

CSR Report

“Providing customer satisfaction and happiness with superior products and services.”

“Creating new value with original ideas and technology.”

“Respecting the individuality and ability of each employee, and establishing a corporate culture of generosity.”

“Maintaining a strong awareness of our place in nature and a commitment to the environment.”

“Fulfilling our responsibilities as a corporate citizen for a better society.”

“Pursuing corporate profitability and sustained growth.”

(Quoted from Clarion's "Management Commitment")

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Corporate Governance System

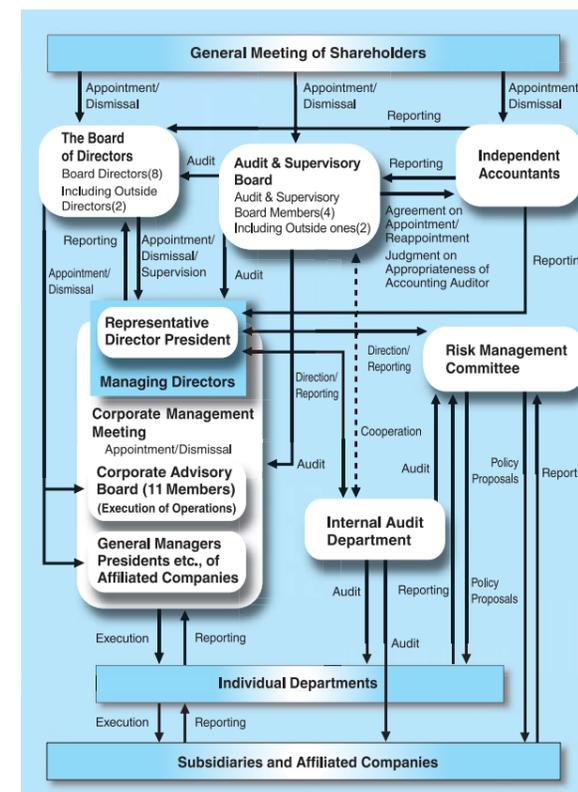
Clarion places importance on corporate governance and has developed a system that embodies that awareness. Further, through our efforts to develop a risk management system and redevelop internal controls, Clarion is striving to ensure management transparency at all times.

Corporate Governance System

Clarion implements an auditor system with 9 Directors of the Board (2 outside directors) and 4 Auditors (2 outside auditors). The Board of Directors is responsible for deciding basic management policies for the whole Group as well as for supervising its business administration. Each member of Board of Auditors objectively monitors and scrutinizes Board of Directors in the execution of its duties. The Company has introduced a “Corporate Officer System” and “Corporate Management Meetings”, composed of both members of Board of Directors and Corporate Advisory Board, serve to assist Board of Directors.

Internal Audit department conducts regular internal audits of all individual departments of the Company and Group companies to verify effectiveness, legal compliance and observance of internal regulations. It reports the audit results directly to the Representative Director.

Corporate Governance System



(As of June 21, 2013)

In this way, Clarion seeks to enhance its Corporate Governance System and to ensure transparent and sound management.

Addressing Internal Control Structures

Clarion endeavors to redevelop internal controls as enhancement of corporate governance since 2006.

As the Corporate Law came into effect in fiscal 2006, we have been rebuilding internal control structure across the company and implementing management assessment every year based on “Basic Policies for Internal Control System” laid out upon resolution of Board of Directors. Since Fiscal 2007, as a member of the Hitachi Group, we are rebuilding internal control structure with respect to financial reporting which subjects all domestic and overseas Group companies and are reporting its status assessment to Hitachi, Ltd.

Since Fiscal 2008, we implemented internal control and assessment based on the Japanese Financial Instruments Exchange Act (J-SOX Act) as the Group and the reports are made to the Financial Services Agency.

There has been no case of material deficiencies discovered in annual assessments subject to disclosures with respect to internal control regulations. Through prompt corrective actions for deficiencies found during assessments, qualitative improvement of internal control system has been achieved. We continue further to improve management quality of the Group through efforts extending from internal control required by laws and regulations.

Qualitative Improvement of Internal Control



CSR and Compliance Management System

Since Fiscal 2003, Clarion has been stating in its Mid-term Plans that: "Clarion shall firmly establish corporate ethics anchored in a Compliance Program, having our Corporate Philosophy as its core concept." Clarion is expanding its compliance program to the entire Clarion Group both domestically and overseas, aiming thereby to further strengthen our compliance management system and attain integrity and transparency.

CSR Management Efforts

Clarion, as the whole Group of domestic and overseas affiliates, have been actively engaged in compliance management, environmental protection and social contribution as society requires companies more and more efforts in these areas. As a result, activities have taken a deeper root in domestic and overseas affiliates, and awareness for needs of compliance to laws and rules as required by society has become much higher.

To comply with laws and regulations has already become a minimum requirement, and a company is not regarded as such that fulfills corporate social responsibilities by merely "operating the business activities in compliance with the laws and rules" alone. The level expected by the society to an enterprise in this regard has risen much higher now.

A "More Valuable Enterprise" as the society looks forward to now, is such that understands society's requirements and expectations

Clarion's Compliance Programs

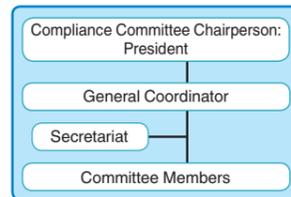


well, integrate such in the business activities and pursue its responsibilities fully. To such an enterprise the society will render its trust and raison d'être. We consider it is a part of our social responsibilities to clearly define our direction and communicate it with the society. With this in mind, we shall make efforts, in addition to compliance and environmental management as up to now, enhancing our activities to fulfill our corporate social responsibilities (CSR), understanding social requirements and expectations precisely.

We have been contributing to local communities and society through supports and assistance towards future generations and people stricken by disasters. We shall further promote such specific activities, considering what is required by the society, to contribute to society and fulfill our responsibilities as we aim more firmly to establish and further enhance qualitatively our CSR management.

Promotion of Compliance Management

Clarion established In July 2003, the Compliance Committee chaired by the President. The committee meets regularly to exchange opinions and ideas on various issues for forming up compliance awareness. Since 2013, domestic affiliates are added to the members of the committee and we promote the unified activities in these regards. As far as the overseas affiliates are concerned, we work together with those who are responsible in these companies in order to activate the activities as well as to share information.



Clarion Group Code of Conduct

The "Guiding Principles of Conducts and Behaviors" which had been in place since 2003 was progressively replaced by the "Clarion Group Code of Conduct" at the end of fiscal 2010 and the latter was extended to all group companies. With this revision, it is clearly stated that we are a part of Hitachi Group.

This Code, in the same manner as the "Guiding Principles of Conducts and Behaviors", is made available to all employees on our Intranet and, to public on our website.

Clarion Group Code of Conduct

- Chapter 1 Sincere and Fair Business Activities
- Chapter 2 Environmental Protection
- Chapter 3 Relation with Society
- Chapter 4 Respect for Human Rights
- Chapter 5 Management Foundations
- Chapter 6 Complete Observance of Code of Conduct
- Chapter 7 Responsibilities of the Management
- Chapter 8 Supplementary Provision

We are Clarion



I have been working exclusively in the domestic retail field till I was assigned with new duties at CSR Promotion Office in April 2013. Extending from the predecessors activities since 2003, I intend to perform my duties of furthering Clarion's corporate ethics to take deeper roots. I wish to contribute to forming "group of corporate professionals" which can announce Clarion's name with pride in uniqueness of Clarion.

CSR Promotion Office
Kiyoshi Maruyama

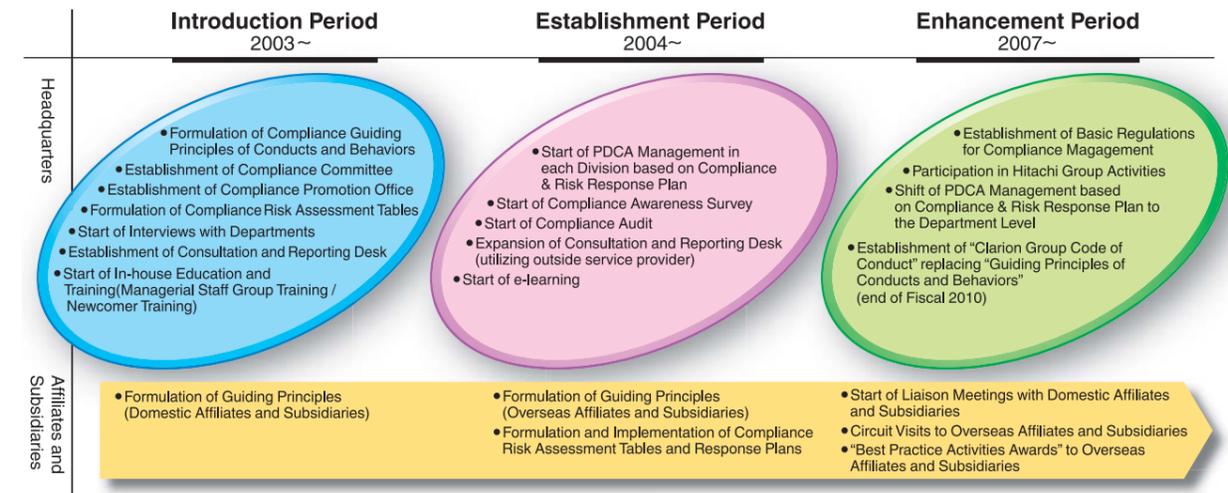
Compliance Management Efforts

Compliance management has developed since Fiscal 2003 with the "Guiding Principles of Conducts and Behaviors" and establishing efforts of promotion systems throughout the world. Each department has promoted with PDCA cycle method* activities to mitigate compliance risks as its primary objectives. We perform regular meetings to exchange opinions with departments, awareness surveys and

audits on compliance efforts. We will continue these efforts with a view to further reducing risks and taking our global activities to a new and higher level.

