

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 8 Board of Directors (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" whereby duties of supervision and business administration are clearly separated. In addition, "Corporate Management Meetings", in which both members of Board of Directors and Corporate Officers are members, 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, indicates items for improvement if necessary and instructs necessary measures for improvement.

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

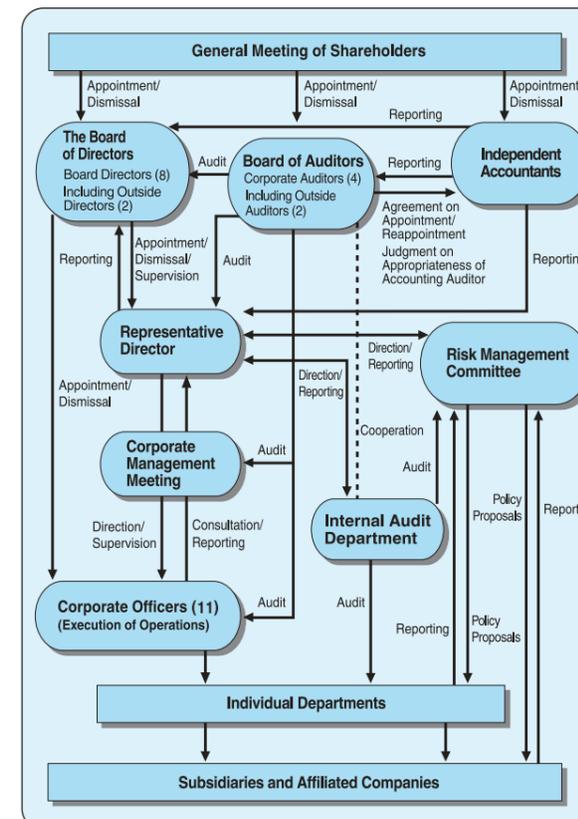
▶ Efforts to Redevelop Internal Controls

Clarion endeavors to redevelop internal controls as society pays closer attention to corporate governance of each enterprise.

We laid out "Basic Policies for Internal Control System" in Fiscal 2006 synchronizing with the enforcement of the Corporate Law. Since Fiscal 2007, as a member of the Hitachi Group, we proceeded with redeveloping of internal controls in compliance with the Public Company Accounting Reform and Investor Protection Act (SOX Act) of the United States and the outcomes are reported 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.

We have found no material weakness and deficiencies pointed out during the assessment stages have duly been rectified. Thus qualitative improvement of internal control system has been achieved. We continue to improve management quality of the Group through efforts in this fields.

● Corporate Governance System



● 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 has been actively engaged as the whole Group in compliance management, environmental protection and social contribution as society requires companies more and more efforts in these areas. Since Fiscal 2003, we carried out more specific activities such as awarding sites with remarkable achievements and sharing information of status of activities at each of the Group companies. As a result, compliance management has 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.

A "More Valuable Enterprise" as society demands now, is such that pursues social responsibilities and is trusted and viewed indispensable by society, and not such that pursues only its profit. With this in mind, we shall make efforts to enhance our activities to fulfill our corporate social responsibilities (CSR) in addition to compliance management as up to now.

We have been contributing to local communities and society through supports and assistance towards future generation and people stricken by disasters. We shall further promote such activities more specifically to contribute to society and fulfill our responsibilities as we aim to more firmly establish CSR management.

Clarion's Compliance Programs



Clarion Group efforts extended from compliance to CSR



Clarion's CSR Management for achieving each of triple bottom lines of social, economic and environmental aspects.

Promotion of Compliance Management

Clarion established In July 2003, "Guiding Principles of Conducts and Behaviors" and the Compliance Committee chaired by the President.

The committee meets regularly to confirm activity policies and to report activities at each department as well as to exchange opinions and ideas on various issues for sharing information with respect to compliance management. Regular liaison meetings are held with group companies for the same purpose.



Clarion Group Code of Conduct

At the end of the fiscal year 2010, Clarion laid out the "Clarion Group Code of Conduct" replacing "Guiding Principles of Conducts and Behaviors" which had been in place since 2003. This Code 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



CSR Promotion Office
Kazumi Iwasaki

Efforts with the Compliance Risk Assessment Table and PDCA cycles, made compliance management firmly established in awareness and activities. Further evolution of previous activities with CSR perspectives along this line will contribute to improving of Clarion's brand image. I shall continue steady efforts to this end maintaining close communication with stakeholders.

