
Operating income	¥8,132	¥1,233	¥216	¥ -	¥9,582
Total assets	¥124,264	¥5,427	¥18,018	¥(28,183)	¥119,527
Depreciation	¥5,004	¥155	¥56	¥ -	¥5,216
Capital expenditures	¥6,329	¥166	¥32	¥ -	¥6,527

Millions of yen					
Year ended March 31, 2004					
	Car audio- visual equipment	Specialty equipment	Others	Elimination and corporate	Consolidated total
Net sales	¥159,544	¥6,126	¥3,275	¥ -	¥168,947
Operating expenses	<u>150,430</u>	<u>4,956</u>	<u>3,208</u>	<u>-</u>	<u>158,594</u>
Operating income	<u>¥9,114</u>	<u>¥1,170</u>	<u>¥67</u>	<u>¥ -</u>	<u>¥10,352</u>
Total assets	<u>¥120,341</u>	<u>¥6,022</u>	<u>¥9,433</u>	<u>¥(7,260)</u>	<u>¥128,536</u>
Depreciation	<u>¥4,974</u>	<u>¥231</u>	<u>¥30</u>	<u>¥ -</u>	<u>¥5,237</u>
Capital expenditures	<u>¥3,859</u>	<u>¥183</u>	<u>¥94</u>	<u>¥ -</u>	<u>¥4,137</u>

Millions of yen						
Year ended March 31, 2003						
	Car audio- visual equipment	Audio entertain- ment equipment	Specialty equipment	Others	Elimination and corporate	Consolidated total
Net sales	¥168,716	¥5,162	¥5,235	¥6,416	¥ -	¥185,530
Operating expenses	<u>160,163</u>	<u>5,077</u>	<u>4,705</u>	<u>6,048</u>	<u>-</u>	<u>175,995</u>
Operating income	<u>¥8,552</u>	<u>¥84</u>	<u>¥530</u>	<u>¥367</u>	<u>¥ -</u>	<u>¥9,534</u>
Total assets	<u>¥128,954</u>	<u>¥1,663</u>	<u>¥5,890</u>	<u>¥13,855</u>	<u>¥(9,741)</u>	<u>¥140,621</u>
Depreciation	<u>¥5,456</u>	<u>¥168</u>	<u>¥143</u>	<u>¥132</u>	<u>¥ -</u>	<u>¥5,901</u>
Capital expenditures	<u>¥3,989</u>	<u>¥359</u>	<u>¥122</u>	<u>¥78</u>	<u>¥ -</u>	<u>¥4,550</u>

Thousands of U.S. dollars
Year ended March 31, 2005

	Car audio- visual equipment	Specialty equipment	Others	Elimination and corporate	Consolidated total
Net sales	\$1,549,166	\$64,711	\$46,659	\$ -	\$1,660,537
Operating expenses	<u>1,473,438</u>	<u>53,229</u>	<u>44,641</u>	<u>-</u>	<u>1,571,309</u>
Operating income	<u>\$75,728</u>	<u>\$11,481</u>	<u>\$2,018</u>	<u>\$ -</u>	<u>\$89,228</u>
Total assets	<u>\$1,157,134</u>	<u>\$50,536</u>	<u>\$167,788</u>	<u>\$(262,436)</u>	<u>\$1,113,024</u>
Depreciation	<u>\$46,601</u>	<u>\$1,449</u>	<u>\$522</u>	<u>\$ -</u>	<u>\$48,574</u>
Capital expenditures	<u>\$58,938</u>	<u>\$1,547</u>	<u>\$298</u>	<u>\$ -</u>	<u>\$60,784</u>

Corporate assets included in "Elimination and corporate" mainly consist of investments in securities. Such investments in securities for the years ended March 31, 2005, 2004 and 2003 were ¥2,564 million (\$23,883 thousand), ¥2,513 million and ¥2,273 million, respectively.

In order to achieve a more unified cash management of the Company, Clarion introduced a commitment line and term loan on a syndicated loan during the year ended March 31, 2005. As a result of this, loans to subsidiaries which belong to "Car audio-visual equipment" segment and "Specialty equipment" segment, were carried out through Clarion Finance Co., Ltd. which belongs to "Others" segment.