* The "PDCA cycle method" is a repetitive process for operational Improvements: first making plans (to "Plan"), carrying out the plans (to "Do"), evaluating the results (to "Check") and carrying out further actions for Improvements (to "Act")

History of Compliance Management Efforts

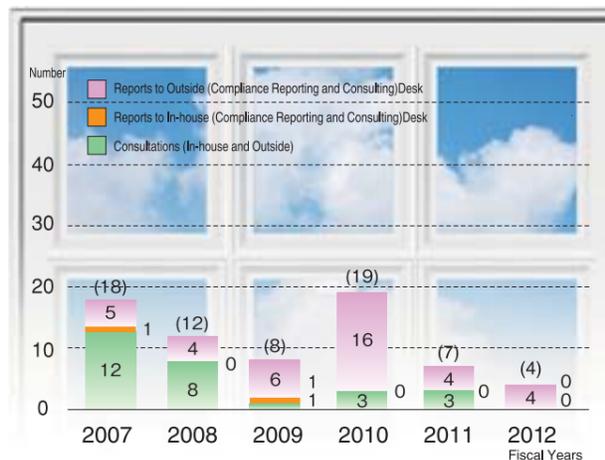


Compliance Consultation and Reporting Desk

Compliance Consultation and Reporting Desk was set up in November 2003 with the objectives of preventing compliance violations and creating a corporate culture that precludes such violations through encouraging employees such consultation and reporting. In order further to facilitate consultation and reporting, we set up an outside desk for telephone and/or fax consultation and reporting in November 2004. In April 2006, in connection with enforcement of the Whistleblower Protection Act, we laid out the "Regulations for Consultation and Reporting" which provides procedures and schemes

regarding this subject. As shown in the graph below there have been 201 consultations and reports (average 1.9 per month) since the setting up of the desk until Fiscal 2012. The fact that there were more consultations than reports in the beginning stage shows that this process served well rather as an in-house communication tool.

Status of Consultations and Reporting



Compliance Risk Assessment Table

One of Clarion's priority issues in its compliance program is the identification of risks. Each department identifies the laws, regulations, ordinances and compliance risks related to its actual operations, performs analyses of the degree posed by risks and the anticipated degree of their impacts on Clarion, and manages them in a "Compliance Risk Assessment Table", which also includes measures for responding to and preventing the risks. The group companies also formulate and implement risk reduction plans every year.

Formulation of "Compliance Risk Assessment Table"

Applicable Laws and Ordinances (Specific to OO Division)			Risk Details: The damage, penalties, and loss of customer confidence generated when the specific risk actualizes				
Name of Department	Name of Law, Regulation or Ordinance	Overview of Law or Ordinance	Risk Details	Degree of Risk Likelihood of Occurrence	Influence	Measures for Responding to and Preventing the Risks	Item No. of the Code

Education and Training on Compliance

Compliance education and training are carried out constantly throughout the company for each level of employees. We provide general program of compliance management for new employees and, for managerial staffs, group sessions with specific issues. Fiscal 2012 managerial program had primary topics, among others, of environment related regulations and activities, risk management and import/export control. In addition to these, we make active use of casebooks and video materials in an effort to further increase in awareness on compliance issues.



Managerial Staff Training Sessions

Compliance Audits and Awareness Surveys

Since Fiscal 2004, we perform "Compliance Audits" in order to verify efforts of each department regarding compliance issues, status of observation of laws and regulations, information security as well as progress of risk mitigating plans. If found necessary, due corrective guidance is given. Further, as a part of monitoring, regular "Compliance Awareness Surveys" are conducted, and the results are announced.

Compliance Awareness Survey

(Conducted in September 2012, covering all employees. Response rate was 86.4%)

Questionnaire survey questions (excerpts)	Answer	September 2010	September 2011	September 2012
Is awareness of the importance of compliance well understood in your workplace?	Yes	94%	97%	96%
Does your boss give you specific explanations, guidance, etc. about the implementation of compliance?	Yes	88%	89%	90%
Do you think it would be against your interests to make a report to the Compliance Consultation and Reporting Desk?	Disagree	70%	70%	70%
Do you know how to make a report to the Compliance Consultation and Reporting Desk?	Yes	72%	78%	80%
In your workplace, can you express your opinions without hesitation at meetings, etc.?	Yes	85%	86%	87%

Compliance Management Throughout the World

Clarion extends its compliance program throughout the world. At moment 2 domestic and 16 overseas affiliates have introduced the similar program. Each has formulated compliance guidelines materially same as that of headquarters "Code of Conducts", which are laid out in 8 languages including English, Chinese and Malay. Risk assessment and responding plans, which are the core of the compliance programs, are carried out in a similar manner as in the Headquarters.

Clarion Group's "Code of Conducts" in various languages



Communication

We hold regular liaison meetings with domestic affiliates to verify their activity plans and state of implementation, and share information on various issues. With overseas affiliates, we induce more activated efforts in this area with interviews of, and regular reports from, each of the affiliates and consequent follow-up actions.

Risk Management System

We have the "Regulations for Risk Management" in place in order properly to manage various risks and to maintain and improve our corporate value. The system is structured with Risk Management Committee, which addresses overall management risks, and subordinate subcommittees for crisis management, compliance management, disclosure, information security, export security, environment and quality, which address issues in each of specific areas. The Internal Audit Office audits these efforts and we ensure continuous improvements.



Establishment of Crisis-Management System

We have the "Crisis-Management Manual" in place in order promptly to respond to fires, earthquakes, other natural disasters and/or other risks. Furthermore, we have established a "Crisis Management Committee" which meets regularly to discuss risk countermeasures and makes its decisions known throughout the Company.

Together with Shareholders and Investors

Clarion believes it is important for us to disclose management information, such as the state of our business activities and the details of our financial position, and communicate our management philosophy and policy to all of our shareholders and investors accurately and in a timely manner. We will continue our information disclosure efforts through our home page and the Shareholders Bulletin booklet (only Japanese version available).

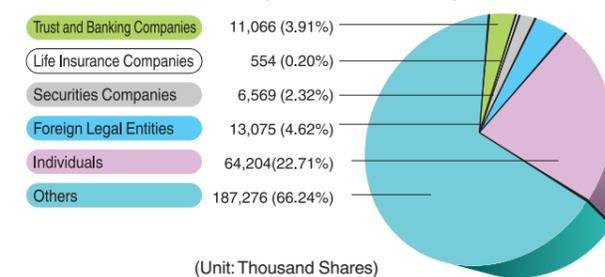
Increasing Values to Shareholders

In the 7th year of joining the Hitachi Group, we continue to strive for transformation of ourselves to be a "More Valuable Enterprise" through integrating operations in sales, engineering and purchasing. We shall make efforts in further advancing research and development with an aim to bring forth further evolution to increase our value to shareholders. In addition, we have established a Disclosure Policy for the purpose of communicating corporate visions and business strategies to our shareholders and investors. It also states clearly our

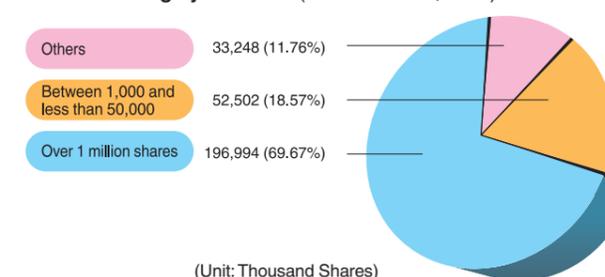
Shares and Shareholders (as of March 31, 2013)

Number of Authorized Shares: 450,000,000
 Number of Shares Outstanding: 282,744,185
 Number of Shareholders: 17,047
 Average Shareholding/person: 16,586

Types of Shareholders (as of March 31, 2013)



Shareholding by Numbers (as of March 31, 2013)



sincere and honest approach to the issue from viewpoints of our shareholders and investors, to make prompt, accurate and fair disclosures, also in compliance with all laws, regulations and stock exchange rules. The Disclosure Committee further ensures fair and timely disclosures in accordance with the Policy.

Major 10 Shareholders (As of March 31, 2013)

Name of the Shareholder	Number of Shares (thousands)	Percentage in Total
Hitachi, Ltd.	179,815	63.78%
Japan Trustee Services Bank, Ltd	6,767	2.40%
The Master Trust Bank of Japan Ltd.	3,393	1.20%
Japan Securities Finance Co., Ltd.	2,623	0.93%
Goldman Sachs and Co., Regular Account	2,517	0.89%
CM BL, Shieri. Mutual fund	1,644	0.58%
Clarion Stock Ownership Association	1,579	0.56%
State Street Bank and Trust Co.	1,535	0.54%
Bank of New York Mellon SANV for BNY GCM Client Account ELSCB	1,462	0.52%
Deutsche Bank AG, London PB, Non-Territory Accounts 613	960	0.34%

(note) 1. Other than above, the Company holds treasury stock of 810,521 shares.
 2. Percentage of shares is calculated after deduction of the treasury stock.
 3. Numbers of shares held by trust and banking companies include shares owned by them in connection with their respective trust businesses.