Compliance Management Efforts

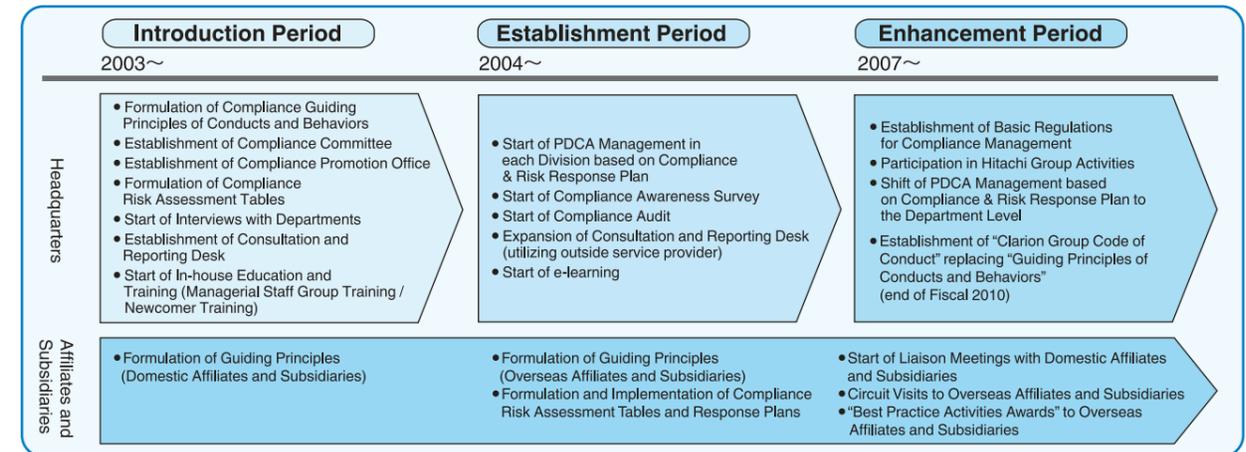
Compliance management has developed since Fiscal 2003 with the "Guiding Principles of Conducts and Behaviors" and establishing efforts of promotion systems throughout the world. Each department has promoted with PDCA cycle method* activities to mitigate compliance risks as its primary objectives. Lecture and training sessions are held every year for managerial staffs as our ongoing awareness raising efforts, where case studies of other companies and new and amended laws and

regulations are studied.

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

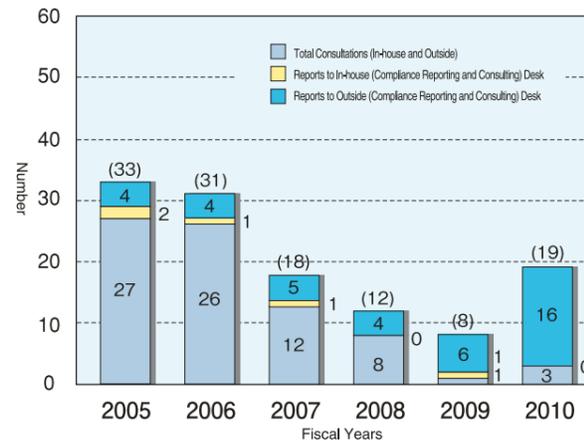


Compliance Consultation and Reporting Desk

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 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 190 consultations and reports (average 1.8 per month) since the setting up of the desk until Fiscal 2010. The fact that there have been more consultations than reports shows that this process is serving well 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 ○○ Department)		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	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 2011 managerial program had primary topics, among others, of environment related regulations and activities, risk management and import/export control. An "e-learning" program was provided for managers in Fiscal 2004 and it is extended to other employees currently. In addition to these, we make active use of casebooks and video materials in an effort to further disseminate and increase awareness on compliance issues.



Managerial Staff Training Sessions

Compliance Audits and Awareness Surveys

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 2010, covering all employees. Response rate was 90%)

Questionnaire survey questions (excerpts)	Answer	September 2008	September 2010
Is awareness of the importance of compliance well understood in your workplace?	Yes	95%	94%
Does your boss give you specific explanations, guidance, etc. about the implementation of compliance?	Yes	77%	88%
In your workplace, can you express your opinions without hesitation at meetings, etc.?	Yes	83%	85%
Do you think it would be against your interests to make a report to the Compliance Consultation and Reporting Desk?	Disagree	70%	70%
Do you know how to make a report to the Compliance Consultation and Reporting Desk?	Yes	65%	72%

We plan to conduct next compliance awareness survey in September 2010.

