

## Review of Operations

During the fiscal year under review, the economic slowdown in Japan became more pronounced due to stagnant personal spending amid rising crude oil and commodity prices. Corporate earnings have declined since autumn 2008 owing primarily to decreasing share prices and severe fluctuations in exchange rates caused by the global financial crisis. These factors forced further deterioration in personal spending and the employment situation, which accelerated the economic downturn. Overseas, turmoil in financial markets persisted, triggered by the subprime loan issue, and the global financial crisis increased in severity, precipitating a global recession.

In the automotive industry, with which we are most closely related, automobile demand declined further in fiscal 2008 due to lackluster consumer sentiment resulting from sharp appreciation of the yen and a significant worsening of the global economy. In addition, sales of new cars in Japan and abroad fell below levels recorded in the previous year, resulting in a severe contraction in the global automobile market.

Consolidated net sales for fiscal 2008 amounted to ¥181,554 million, down 26.4% year-on-year. In the first half of the fiscal year, despite slumping sales in the OEM market in North America, we posted solid sales of car navigation systems in the option business for car dealers in the Japanese market. Sales decreased in the second half, however, due to multiple factors. The steep economic downturn forced a decline in production at car manufacturers in line with buyer restraint worldwide. Consequently, sales were down in the option business for domestic car dealers, while selling prices in domestic and overseas aftermarkets dropped, leading to an overall decrease in sales volume.

With regard to income, we reduced fixed expenses and curbed capital expenditures, thereby reducing SG&A expenses. These were offset, however, by rising raw material prices and deterioration in the cost of sales ratio caused by inventory adjustments in line with a change in product mix and reduced automobile output. As a result, Clarion posted an operating loss of ¥12,449 million compared with operating income of ¥5,465 million in the previous fiscal year.

In other gains and losses, we recorded earnings in the amount of ¥3,429 million, consisting mainly of ¥814 million in reversal of patent fees for prior years due to a review of estimated patent fees, ¥418 million in gain on reversal of customers claim cost and ¥280 million in cost recovery after settling the net obligation of manufacturers in service expenses. This was

offset, however, by a loss of ¥6,187 million due primarily to a foreign currency translation loss of ¥1,434 million owing to sharp appreciation of the yen and ¥2,257 million in expenses related to expansion of the optional early retirement program aimed at ensuring the most appropriate number of personnel in the Group as part of restructuring efforts. As a result, loss before income taxes and minority interests was ¥15,208 million compared with income before income taxes and minority interests of ¥4,298 million in the previous fiscal year. Consolidated net loss stood at ¥19,987 million compared with net income of ¥1,378 million in the previous fiscal year.

An overview by business segment is as follows.

### ■ Car Audio-Visual Equipment Segment

This segment is our core segment that involves car navigation, car audio and car multimedia devices. Sales increased in the Americas as we secured new business there, while sales were also up in the option business for car dealers in the Japanese market in the first half of the fiscal year. Despite this, the automobile market contracted severely due to the steep global economic downturn triggered by the financial crisis, and as a result, overall sales in this segment decreased 27.6% compared with the previous fiscal year to ¥157,552 million.

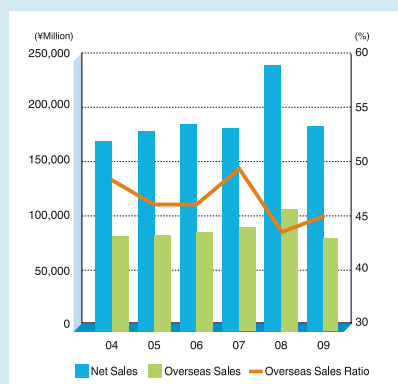
Operating loss amounted to ¥14,491 million compared with operating income of ¥4,330 million in the previous fiscal year due primarily to tough demands from customers for price reductions; a decline in production quantity due to inventory adjustments in line with lower automobile production volume; and deterioration in the cost of sales ratio caused by high raw material costs.

### ■ Special Equipment Segment

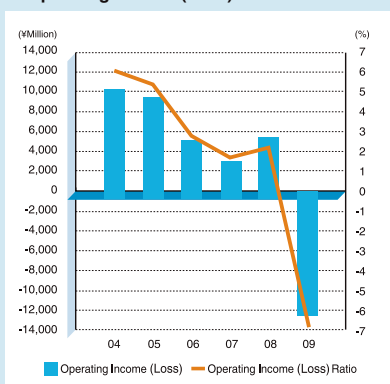
In this segment, which comprises AV equipment, Automatic Guidance Systems and Bus Location Systems for both tourist and community buses, around-the-vehicle view monitor equipment with CCD cameras and drive-recorder devices, net sales rose 2.9% to ¥8,982 million. This increase was attributable mainly to efforts to expand sales of CCD cameras in the domestic market in line with greater driving safety awareness and the start of sales to OEM customers in the United States and China.