Timely Information Disclosure

Clarion distributes the "Shareholders Bulletin" to shareholders twice a year, in June and in December. The Shareholders Bulletin presents our efforts and achievements for the respective half-years. Furthermore, we have created the IR Library on our web site for our shareholders and investors. It contains our financial statements data at closing and other company information. It is updated regularly. We try our best to respond quickly whenever there is an inquiry from any of our shareholders or investors. In addition we publish the Annual Report once a year.



Shareholders Bulletin



IR Presentation

We are Clarion



Finance Dept.
Shoko Umetsu

In order to reflect management status of group companies on consolidated financial statements, it is essential to comprehend and understand accounting standards and practices of each of the countries where our local affiliates operate. Further, I will try to perform my daily assignments looking at operations in Japan and overseas to be prepared for the introduction of IFRS (International Financial Reporting Standards).

Together with Our Customers

Clarion is strengthening its quality control system and lines of communication with its customers. This is because we consider the views of our customers to be the starting point of activities to achieve CS (Customer Satisfaction). We consider the views of our customers to be crucial information, to be inputted to, and utilized within the company. It is Clarion's goal to walk together with our customers and thereby to earn their trust and satisfaction.

Maintaining and Enhancing Customer Satisfaction and Trust

Quality Policy

Clarion's Corporate Vision states; "The link between sound and information communication in the mobile environment of the car will evolve into new domains based on our unique ideas and advanced technologies. Through this, we will provide safety, security, comfort and excitement to our customers all over the world. We at Clarion shall remain at the forefront of the industry, to precisely understand market needs and achieve long term growth". In order to materialize this vision, it is necessary to make everyone within the organization be aware of the importance of meeting customer needs, and then to implement activities that actually meet those needs. Thus, Clarion has declared that its basic policy for quality is to "gain customers' confidence, trust and satisfaction." Through promoting activities based on this policy, we aim to increase the value of our presence in society. Losing such hard achieved confidence and trust is easy and happens so very quickly. We strive with pride to building up customers' satisfaction in each of our products and their confidence and trust in us so they would say "Clarion, again". For this reason, Clarion has positioned quality assurance as the utmost priority management issue.

Quality Assurance System

Clarion has established and retains a reliable quality assurance system not only for products of its own brand but also for those with OEM brands, which responds to requirements of end users and OEM partners. As a part of the efforts, all Clarion manufacturing

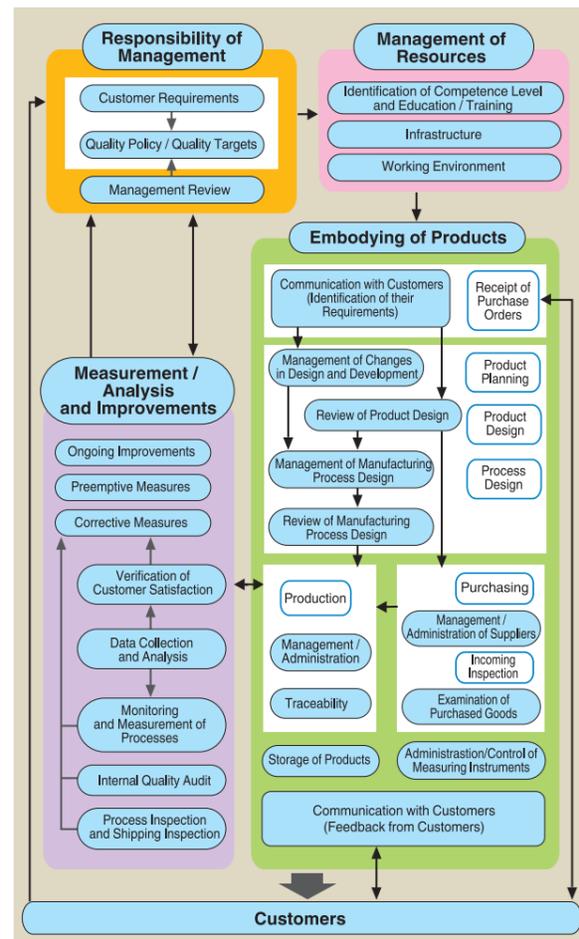
We are Clarion



Customer Quality Information Dept.
Minoru Shimada

This is my 23rd year of work with Clarion. I returned to Japan in April after staying in DCOE, China. Our department assures quality of all Clarion products. The duties range from checking with customers and analyzing various delivery and market claims to customer reports. We are a group of supermen and superwomen dealing with all such diverse works. We work hard every day to ensure No. 1 quality in the industry and No. 1 customer satisfaction. "Jiayou!" (Hang on!)

units, including Thai factory which started operation in April 2012, have acquired certification of ISO/TS16949 which is a standard specifically required by automotive industry for quality management system, based on the international standard of ISO9001. At the same time, we are in the process of building up organizations responding to ISO26262, which is a safety standard for vehicles. We are thus striving to improve our quality assurance system to "ensure customers' satisfaction and trust" for our technologies that can promise them safety, security and comfort.



Enhancement of Quality Assurance Processes in the New Category Products (Network Services Business and Vision Systems)

"Smart Access" started its operation from summer 2012. We are building up a new dimension of quality assurance processes for these services, which enable interoperation of diverse applications of rapidly expanding smartphones and vehicle mounted devices and provide customers diverse information, different from those centering on hardware required for conventional products.



NX613 Smart Access Ready

For Improvement of Customer Satisfaction

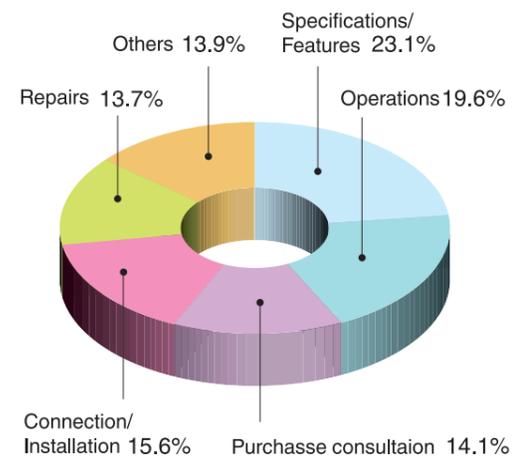
Clarion endeavors, on top of efforts on technology development and improved product quality, to "improve products and services" for better customer satisfaction (CS) through enhancement of "lines of communication between customer and the company" and "feedback system within the company" of the assessed market needs.

Communication Lines with Customers

The core of the communication lines with customer is customer support. Customer Service Office deals with customers' inquiries requests and complaints, on nation-wide free-dial (Number of calls in fiscal 2012 was about 53,000.). Outside of free-dial hours, inquiries per e-mails through our website are possible. The frequently asked questions are categorized and uploaded on the "Product-related FAQs (Frequently Asked Questions)" on our website (Number of access to FAQ in fiscal 2012 was over 11 million.). The product category for which largest number of inquiries came was car-navigation systems (over 80%).

In the future, Customer Service Office will further enhance its supporting system and organization responding to new requirements from expanded business in "Smart Access", products for CV (Commercial Vehicles) and Camera products.

Types of Consultations/Inquiries



Topics

For brighter and richer society

What are products and services that can truly satisfy and please customers?

In search for creation of future global markets and new business domains, for drawing up road maps where our company should be going, we engage ourselves in lively discussions with colleagues over various generations, bearing in mind our missions to develop the relationship between sound, information and human interaction.



Assessment of Customer Needs and System for Feedback within the Company

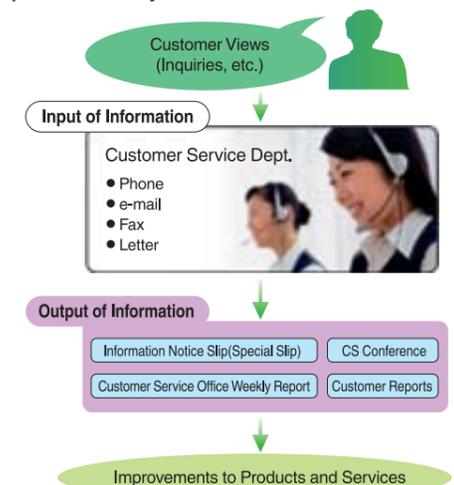
We seek to accurately understand and respond to customers' requests. We issue monthly "Customer Reports" summarizing customers' views, and hold monthly "CS (Customer Satisfaction) Conferences in order to improve product function and sales/repair/servicing systems and to implement such improvements.

With regard to car navigation systems, many of the inquiries are on facility information ("POI, or point of interest information) and guidance routes to destinations based on the installed maps and/or modification of such. Such inquiries are fed back to map data providers, and to be diligently checked for reflection on succeeding models.

After fiscal 2006, customer voices and the way how we address them are shared among our group companies through our Intranet.

Some examples of implemented product improvements based on the customers' voices are, optional shutting off of HDD navigation screen, enlarged clock display, on/off of operation tones, posting on website of new streets and merging of municipalities to facilitate map updating and connection method of terrestrial digital TV tuners model by model, description of window personnel at returning customer voice slip, as well as improvements on descriptions on catalogs and operation manuals.