	Thousands of U.S. dollars					
	Year ended March 31, 2005					
	Japan	Americas (*1)	Asia and Australia (*2)	Europe (*3)	Elimination and corporate	Consolidated total
Sales to outside customers	\$900,070	\$359,224	\$99,987	\$301,255	\$ -	\$1,660,537
Inter-segment sales	387,015	12,608	389,605	20,343	(809,573)	-
Total sales	1,287,085	371,833	489,593	321,598	(809,573)	1,660,537
Operating expenses	1,228,378	356,234	482,231	318,355	(813,891)	1,571,309
Operating income	\$58,707	\$15,598	\$7,361	\$3,243	\$4,317	\$89,228
Total assets	\$1,074,252	\$206,586	\$164,618	\$161,564	\$(493,998)	\$1,113,024

Notes:

- (*1) Americas : U.S.A, Canada, Mexico, Brazil
- (*2) Asia and Australia : People's Republic of China, Taiwan R.O.C., Singapore, Malaysia, Philippines, Australia
- (*3) Europe : Germany, Sweden, U.K., Spain, France, Hungary

Corporate assets included in "Elimination and corporate" mainly consist of investments in securities. Such investments in securities for the years ended March 31, 2005, 2004 and 2003 were ¥2,564 million (\$23,883 thousand), ¥2,513 million and ¥2,273 million, respectively.

In order to achieve a more unified cash management of the Company, Clarion introduced a commitment line and term loan on a syndicated loan during the year ended March 31, 2005. As a result of this, loans to subsidiaries which belong to "Americas", "Asia and Australia" and "Europe", were carried out through Clarion Finance Co., Ltd. which belongs to "Japan" .

Report of Independent Auditors

To the Board of Directors of
Clarion Co., Ltd.

We have audited the accompanying consolidated balance sheets of Clarion Co., Ltd. and its subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2005, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Clarion Co., Ltd. and its subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2005 in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan
June 28th, 2005

SIX-YEAR FINANCIAL SUMMARY

CLARION CO., LTD. AND SUBSIDIARIES
Years ended March 31

Thousands of
U.S. dollars,
except per
share amounts
(Note 2)

	Millions of yen, except per share amounts						2005
	2000	2001	2002	2003	2004	2005	
For the Year:							
Net sales	¥ 191,855	¥ 188,686	¥ 187,954	¥ 185,530	¥ 168,947	¥ 178,325	\$ 1,660,537
Car audio-visual equipment	173,911	168,847	167,348	168,716	159,544	166,365	1,549,166
Audio entertainment equipment	9,408	8,683	8,091	5,162	-	-	-
Specialty equipment	4,141	5,651	5,298	5,235	6,126	6,949	64,711
Others	4,393	5,503	7,215	6,416	3,275	5,010	46,659
Japan	97,083	93,577	95,459	97,333	88,843	96,658	900,070
Americas	57,815	51,867	45,674	39,291	33,657	38,577	359,224
Asia and Australia	5,625	7,880	9,942	10,141	9,893	10,737	99,987
Europe	31,330	35,361	36,878	38,763	36,552	32,351	301,255
Cost of sales	150,002	155,630	153,424	146,946	132,103	140,786	1,310,980
Selling, general and administrative expenses	38,520	35,114	30,194	29,049	26,491	27,956	260,328
Operating income (loss)	3,332	(2,058)	4,335	9,534	10,352	9,582	89,228
Other expenses, net	20,212	5,031	12,162	7,132	4,451	6,631	61,751
Income (loss) before income taxes	(16,879)	(7,090)	(7,826)	2,402	5,900	2,950	27,476
Provision (benefit) for income taxes	771	680	(729)	727	(514)	(2,328)	(21,681)
Minority interests in subsidiaries	62	(8)	177	119	109	167	1,560
Net income (loss)	(17,713)	(7,762)	(7,274)	1,555	6,305	5,111	47,597
Research and development expenses ^(Note 1)	9,666	9,561	8,986	9,569	9,943	10,659	99,262
Capital investment	5,800	4,147	4,676	2,410	1,816	3,066	28,558
Net cash provided by (used in)							
operating activities	2,868	(3,386)	10,434	12,153	16,058	8,038	74,853
Net cash used in investing activities	(7,747)	(2,083)	(2,373)	(530)	(158)	(6,030)	(56,154)
Net cash provided by (used in)							
financing activities	5,980	7,745	(11,912)	(2,158)	(16,467)	(17,537)	(163,306)
Per Share (Yen and U.S. dollars):							
Net income (loss)	¥ (113.82)	¥ (49.88)	¥ (45.25)	¥ 7.82	¥ 22.32	¥ 18.09	\$ 0.168
Cash dividends	-	-	-	-	-	-	-
At Year-end:							
Total assets	¥ 171,011	¥ 180,621	¥ 154,138	¥ 140,621	¥ 128,536	¥ 119,527	\$ 1,113,024
Total shareholders' equity	20,403	7,422	3,930	14,617	20,987	26,729	248,905
Interest-bearing borrowings	94,644	105,738	93,066	74,416	58,585	41,619	387,556
Ratios (%):							
Equity ratio	11.9	4.1	2.6	10.4	16.3	22.4	
ROE	(60.2)	(55.8)	(128.2)	16.8	35.4	21.4	
ROA	(10.1)	(4.4)	(4.3)	1.1	4.7	4.1	
Current ratio	93.6	91.2	85.7	90.9	100.0	108.7	