Operating income surged 139.7% to ¥1,772 million due to the positive effects of sales growth coupled with an improvement in the cost of sales ratio.

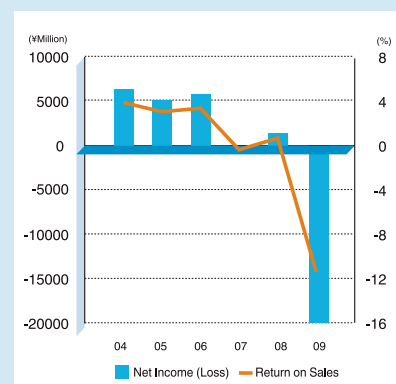
■ Net Sales, Overseas Sales and Overseas Sales Ratio



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



■ Net Income (Loss) and Return on Sales



### ■ Other Business Segment

Within this segment, we have developed EMS (Electronic Manufacturing Service) business mainly in the Americas and Europe. Net sales decreased 26.9% to ¥15,018 million due to a decline in orders for in-vehicle meter boards, in particular, impacted by the sharp decline in automobile production.

Operating income decreased 31.7% to ¥270 million due mainly to the sales decline and tough demands from customers for price reductions.

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

### ■ Japan

In the domestic economy, the market cooled significantly due to the financial crisis and ensuing global economic downturn. In particular, the business environment in the automobile industry, with which the Clarion Group is most closely related, was severe, with buyer restraint becoming more pronounced, even for smaller sized cars (“kei” category cars), for which sales had been relatively brisk. These and other factors led to a low level of new car sales in Japan for the first time in 28 years, contracting to two-thirds of peak demand.

Sales in the OEM market and the aftermarket decreased in Japan due to stagnant automobile sales, while sluggish growth was reported in automobile exports. As a result, net sales in Japan amounted to ¥105,991 million, down 29.8%.

Despite a reduction in SG&A expenses, consolidated operating loss stood at ¥11,987 million compared with operating income of ¥4,165 million in the previous fiscal year. This was attributable mainly to a decrease in sales in line with lower automobile production and deterioration in the cost of sales ratio caused by selling price erosion in the aftermarket and lower capacity utilization due to inventory adjustments.

### ■ Americas

In the U.S. economy, demand in the automobile market dropped sharply as screening standards for car loans intensified due to the impact of the financial crisis coupled with weak consumer spending.

Despite an increase in sales due to new orders received from certain OEM customers, net sales decreased 16.3% to ¥46,440 million owing primarily to a marked decline in automobile production at Japanese car manufacturers and a decrease in orders in the EMS business.

Operating income fell 98.8% to ¥12 million due mainly to the sales decline resulting from lower automobile production and selling price erosion brought on by tough demands from customers for price reductions.

### ■ Asia and Australia

The OEM business in China, for which sales had been increasing steadily on the back of soaring growth in the automobile market, started to decline amid buyer restraint. Accompanied by prolonged stagnation in the Taiwanese automobile industry, net sales decreased 3.8% to ¥12,461 million.

Despite a reduction in fixed expenses, operating loss amounted to ¥74 million compared with operating income of ¥466 million in the previous fiscal year due to rising raw material prices and increases in human resources in China, and deterioration in the cost of sales ratio on account of other costs coupled with production adjustments in response to a reduction in orders.

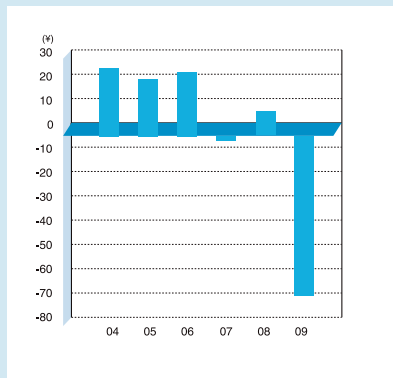
It should also be noted that the fiscal year was changed to the calendar year for consolidated subsidiaries in China and Hong Kong, thereby marking a nine-month sales period for the fiscal year under review.