Input/Feedback System



Navigation Screen Data



Larger clock display on HDD Navigation Device



Homepage screen



Map shown on the homepage Contents of updated database

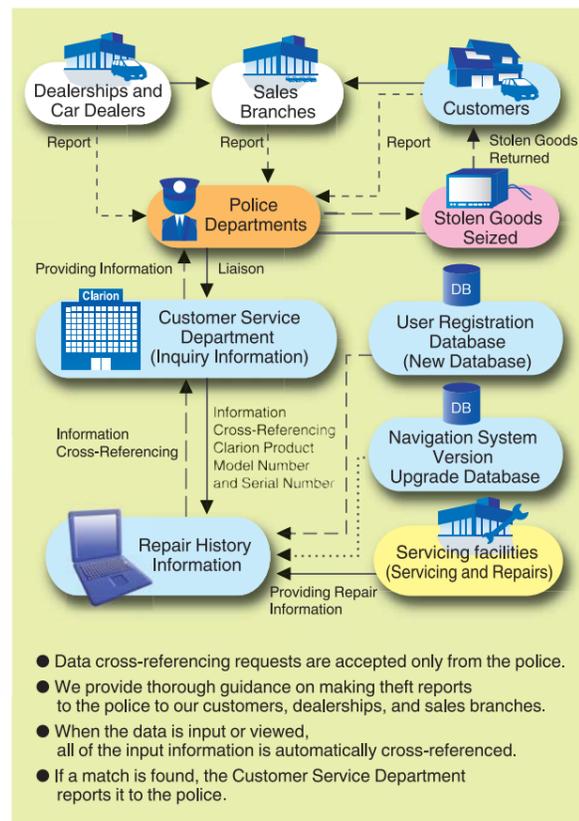
Responsibility Toward Product and Information Security

■ Responsibility Toward Products

Clarion recognizes the nature of the products we sell and pay utmost attention in this respect of safety, complying with laws and safety standards (Product Liability Act, Consumer Product Safety Act, Safety Regulations for Road Vehicles, etc.). We make efforts to provide products that customers can use with feeling of safety through assessment of safety features of products and maintenance/enhancement of their quality.

Because of recent drastic increase of thefts of navigation devices, there are increasing numbers of inquiries from police authorities. In response to such situation, we launched an "Automatic Theft Identification System" in 2006. This system automatically cross-references the information contained in the reports of stolen products seized by police and that of our navigation device user registration, repair and map upgrading history and it contributes in quicker and more accurate identification. There were more than 50 cases of cooperation with police authorities per year, including tracking/analysis of routes recorded on the navigation devices installed in the cars involved in crimes.

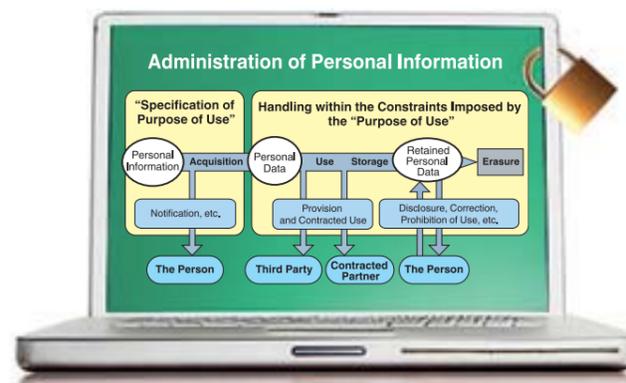
● Automatic Theft Identification System



■ Administration of Personal Information

Customer information of purchasers is used in after-sales service and product development. For this purpose, we have a "Policies of Personal Information Protection", which is accessible by public on our homepage. The Policy is appropriately managed in accordance with the "Administration Standards for Personal Information".

Specifically, each department appoints a responsible staff who reports to Personal Information Protection General Manager, performs secure handling of such information through regular audits and interviews. Regular education and training are provided for employees in order to disseminate and raise their awareness of the need for compliance with the Personal Information Protection Law and other laws and regulations.



■ Information Security

Clarion has formulated an information security policy to avoid risks around information assets and their protection. The risks include, among others, information leakages, loss of corporate credibility through unauthorized use of software and computer system failures caused by illegitimate accesses. We have such specific measures as physical control for access to restricted areas of server rooms among others as well as measures of surveillance of introduced software. With regard to access to information assets, we have technical measures for protection through authorization processes with passwords and encryption of data.

We are Clarion



Customer Service Dept.
Tarou Kouno

In our department, we receive inquiries from various customers every day. We have introduced a system which can make immediate searches of diverse product information (CTI). With this and other efforts, we strive to build up systems which render us accurate and prompt responses in order to contribute to improved CS (Customer Satisfaction). I effort to manage CTI system and other one and at the same time, effort to improve them.

Together with Society

Clarion Group aims to be a good corporate citizen. To this end, we engage in activities in support of local communities throughout the world. We have developed a wide range of activities in each country, including support for future generations, activities to contribute to local communities, and support (donations) for areas afflicted by natural disasters. Through activities such as these we are actively contributing to the well-being of local communities.

Social Contribution Activities

The whole of the Clarion Group has developed wide range of social contribution activities in each country with initiatives of each office, prioritizing support for areas suffering from natural disasters as well as establishment of friendly relationship with local communities.

Domestic

■ Participation in Saitama City Marathon as Volunteers

Saitama City Marathon was held on March 25, 2013, organized by the City of Saitama. Clarion supported the event as a part of activities to contribute to the community as well as to improve the brand value. On the day before the event, about 120 Clarion employees and families as volunteer staffs helped to organize the event.



■ Arakawa River Clean-Aid Initiative

We took part in "Arakawa River Clean-Aid Initiative" organized by Boy Scouts Tokyo Federation on June 24, 2012. The initiative aims to recover natural life along the river, thinking about issues on water quality and recovery of nature while picking up wastes left on the river beds and.



■ Participation in Koriyama Uneme-Matsuri Festival, "Odori-Nagashi" (Dancing Parade)

Uneme-Matsuri, aiming at revitalization of local community, was held in August 2012 in the park in front of the Koriyama Station (Fukushima Pref.). As members of Koriyama Hitachi Group Association, 50 Clarion members, mainly from Clarion Manufacturing and Service (CMS) took part in an event of "Odori-Nagashi".



Overseas

■ Widely Extending Volunteer Activities of Clarion Hungary (CHE) at Rehabilitation Facilities and Schools

In September and October 2012, CHE personnel engaged themselves in fence repairs and painting, flowerbed arranging, garden cleaning and other activities at an aid facility for fitting artificial limbs and at an elementary school attached a church as CHE's official activities.



■ Three-year Old Tree Planting Activities by Clarion Mexico (ELECLA) in Vaquerias Area

In one year of 2012, they planted 3,300 trees. After planting, they take regular care of watering and other cares every month.



Together with Our Partners

Clarion, together with our business partners, enhance our teamwork in strategies in business, R&D and marketing. We believe that open and fair transactions will contribute to create products with better competitiveness and to establish a genuine WIN-WIN relationship with our partners. In addition, we have established the "Green Purchasing Guidelines" in cooperation with our business partners to promote more eco-friendly purchasing activities.

Proper Transactions

Purchasing Policy

Clarion aims to conduct open and fair transactions with its suppliers at all times sensibly and with sincerity. We seek new business partners both domestically and overseas as we expand our global purchasing/procurement activities in 7 Group manufacturing companies in 6 countries around the world. In the process of selection, we put importance on their approach to the environment and CSR in addition to their quality and R&D capabilities.

We value communication with our business partners, and aim to establish relationships by which both parties can share their strategies and improve each other's competitiveness.

Purchasing Policy

- ◆ Building up of Systems for Purchase at the most Optimal Locations
- ◆ Enhancement of Functions for Purchasing Engineering
- ◆ Improvement of Procurement Systems
- ◆ Expansion of Scope of Procurement for Intermediate Materials

Objectives

- ◆ More contribution towards consolidated management through promotion of global purchasing and procurement activities

Measures

1. Promotion of Global Purchasing Policy
2. Promotion of Green Purchasing
3. Total Cost Reduction from the Development Phase
4. Quality Improvement Activities
5. Promotion of CSR
6. Promotion of Procurement Security Measures

Briefing Meeting on Purchasing

We hold annually a meeting to give briefings and explanations on our purchasing policy and requests in cooperation with our efforts in CSR and more eco-friendly activities. In a briefing meetings held in March, 2013, in Japan and China, total 308 partners (Japanese 163

and Chinese 145) attended. In the course of purchasing activities, we are promoting activities, with more consideration on environmental protection, laying out of the "Green Purchasing Guidelines" as an example. Further, as we joined the Hitachi Group, we are also communicating the "Hitachi Group CSR Activity Policy" to our business partners. We also have regular meetings with Hitachi's CSR departments to share information.

Annual Awards to Business Partners

We have a system in place for awarding our business partners annually to encourage their improvement activities and suggestions related to dealing with products with higher added value. The awards are presented to those partners whose performance with respect to Q (Quality), C (Costs), D (Delivery Time) and VEC* activities were particularly outstanding in that year. In fiscal 2012, the awards were given to 7 such companies in Japan and 5 in China.

* VEC (Value Engineering for Customers) activities: VE activities were developed by the Hitachi Group. VE is a technique for analyzing various factors related to costs and features in order to develop and offer products equipped with features customers want at minimal cost.