Notes: 1. Research and development expenses include labor and other expenses reported as cost of sales.

2. The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2005, which was ¥107.39 to U.S. \$1.

CORPORATE DIRECTORY

Board of Directors and Corporate Auditors

President

Tatsuhiko Izumi

Vice President

Kiichiro Okura

President, Clarion Sales Co., Ltd.

Directors

Yutaka Wakamori

Tetsuro Yoshimine

Shoichi Minagawa

Corporate Auditors

Masayuki Kawahara

Katsutoshi Takizawa

Yasuhiro Sasai

Shunjiro Karasawa

(as of June 28, 2005)

Corporate Officers

Executive Officers

Yutaka Wakamori

*Chairman, President, Clarion (H.K.) Industries
Co., Ltd.*

Tetsuro Yoshimine

General Manager, Sales & Marketing Division

Yoshikazu Kobayashi

General Manager, Quality Assurance Division

Yasuhiko Wada

General Manager, Administration Division

Officers

Shoichi Minagawa

President, H.C.X. Corporation

Jiro Seki

*General Manager, Corporate Social Responsibility
Promotion Division*

Seishi Kasai

General Manager, Finance & Accounting Division

Toshiharu Osaka

*General Manager, Information Technology
Promotion Division*

Shiro Ohashi

General Manager, R&D Division

Tsuneo Hayashi

*Public Relations & Brand Strategy Office
General Manager, Management Planning Division
Chairman, Clarion Corporation of America
Chairman, Clarion Europa GmbH*

Hidetoshi Kawamoto

General Manager, Global Procurement Division

Hiroyuki Nomura

General Manager, Sales & Marketing Division

Tatsuo Enokida

*General Manager, Global Procurement Division
President, Clarion M&L Co., Ltd.*

(as of June 28, 2005)

CORPORATE DATA

Clarion Co., Ltd.

Head Office:

50, Kami-Toda, Toda, Saitama 335-8511, Japan

Tel: (81) 48-443-1111

Fax: (81) 48-445-3810

URL: <http://www.clarion.co.jp/english/index.cfm>

Registered Head Office:

5-35-2, Hakusan, Bunkyo-ku, Tokyo 112-8608, Japan

Branch Offices:

Osaka, Hiroshima, Hamamatsu, Nagoya

Plant:

Fukushima

Established: 1940

Number of Shares Outstanding: 282,744,185

Number of Shareholders: 29,835

Number of Employees: 1,158

Stock Listing: First Section of the Tokyo Stock Exchange

Code Number: 6796

(as of March 31, 2005)

Clarion Co., Ltd.

50, Kami-Toda, Saitama 335-8511, Japan

Tel: (81) 48-443-1111

URL: <http://www.clarion.co.jp/english/index.cfm>



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