### ■ Europe

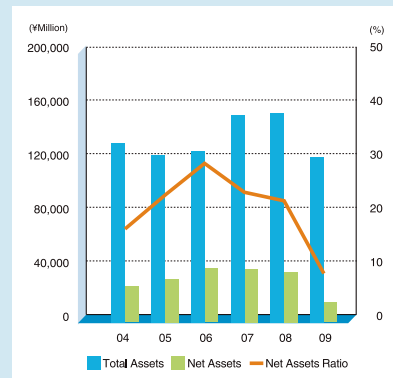
Net sales decreased 39.1% to ¥16,661 million due primarily to a decline in sales to OEM customers in line with a contraction in the automobile market, weak exports to Russia from EU nations and stagnant sales in the aftermarket.

Despite a reduction in SG&A expenses, operating loss stood at ¥208 million compared with operating income of ¥147 million in the previous fiscal year due mainly to the significant decline in sales.

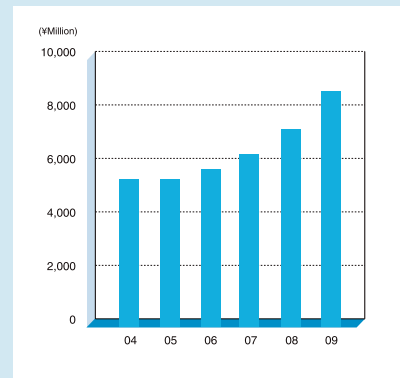
### ■ Net Income (Loss) per Share



### ■ Total Assets, Net Assets and Net Assets Ratio



### ■ Depreciation and Amortization



\* Years ended March 31

## Financial Position

Current assets at fiscal year-end were down ¥29,655 million, or 30.8%, to ¥66,561 million. The main reasons for this result were a decrease of ¥3,222 million in cash on hand and in banks to ¥9,386 million and a decrease of ¥22,844 million in notes and accounts receivable to ¥25,382 million. Inventories were down ¥2,019 million from the previous fiscal year-end to ¥25,113 million, while deferred tax assets totaled ¥2,003 million, down ¥1,696 million.

Investments in securities decreased ¥84 million, or 3.6%, from the previous fiscal year-end to ¥2,259 million, attributable mainly to securities sold and changes in fair value. Property, plant and equipment decreased ¥305 million, or 1.3%, from the previous fiscal year-end to ¥27,215 million. Other assets dipped ¥3,108 million, or 12.6%, to ¥21,604 million due primarily to reversal of deferred tax assets. As a result, total assets at year-end decreased ¥33,200 million, or 22.0%, compared with the previous fiscal year-end to ¥117,641 million.

Total liabilities decreased ¥10,209 million, or 8.6%, from the previous fiscal year-end to ¥108,506 million. Current liabilities were down ¥22,001 million, or 26.0%, to ¥62,761 million due mainly to a decrease in trade notes and accounts payable owing to a reduction in purchases caused by inventory adjustments in line with lower sales. Total long-term liabilities increased ¥11,791 million, or 34.7%, to ¥45,744 million, attributable to an increase in long-term loans for the procurement of working capital. Total net assets totaled ¥9,135 million due primarily to recording a net loss as well as the impact of foreign currency translation adjustments caused by appreciation of the yen. As a result, the net assets ratio was down 13.6 percentage points to 7.6%.

## Cash Flows

Net cash used in operating activities was ¥2,851 million. This was due mainly to the recording of loss before income taxes and a decrease in notes and accounts payable, despite a decrease in notes and accounts receivable. Net cash provided at the end of the previous fiscal year was ¥10,771 million.

Net cash used in investing activities was ¥10,121 million. This was due mainly to payment for purchases of property, plant and equipment primarily for production equipment as well as payment for purchases of

intangible assets such as software, which offset a decrease in loans receivable. Net cash used at the end of the previous fiscal year was ¥9,247 million.

As a result, Clarion posted a negative cash flow of ¥12,972 million (compared with free cash flow of ¥1,524 million at the previous fiscal year-end).

Net cash provided by financing activities was ¥10,014 million due mainly to an increase in proceeds from long-term loans, despite dividends paid and a decrease in short-term loans. Net cash provided at the end of the previous fiscal year was ¥1,061 million.

As a result of these factors, cash and cash equivalents at the end of the year amounted to ¥9,039 million compared with ¥12,563 million at the previous fiscal year-end.