Business partners commended at the Briefing Session of Purchasing Policy (Japan)

Education on Fair Trade with Our Business Partners

Responsible personnel in purchasing attend regular outside seminars in connection with Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (Subcontract Act) in order to ensure law compliance and fair trade transactions. In fiscal 2012, two staffs participated in the outside seminars. We are also making efforts for higher CSR awareness through regular divisional educational lectures. We will continue to improve knowledge and competence of individual staffs through active use of outside seminars and e-learning on laws and regulations, and as well as on professional skills in purchasing operations.

We are Clarion



Purchasing Engineering Dept.
Yohei Shibata

I'm engaged in the work of selecting new components to be used in our products. It is our duty to select most suitable components from the view point of QCD, based on the required specifications laid out by designing departments. I pursue my duties in order to provide products which customers can feel satisfied, always bearing in mind the partnership with component suppliers.

Together with Our Employees

Clarion values independent individuals in its recruitment, putting the emphasis on people by themselves. Furthermore, we operate a Human Resources Administration System which enables each individual employee to pursue his or her work with passion. We develop human resources capable of global thinking and a positive approach to breakthroughs, and foster the individuality and challenging spirit of our employees.

* Followings are systems in place at Clarion Co., Ltd.

Recruiting

Basic Policies on Recruiting

Clarion prohibits discrimination based on nationality, gender, religion, race, etc. and aims to recruit and train people with a wide range of personal values. Furthermore, as stated in "Clarion Group Code of Conduct", we respect the human rights and individuality of each employee.

Basic Policies

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

The Kind of People We Want, Respect for Diverse Personal Values

Clarion is looking for "independent personnel, defined as people who can independently think, positively work on anything, and learn with curiosity". When recruiting personnel, we select people valuing their personal merits, irrespective of their academic background, gender, religion or nationality. Through the selection procedures, Clarion evaluates personalities based on interviews with all applicants, and assessments are made based on their ability of good communication and unique ideas. We make efforts to ensure a transparent selection process by giving all candidates having passed preliminary screening, feedback of the full content of their assessment.

We are Clarion

<Mentor: Che>

I remember the expression in Ms. Gao's face when she first noticed her assignment to Production Planning, which was an unknown field. Now, however, she has changed and shows her activeness and cheerful character and is absorbing steadily necessary knowledge and skill regarding production. I expect her to exert the knowledge and skill, adding to them global perspective, which is an advantage for an employee with foreign nationality, and cope with the job actively.

Production Planning Dept.
Choi Jung o



<Mentee: Gao>

My mentor, Mr. Che, another foreign citizen, has solved my concerns and worries, not only about work but also others since my assignment in this department. I will follow my mentor and try my best to develop various fields of work as a global personnel.

Production Planning Dept.
Gao Yang

Employment of People with Disabilities

Clarion aims to expand its hiring of people with disabilities. The rate of employees with disabilities at the headquarters was 2.1% in Fiscal 2013, and we achieved the legal requirement of 2.0%.

Equal Opportunity and Treatment in Employment

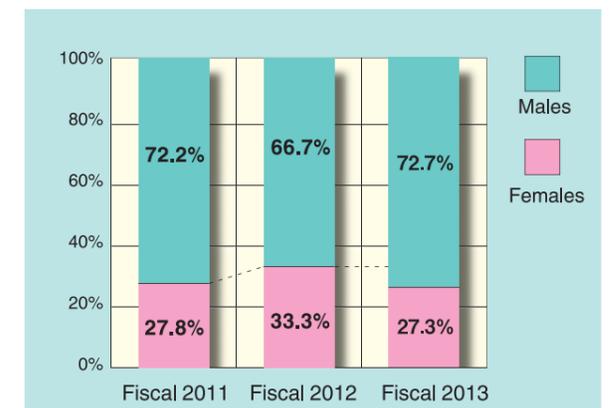
We are making reforming efforts so that human resources with divers characters and senses of value as well as inspiration can work lively. The above efforts include awareness raising through seminars on issues around applied laws and regulations, such as sexual harassment matter in Equal Employment Opportunity Law as well as promotions of diversity recruiting.

Female employees with experience of bearing child can achieve their work-life balance taking advantage of Child Care Leave and Short Working Hours System, and are working with feeling of achievement.

The proportion of female employees at the Headquarters is low at 12%, but ratio of female in the new graduate recruitment in 2013 was 27.3%. We do not have any discrimination in recruitment by gender pursuant to the Basic Policies.

Female employees are finding a wider range of opportunities of work in our R&D, purchasing and sales departments.

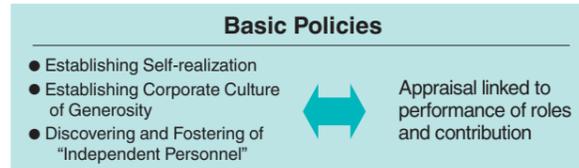
Male and Female New Graduate Recruitment Ratios



Human Resources Administration System

Basic Policy on Human Resources Administration

Clarion states in its corporate philosophy; "Respecting the individuality and ability of each employee, and establishing a corporate culture of generosity". Based on this philosophy, our H.R. administration system ensures that each employee is able to engage oneself to work with sense of independence and high motivation, and performance is duly appraised according to role, responsibility and contribution.



H.R. Administration

Qualification System

Ranks based on expected role, responsibility and contribution are in place. Rank promotions are examined once a year when an employee qualifies requirements of each rank.

Salary System

Salary is based on a range system according to qualification ranks, which considers the level dominant in the market.

Appraisal System

Performance of each employee is appraised based on the level of achievement within semi-annual target control, and annual appraisal is made based on appropriateness in performed competence. Semi-annual appraisal is reflected on the bonus and annual appraisal on salary and rank promotion.

In-House Recruitment System and FA System

To encourage independent career formation, Clarion has adopted a new in-house recruitment system featuring workplace reassignment procedures whereby an employee may be reassigned on their wishes, as an opportunity. We also introduced the FA (Free Agent) system to encourage flexible movement of personnel within the company.

unit : person

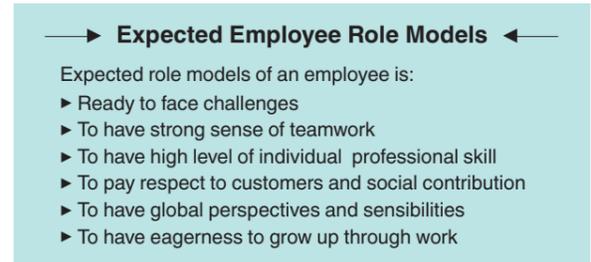
	Fiscal 2010	Fiscal 2011	Fiscal 2012
Achievements of the In-House Recruitment System	5	2	8
Achievements of the FA System	2	3	11

Human Resource Development

Basic Policy on H.R. Development

Clarion's target is upbringing of group of professionals who can cope with rapid changes in the business environments. With defining "global human resources" (*), we continue our efforts to recruit and bring up personnel who have potential of working in the global arena, and to let individuals and organizations exert their maximum potentials.

* Global Human Resources: Personnel who have such competence in communication as to be able to execute duties in international operations and who have leadership, and actual experience and skill in operations such as negotiation skill cross-culture understanding.



Education and Training System

Clarion provides its employees with following system to embody their expected employee role models.

		Objectives	Curriculum (example)
Business Skill Education/ Training	Management Skill Education/ Training	Education/Training to obtain knowledge and skill for job roles	Management Education/Training for each segment of employees
	Human Skill Education/ Training	Education/ Training to obtain communication skill based on roles	Education/Training for leadership, coaching, facilitation and presentation
General Knowledge Education/Training		Education/Training for general skill common to every employee not related to roles	Education/Training for regulations/procedure manuals and compliance, system-tools, cost/customer priority, safety and health in workplace, CSR
Core Skill Education/ Training		Education/Training for skill of prioritized enhancement by the company	Global Education/Training
Professional Skill Education/Training		Education/Training for enhancement of professional skill necessary to each job type	Education/Training for new technologies and new business

Career Development Support System

Besides collective training/education organized by the company, Clarion has an information system for registration and administration of individual self education, and it is utilized in supporting career development.

Status of Education Administration System (Apr. 2012~ Mar. 2013)

Number of Person Registered (net)	Education Course Total Registration	Total Number of Persons /Year (Aggregated)	Per Person Total Number of Courses/ Year	Per Person Total Hours of Education
1,527 persons	821 courses	11,218 persons	7.5 courses	16 hours

Clarion has adopted "Mentor System" through which new recruits are given special attention and development support.

Mentor System

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

Work-Life Balance

Supports to Child Caring and Nursing

Clarion has set up a "Childcare Leave System", a "Nursing Leave System", a "Vacation Deposit System" and a "Temporary Leave System during Spouse' Assignment Abroad" in order to ensure environments and working conditions for employees needing to take care small children and/or older family members to balance their roles at work and at home.

Furthermore, in response to the Law for Measures to Development of the Next Generation, we laid out action plans and promote awareness raising at education and training sessions for each segment. We are proceeding with further improvement of the system in view of diversification.

Childcare Leave System	Childcare leave may be taken once for each child, with the leave period lasting until the child is one year and six months old.
Nursing Leave System	Leave during necessary period up to one year for causes of nursing necessity.
Vacation Deposit System	Vacation deposit of maximum 4 days of the unconsumed annual paid holidays lapsing after 2 years from the date of grant, maximum accumulated deposit to be less than 40 days.
Family Care Leave System	Family Care leave may be taken 5 days for the purpose of caring the family. In case of pre-school child in the family, if there more than 1, total 10days may be taken.
Temporary Leave System during Spouse' Assignment Abroad.	Maximum 3 years temporary leave given for joining the spouse with assignment abroad.
Childcare Support	Optional short working hours system of 2 hours/day up to child's graduation from elementary school
Maternity Protection	Employees in pregnancy or within one year after child birth may apply for absence from work due to hospital visits, shorter working hours and/or flexible working hours.

unit : person

	Fiscal 2010	Fiscal 2011	Fiscal 2012
Results for Childcare Leave Taken	9	16 (Therein 3 males)	9
Results for Nursing care Leave Taken	0	0	1

For Full Consumption of Paid Holidays

Clarion works to create systems to facilitate full consumption of paid holidays. Clarion has introduced planned consumption of two consecutive holidays, and "Anniversary Holidays"(3 days).

We are Clarion

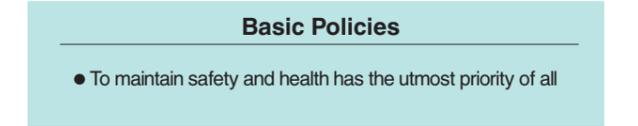


Development Administration Dept.
Cao Yuming

After my one year and half Child Care Leave, I returned to my workplace taking advantage of Short Working Hours System. Though short, my daily working hours are packed full with administration of R&D schedules, lecturing at language classes and other interesting jobs. Sometimes, I have to take an unexpected leave due to my child's illness, but my work colleagues and superiors give me good support so I can devote myself to both child care and work.

Safety in the Working Environment

Clarion has established the Health and Safety Committee, which is working to develop healthier and safer workplace environments, and to comply with laws, regulations and ordinances related to health and safety in the workplace.



Health and Safety Committee

Clarion holds a meeting of the Health and Safety Committee once a month to discuss relevant topics.

Prevention of Industrial Accidents

In order to ensure safety of employees as utmost priority and to fulfill corporate social responsibilities, Clarion promotes various measures with the target of zero industrial accidents. In Fiscal 2012 also, there was no serious incident.

Mental and Physical Health

We see rising risk of lifestyle related disease recently. We consider employees who are healthy both physically and mentally can give power to the company.

1. Physical Health

All employees over 35 years of age, when higher risk for disease starts, can now go through one-day visit regular health check, which gives more accurate diagnosis. The results are verified by the industrial physicians and the work health professionals and necessary guidance are given to those with remarks.

2. Mental Health

For better mental health, Clarion has "telephone consultation" and "personal consultation" systems. Within the latter system, the industrial physicians and the work health professionals. Designated psychiatrist doctors and industry mental health coordinators give personal care to those in need. Additionally, we provided mental health lectures every year. The attendees in fiscal 2012 were 390 and they learned about importance of linecare and self-care as well as necessary knowledge and the way of dealing with the issue of mental health.



Employees taking a mental health training course

Environmental Report

Environmental Policy

We, Clarion Group Companies, acknowledge that preservation of the environment is one of the most important issues in the management of an enterprise. We shall act in our business activities of designing, producing and selling of products mainly of vehicle mounted information systems, promoting global “monozukuri” (product making) aiming at less burden on the environment, and make efforts to realizing the sustainable society with following measures.

- 1) We shall evaluate environmental effects through our products and services, set up environmental objectives and targets, which shall be reviewed every year for continuous improvement for less burden on environment.
- 2) We shall promote efforts to offer more environment-friendly products and services with reduction of hazardous substances, requiring less natural resources and energy consumption.
- 3) We shall promote saving energy in our activities and make efforts for mitigating global warming.
- 4) We shall take measures for less waste output and promotion of recycling and aim to bring about recycling based society.
- 5) We shall make efforts for greening by tree planting and improving appearances, at the same time to preserve the natural environment and mitigation of influence to ecology.
- 6) We shall take preventive measures against possible environmental pollution from wastewater and leakage of oil or hazardous substances from offices and factories.
- 7) We shall comply with all laws and regulations, other requirements acknowledged by the Group and other self-designated standards concerning the environmental preservation.
- 8) We shall let all employees be aware of the Environmental Policy and shall improve their knowledge regarding environmental preservation.
- 9) This Environmental Policy shall be made publicly known, and we shall actively promote information disclosures and other communication with outside the Company.

Revised March 11, 2008

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Corporate Governance System

Clarion places importance on corporate governance and has developed a system that embodies that awareness. Further, through our efforts to develop a risk management system and redevelop internal controls, Clarion is striving to ensure management transparency at all times.

Environmental Policy

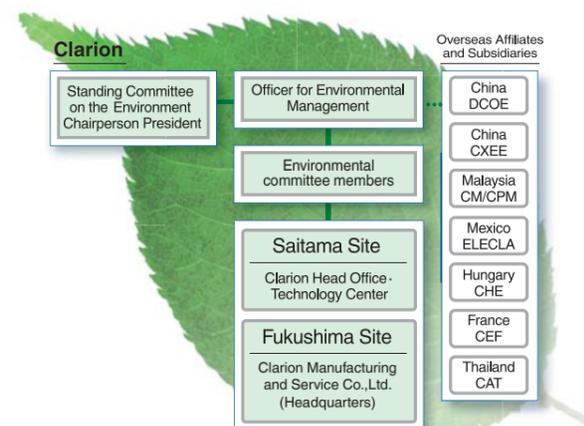
In order to further enhance our efforts in environmental issues, Clarion revised its Environmental Policy in March 2008. Pursuant to this policy, we will continue our group-wide activities promoting environmental preservation and offering products and services which contribute to building up of sustainable society.

Promotional Framework for the Environment

Clarion acquired ISO14001 certification for its domestic companies in 2000. By the end of March 2008, 7 overseas affiliates completed their acquisition of the same. We have built up promotional framework and continue to enhance environmental management system. Specifically, the activities are promoted by “Standing Committee on the Environment” which plays active roles. At all of our domestic sites, we conduct external inspections once a year, and internal environmental audits twice a year, to assess the state of implementation and maintaining of environmental management system.



External audit of ISO14001 in 2012 fiscal year



Education and Training

Clarion provides systematic education to all employees to increase their awareness of environmental protection.

■ General Environmental Education

The department in charge of Environmental Management provides education and training to department managers. The department managers in turn take the lead in conducting an education program for all employees at least once per year. In addition, in 2007 e-learning was introduced to further develop eco-awareness. In fiscal 2012, 99% of the relevant employees received the program.

■ Level-Specific Education

H.R. Dept. and CSR Dept. organize environmental management system education for each level of managerial staffs to new recruits.

■ Training for Internal Environmental Auditors

This program consists of training for internal environmental auditors by an external training institution and by Clarion's qualified internal auditors.



Education/training for Internal environment auditors by an outside education institution

■ Professional Training for Workers Engaged in Designated Tasks

Personnel qualified for certain designated jobs under laws and regulations and employees engaged in tasks that have a profound impact on the environment are categorized as “workers engaged in designated tasks”, and are provided with professional training in accordance with their duties. Furthermore, we perform simulated drills regularly to ensure that they can respond quickly and appropriately in a possible emergency situation.

Status of Compliance with Environment-Related Laws and Regulations

Clarion shares a company-wide database covering major environment related laws and regulations as well as customer requirements. Furthermore, the departments responsible for promotion of environmental activities identify deviation from the reference values set by laws and regulations, as well as environment-related accidents, complaints and risks, and set up and strictly follow self-imposed standards.

Environment Protection Activities

Clarion is working to reduce the environmental impact of its business activities and fulfill its responsibility as a member of society. These activities range widely from waste reduction, preservation of ecological system, prevention of global warming and other environment protection.

Preservation of ecological system

■ Preservation of ecological system Clarion ECO Garden

A part of Fukushima site premise was turned to a biotope, "Clarion ECO Garden", to contribute to measures for preservation of biodiversity.



■ Participation in Volunteer Clean-up

Activity of Inawashiro Lake (Fukushima Pref.)

As a part of environmental joint activities of Eco-Factory Subcommittee, we took part in Clean-up Actions of Funatsuhama Beach on Saturday, June 23, 2012, and Collection Actions of Drifted Waterweeds on Tenjin Beach on Saturday, October 13 both on Inawashiro Lake in Fukushima to collect and remove waterweeds and wastes which cause deterioration of water quality. Clarion actively promotes activities for improvement of water quality and preservation of ecological systems of Inawashiro Lake.



Cleaning-up actions on Funatsuhama Beach on Inawashiro Lake



Collection actions of drifted waterweeds on Tenjinhama Beach on Inawashiro Lake

■ Protection Activities of Honeybees at Clarion France (CEF)

CEF staffs are undertaking honeybee raising with an aim to making importance of preservation of ecological systems known better. The population of honeybees is getting smaller due to extensive use of agricultural chemicals. In order to understand better such situation and to protect honeybees, 8 volunteers installed a beehive. They could harvest honey the other day. As the group member grew large by 32 this year, they plan to install 4 more beehives.



■ Tree Planting Activities by Overseas Affiliates

Clarion actively promotes tree planting as a part of preservation of ecological systems.



Tree Planting Activities in Mexico

Activities of Planting of Mangrove-trees in Thailand

Preventing Global Warming

Clarion's measures to prevent global warming include cutting down the use of electricity and fuel in order to lower CO₂ emissions. Moreover, we are actively working on efficient and environment-conscious transportation. We are also striving to contribute to the prevention of global warming by making efforts to reduce CO₂ emissions through products.