## Outlook for Fiscal 2009, Ending March 31, 2010

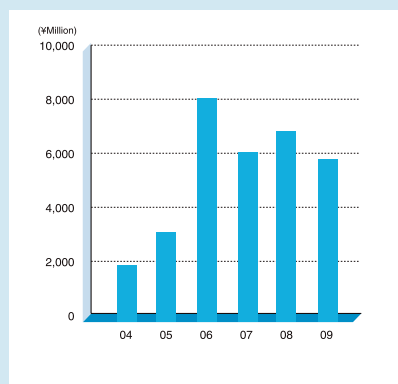
Automobile sales are expected to remain sluggish due to the ongoing global economic decline since 2008, with a recovery projected to take time. Competition is also expected to intensify with new entrants from different industries to the market for the manufacture and sale of automobile equipment.

Amid such circumstances, Clarion merged with Xanavi Informatics Corporation on April 1, 2009 to initiate a new era for the Company.

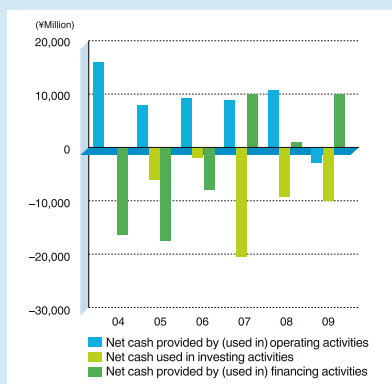
Clarion will work to secure the synergistic benefits of the consolidation, while also strengthening structural reform initiatives through the Emergency Committee for Revitalization of Competitiveness aimed at transforming into a highly profitable corporate structure.

As a result of these initiatives, for fiscal 2009 we forecast consolidated net sales of ¥168,000 million, a decrease of 7.5% year-on-year; consolidated operating income of ¥100 million; and net loss of ¥3,100 million. The exchange rates are projected to be ¥90 to the U.S. dollar and ¥120 to the euro.

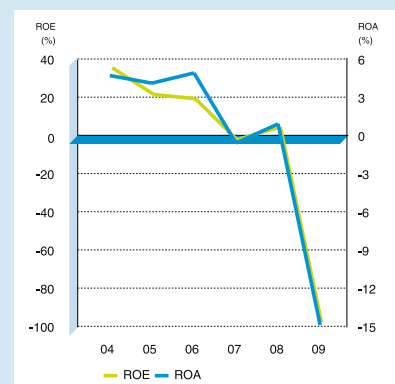
■ Capital Investment



■ Cash Flows



■ ROE and ROA



\* Years ended March 31

# Corporate Data

## ■ Company Profile (as of March 31, 2009)

Company Name:	Clarion Co., Ltd.
Headquarters & Technology Center:	7-2 Shintoshin, Chuo-ku, Saitama-shi, Saitama 330-0081, Japan TEL: (81) 48-601-3700
Registered Head Office:	5-35-2 Hakusan, Bunkyo-ku, Tokyo, 112-8608, Japan TEL: (81) 3-3815-1121
Established:	December 1940
Paid-in Capital:	¥26,100 million
Number of Shares Outstanding:	282,744,000 shares
Stock Exchange Listing:	Tokyo Stock Exchange, First Section (Ticker Code: 6796)
Number of Shareholders:	15,668
Number of Employees:	10,132 (consolidated) 1,075 (non-consolidated)
Main Products:	Car navigation systems, car audio systems, in-vehicle cameras, visual equipment, bus equipment, communications equipment

## ■ Board of Directors and Corporate Auditors

(as of June 24, 2009)

Director and Chairman	Junzo Kawakami *
Director and President	Tatsuhiko Izumi
Directors	Osamu Numata Yutaka Wakamori Tetsuro Yoshimine Yasuhiko Wada Yasushi Saito Yasuhiko Honda *
Full-time Corporate Auditors	Masatsugu Shinozaki * Masayuki Kawahara Katsutoshi Takizawa Yoshio Mizuno **
Corporate Auditors	Yasuhiro Sasai ** Yuji Yuasa **

\* Outside directors

\*\* Outside auditors

## ■ Corporate Officers

(as of June 24, 2009)

Senior Corporate Officer	Osamu Numata
Executive Corporate Officers	Yutaka Wakamori Tetsuro Yoshimine Yasuhiko Wada Toyoji Aida Seishi Kasai Hiroyasu Kan Hidetoshi Kawamoto Nobuyuki Oyachi
Corporate Officers	Yasushi Saito Tatsuo Enokida Toru Kaneko Tadashi Wada

## ■ Principal Subsidiaries (as of June 24, 2009)

### < Domestic >

Clarion Sales & Marketing Co., Ltd.  
Clarion Manufacturing "Protech" Co., Ltd.  
Clarion Associe Co., Ltd.

### < American Region >

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

### < European Region >

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

### < Asian Region >

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