■ Operation Green Curtain

Clarion promoted "Operation Green Curtain" again in the fiscal year 2012.

Environment Group of CSR Promotion Office distributed seeds of Goya (kind of bitter melon) and morning glories to employees who wanted to grow them at home in an effort to save electricity with their effects of "green curtains".

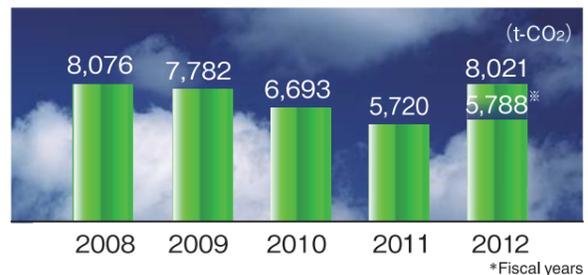


Further, in order to raise awareness of "electricity saving", Clarion's liquid crystal thermometers were widely used.

■ CO₂ Emission Reduction Activities

The Hitachi Group is striving to achieve an energy use reduction target: 15% per unit of production (against fiscal 2005). The total energy consumed by the Clarion Group in fiscal 2012 in terms of CO₂ emission was 8,021t-CO₂. This increase was due to higher index of power consumption vs. CO₂ emission influenced by the stoppage of nuclear power plants. With the index for 2011, the figure would have been 5,788t-CO₂.

● CO₂ Emissions (Total Energy) * With last year's index of power consumption vs. CO₂ emission



■ Installation of Energy-saving Equipment at Clarion Manufacturing and Service (CMS)

At the occasion of anti-earthquake reinforcement works of the office buildings of CMS, they installed various energy-saving equipment such as heat-pump multiple air conditioners and LED lightings. Up to then, air conditioning was done with absorption cool/hot water generator using kerosene as fuel. The CO₂ emission of this system was larger and the environmental impacts was heavier. With the installation of the new system, Clarion expects to reduce CO₂ emission by 64 tons per year, which will contribute to mitigating of environmental impacts.

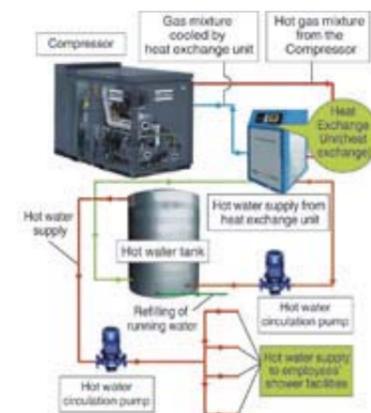


Changing air conditioning from cool/hot water generator with kerosene fuel to heat pump multiple air conditioning

Installation of LED lightings

■ CO₂ Emission Reduction Activities in Clarion China (DCOE)

DCOE achieved energy-saving through supplying hot water in the employee dormitory using heat generated by the compressor used in the production processes. With this improvement, they could reduce consumption of electricity by 120MWh, and of light oil by 44 KL (each per year) which contributed to reduction of CO₂ emission by 205 ton/year.

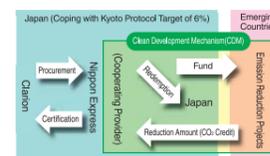


■ Active Use of CO₂ Credit (Emission Trading)

Clarion started new approach for more consideration to the environment through deployment of international air transport services with CO₂ credit. As we use international air transport services, we procure CO₂ credit, following the Kyoto Mechanism, and transfer it to redemption account of the Japanese government. The procurement of CO₂ credit, at the same time, contributes to social infrastructure of the State of Karnataka, India, where the project is located from which we procure the credit.

* ECO2AWB of Nippon Express is used for procurement of CO₂ credit and for transfer to redemption account of the Japanese Government

Mechanism of Emission Trading



Type: Kyoto Mechanism Credit/CER
Project: Wind Power Project, Karnakata, India [NSL27.65MW] Wind Power Project in Karnataka, INDIA Registration No. 0998, UN CDM Board

Effective Use of Resources

Clarion endeavors to reduce the total amount of waste generated by its business activities and further promote recycling activities. Clarion defines "zero waste output" as "reducing the amount of final disposal at the sites to be less than 0.5%, by recycling more than 99.5%" and we are working to achieve this goal. At the same time, we promote material recycling through improvement of production processes and disassembling of waste.

Through efforts of waste separation patrol and promotion of education/training, we recycled 99.9% of output in fiscal 2012. We shall address this issue of further reduction of environmental impact through promotion of higher level recycling and technology for re-input of waste in product resource.

● Amount of Disposal • Amount of Recycling



Chemical Substance Management Activities

Clarion conducts thorough chemical substance management through ongoing awareness education and training activities. Moreover, we strive to reduce the output of chemical substances used in production by switching these to ones with lower environmental impact. Currently we work primarily to reduce solder, waste oil and Volatile Organic Compounds (VOC) of which we have higher usage, eventually, waste output.

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

Clarion runs a system that tracks the amounts of chemical substances used and their waste output, even if they are used only in smaller amounts below the levels subject to report under the PRTR. In fiscal 2012, although as a whole Clarion domestic operations handled 703kg of chemical substances, the amount itself was below that required to be reported under the PRTR Law.

We are also striving to reduce the amount of usage and waste output of chemical substances that are not subject to the PRTR Law.

Eco-Friendly Products

Clarion strives to expand its range of eco-friendly products for the purpose of environmental conservation. We voluntarily implement environmental assessments at the development stage covering all the stages of our products' life cycle. The results of successful assessment are displayed in the form of "Clarion Eco-Mark".

● Environmental Impact Assessments over the Entire Life Cycle



■ Display of the Clarion Eco-Mark

To develop and offer eco-friendly products, Clarion conducts the environmental impact assessment, which is comprised of the following 8 criteria; lighter weight, longer lifespan, better recyclability, easier disassembly, more eco-friendliness, better energy efficiency, better providing of information, and better packaging material. For the products which meet our own criteria the "Clarion Eco-Marks" are displayed on them.

● Examples of products with the "Clarion Eco-Mark"



AV Navigation NX712



Full Digital Speakers AV Navigation System Z8/Z17F

■ Compliance with REACH Regulations

The REACH (Registration, Evaluation and Authorization of Chemicals) Regulations aim to put obligation of safety assessment of practically all chemicals in distribution within Europe and registration and evaluation of them. The regulations came into force in June 2007.

They expect to minimize the impacts from chemical substances to the environment and human and to more clearly identify responsibility of enterprises with respect to administration of these substances through compliance with them. Clarion promotes activities of identifying the chemical contents with use of JAMA sheets*.

Furthermore, Clarion promptly laid out voluntary standard to ban content in components of phthalate ester 4 which is listed in REACH Regulations Annex XIV in an effort to reduce substances with environmental impacts.

* JAMA Sheet: Data sheet for ingredient analysis survey standardized by JAMA (Japan Automobile Manufacturers Association, Inc.) and JAPIA (Japan Auto Parts Industries Association)

Efforts for Eco-Friendly Products

■ Development of Eco-Friendly Products

Clarion implements self-imposed environmental assessments from the development stage using standards for 8 assessment criteria. We aim to develop products with less environmental impact (Eco-Friendly Products) through LCA (life cycle assessment) approach whereby total environmental impact is assessed throughout the entire life cycle.

We also address the issues necessary to comply with the RoHS Directive of the EU and other domestic and overseas laws and regulations, as well as requirements of car manufacturers. Together with these efforts and promotion of Green Purchasing, among others, we eliminate prohibited substances and promote use of eco-friendly materials and components from the development stage.

■ Release of Energy-saving Speaker Systems

Clarion launched the world-first full digital speaker systems, 01DRIVE. As the system reproduce full digital sources with high efficiency, it can be driven with driving voltage less than half and power consumption below 1/8, both compared to conventional systems. With this technology, Clarion offers car audio systems with optimum high audio quality not only to conventional gasoline engine vehicles but also, or more to hybrid and electric vehicles with which saving of electricity is more critical.

Furthermore, portable full digital speaker systems, ZP1 are equipped with solar panels on the back for solar power generation, enabling use in emergency situations when power supply is unavailable.



Full digital speaker systems, vehicle mounted Z17F and portable ZP1.

■ Promotion of Green Purchasing

Clarion promotes green purchasing activities. In order to further enhance purchase of goods with less environmental impact, we revised "Green Procurement Guideline" in 2010. We will continue our efforts in offering products that comply with various laws, regulations and industry standards in cooperation with our suppliers.

Targets and Achievements

Clarion recognizes that our business activities are deeply related with society and environment and continues to promote such measures to be more friendly to society and environment.

Assessment

- A: Targets achieved, continuation of good status
- B: Partial achievement and/or continued efforts
- C: Target unachieved and existence of problem(s)

Efforts and Achievements

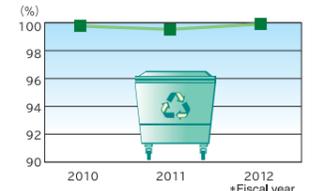
Subject Area	Fiscal 2012 Targets	Fiscal 2012 Achievements	Assessments	Fiscal 2013 Targets	
Eco-Products	Design based on Environmental Impact Assessment	Promotion/study of designs with less environmental impact	Assessment of current designing of eco-friendly products and summary of implementations	A	Promotion of designs with less environmental impact
	Regulated Chemical Substances	Development of eco-friendly products	Introduction of full digital speaker systems (*1)	A	Development of eco-friendly products
	Regulated Chemical Substances	Acceleration of substitution of phthalate ester	Decision to ban content in components of phthalate ester Acceleration of substitution	A	Acceleration of restriction of components containing phthalate ester
Eco Factory	Prevention of Global Warming	Reduction of CO ₂ emission by 17% (Fukushima site, against fiscal 1990)	Reduction by 2.8%(Increase factor: higher index of power consumption vs. CO ₂ emission due to stoppage of nuclear power plants)	B	Reduction of energy use per unit of production by 8.9% (Fukushima site, against fiscal 2005)
	Prevention of Global Warming	Higher efficiency of Thai Factory products logistics	Reduction of truck transportation distance through moving landing port of Thai products closer to customer	A	Promotion of countermeasures against warming with glass isolation
	Reduction of Waste Output	Continuation of zero waste output	Recycle Ratio 99.9% (*2)	A	Maintenance of zero waste output
Eco Management and Others	Environment Related ISO	Retention of ISO certification	Maintenance of ISO14001 certifications	A	Obtaining of information on revised ISO14001 and study of due modifications of related standards
	Environmental Education	Implementation of education/training by segments	New recruits, Environment leaders, Internal auditors' implementation of education/training for managerial staffs e-learning (participants 99%)	A	Implementation of education/training by segments
	Environmental Information	Compliance to due dates of customers' environmental inspection of products	Compliance ratio of due dates of customers' environmental inspection of products 100%	A	Compliance to due dates of customers' environmental inspection of products
	Environmental Conservation	Implementation of soil and water quality monitoring	Continued monitoring	A	Continued monitoring
	Environment Society Activities	Continued local community communication activities	Starting of honeybee raising at CEF (*3) Participation in volunteer activity of Inawashiro Lake (Fukushima Pref.)(*4)	A	Continued performance of local community communication activities

* Targets are to be unified to those of Hitachi Group Environmental Action Plans from fiscal 2013

(*1) Release of Full Digital Speaker Systems "01DRIVE"



(*2) Recycle ratio: We maintained recycle ratio of 99.5% and more with implementation of patrolling waste separation on sites



(*3) Volunteer activities of honeybee raising at CEF



(*4) Volunteer activities at Inawashiro Lake in Fukushima Prefecture



Topics



Cleaning-up Activities at Fan Tian Si Temple

Clarion China (CXEE) organized volunteers from various departments and cleaned up Fan Tian Si Temple in the outskirts of Amoy on July 23, 2012, as a part of its Clarion brand activities. Volunteers gathered and sorted the trash promoting actively the Clarion Group environmental activities. CXEE is exerting its full efforts for contribution to the local community.



Business Activities and Environmental Impact

Clarion monitors the environmental impact of its activities, including those of the domestic group companies, and promotes environmental protection activities throughout the entire Clarion Group. Furthermore, we have introduced environmental accounting in order to keep track of total costs and investments related to our activities and utilize the data as a tool for environmental management assessment.

Material Flow

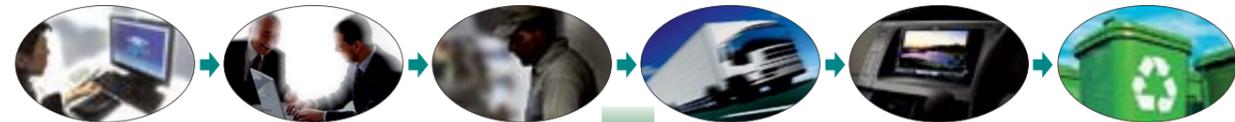
Clarion monitors and analyzes the environmental impact of its business activities and actively promotes environment preservation activities. This material flow chart shows input and output data related to Clarion's environmental impact at each of its sites. The input data include consumption of energy, while the output data show CO₂ emissions and others. We continue our efforts to reduce our environmental impact through on-going collection and analysis of data.

Material Flow

INPUT

Water		Energy		Mterials	
Tap water(1,000t)	34	Electricity(MWh)	13,445	Chemical Substance(tons)	1,756
Industrial water(1,000t)	0	City Gas(1,000m3)	0	Solder(tons)	23
Recycled water(1,000t)	11	Gasoline(kl)	50	Metal Components	
		LPG(m3)	2,088	Electric Components	
		kerosene(kl)	353	Plastic Components	
		Diesel Oil(kl)	15	Packaging Materials	
		Crude Oil(kl)	0		
		Supply for Heat(GJ)	618		

Planning / Design Purchasing Production Distribution / Sale Customer Use Recycling / Disposal



OUTPUT

Discharge		Waste	
CO ₂ emission(t-CO ₂)	8,021	Waste Output(tons)	875
Discharged Water(1,000t)	26	incl.Chemicals(tons)	6
		incl.Solder(tons)	23
		Recycling Volume(tons)	874
		Final Disposal(tons)	1
		Recycling Rate(%)	99.9

< Covered Sites >

● Japanese Domestic sites are following 2 sites:

- **Saitama Site (Saitama-shi, Saitama)**
 - Clarion Co., Ltd. Head Office and Technology Center
 - Headquarters-Annex Office
 - Clarion Sales and Marketing Co., Ltd.

- **Fukushima Site (Koriyama-shi, Fukushima)**
 - Clarion Co., Ltd., Tohoku Office
 - Clarion Manufacturing and Service Co., Ltd.

< Relevant Period >

● The relevant period is as follows:
From April 1, 2012 to March 31, 2013

Topics



Fifty representatives of Clarion Thailand (CAT) participated for the first time in mangrove tree planting as a part of promotion of environmental preservation. Even in Thailand, mangrove forests are decreasing year by year and preservation of biodiversity is getting more difficult. Needs for enhancing regenerative power of global environment as well as promotion of environmental preservation are widely appealed there. The experience of planting, struggling with mud and getting so dirty, made the participants realize the difficulty of mangrove tree planting. At the same time, though, they all felt sense of satisfaction and achievements. We also learned that the changes in the environment are deteriorating the valuable forest environment, although Thailand has been boasting summery climate all the year around and evergreen country. CAT plans to continue these environmental activities (including those for contributing the local community) at a rate of twice every year.

Environmental Accounting

Clarion introduced environmental accounting in Fiscal 2002 to more effectively promote its environmental activities in a sustainable manner. We compile and disclose the figures in accordance with our own environmental accounting guidelines following the guidelines

of the Ministry of Environment. The coverage was extended to overseas sites in Fiscal 2005. By disclosing such information, we endeavor to let our activities of environmental preservation better known to those who are interested.

Numerical Data for Fiscal 2012

- **Relevant Period:** April 1, 2012 ~ March 31, 2013
- **Sites Covered by Data:** Clarion and its domestic and overseas affiliates and subsidiaries (2 domestic sites and 4 major overseas production sites)

● Environmental Conservation Costs (Japan)

(Unit: Millions of yen)

Item	Description	Fiscal 2010	Fiscal 2011	Fiscal 2012
Costs within business areas		70	76	58
Upstream/Downstream Costs	Green-Purchasing-related costs, Recycling costs for Containers/Packaging	11	35	20
Administration Costs	Certification-related costs, education costs, etc.	15	18	18
R&D Costs	Costs for reduction of environmental impacts, weight reduction, etc., for products and processes	7	21	21
Social Activity Costs	Costs for nature conservation, afforestation, beautification, etc.	10	10	10
Environment Recovery Costs	Costs for soil pollution countermeasures	0	0	0
Total Costs		113	160	127
Total Investment		0	0	0

● Economic Benefits (Japan)

(Unit: Millions of yen)

Item	Description	Fiscal 2010	Fiscal 2011	Fiscal 2012
Effects of environmental protection related to resources utilized in business activities	Utilities cost, purchasing cost of copy and EDP paper, etc.	(35)	(4)	(8)
Environmental impact and waste resulting from business activities	Cost of general and industrial waste disposal, etc.	2	0	(1)
Benefits related to goods and services produced by business activities	Benefits of producing lightweight products	40	42	38
Conservation effects mainly related to transportation	Gasoline and light oil usage fees, etc.	(1)	(9)	0
Sales of valuables	Sales of valuables and wastes for recycling	20	23	(26)
Total		26	52	3

● Environmental Conservation Benefits

Category	Indicators for Environmental Conservation Benefits (unit)	Japan			Environmental Impact including 4 Overseas Sites
		Environmental Impact			
		Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2012
Effects generated by costs within business areas	Amount of electricity used (MWh)	14,734	13,071	13,445	(374)
	Amount of fuel oil used (crude oil equivalent kl)	439	425	400	25
	Amount of Supply for Heat (GJ)	-	723	618	105
Effects related to environmental impact and waste produced by business activities	Amount of CO ₂ emissions (t-CO ₂)	6,693	5,720	8,021	(2,301)
	Amount of waste final disposal (tons)	2	4	1	3
Effects generated by upstream/downstream costs	Amount of waste recycled (tons)	835	840	874	(34)
	Recycling rate (%)	99.8	99.5	99.9	-

Topics



Collection boxes for recycling items

Clarion Mexico (ELECLA) organized "Environment Campaign" for the employees and their families for the purpose of raising awareness for recycling. By bringing vegetable oil, batteries, home electric appliances into the company which were then forwarded to the recycling facility in one lot, the campaign aimed to raise the awareness for recycling. During this campaign, 539 L of vegetable oil, 106 kg of batteries and 4.6 tons of home electric appliances were collected. ELECLA will continue activities for the employees and their families aiming at increasing environmental awareness.