Compliance Management Throughout the World

Clarion extends its compliance program throughout the world. At moment 3 domestic and 16 overseas affiliates have introduced the similar program. Each has formulated compliance guidelines materially same as that of headquarters' "Guiding Principles of Conducts and Behaviors", 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 Code of Conduct" will be integrated into each company's internal regulations and made known to each employee.

- The Guiding Principles of Conducts and Behaviors 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. Further, through interviews and compliance audit, we aim to improve the level of activities.

With overseas affiliates, we induce more activated efforts in this area with interviews of, 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 around us 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 regularly audits these efforts and with use of PDCA method 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 cross-departmental "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 fifth 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 on basis of accumulated trust and achievement as a professional company for vehicle mounted devices, in an aim to bring forth further evolution to increase our value to shareholders.

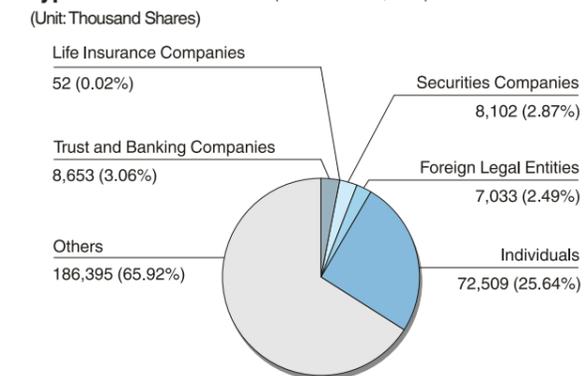
In addition, we have established a Disclosure Policy for the purpose of communicating corporate visions and business strategies to our shareholders and investors. Pursuant to this Policy, which states clearly our sincere and honest approach to the issue from viewpoints of our shareholders and investors, we 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.

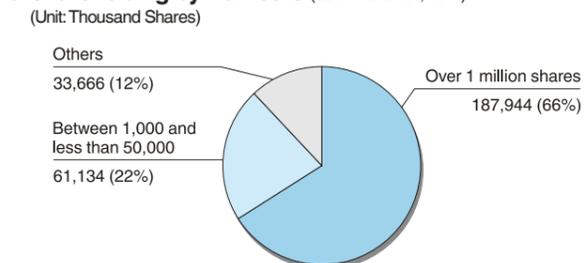
Shares and Shareholders (as of March 31, 2011)

Number of Authorized Shares: 450,000,000
 Number of Shares Outstanding: 282,744,185
 Number of Shareholders: 19,451
 Average Shareholding/person: 14,536

Types of Shareholders (as of March 31, 2011)



Shareholding by Numbers (as of March 31, 2011)



Major 10 Shareholders (As of March 31, 2011)

Name of the Shareholder	Shareholders' Investment in the Company	
	Number of Shares (thousands)	Percentage in Total
Hitachi, Ltd.	179,815	63.77%
Japan Trustee Services Bank, Ltd.	5,968	2.11%
Japan Securities Finance Co., Ltd.	2,884	1.02%
The Master Trust Bank of Japan Ltd.	1,694	0.60%
Clarion Stock Ownership Association	1,510	0.53%
Daiwa Securities Co., Ltd.	966	0.34%
Trust & Custody Services Bank, Ltd.	900	0.31%
Matsui Securities Co., Ltd.	888	0.31%
Monex, Inc.	813	0.28%
BNP Paribas Securities (Japan) Ltd.	719	0.25%

(note) 1. Other than above, the Company holds treasury stock of 792,769 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, once in June and once in December. The Shareholders Bulletin presents our efforts and achievements for the respective half-years in the feature entitled "Topics." We produce the bulletin placing importance on making it easy for the shareholders to read and comprehend.

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 and 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.



We are Clarion



Human Resources & General Affairs Dept.
Masaaki Kato

It is clearly laid out in the "Clarion Group Code of Conduct" that various pieces of management information such as our business activities and financial situation must be disclosed to shareholders and investors, and that we must respond to diverse opinions from them and to promote bi-directional relationship with the society. I will, as the secretariat of "Information Disclosure Committee," to perform these duties through various IR activities.

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 compliance with laws and regulations as well as 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.

Customers' confidence and trust can not be build in a day. And, losing such hard achieved confidence and trust can happen 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

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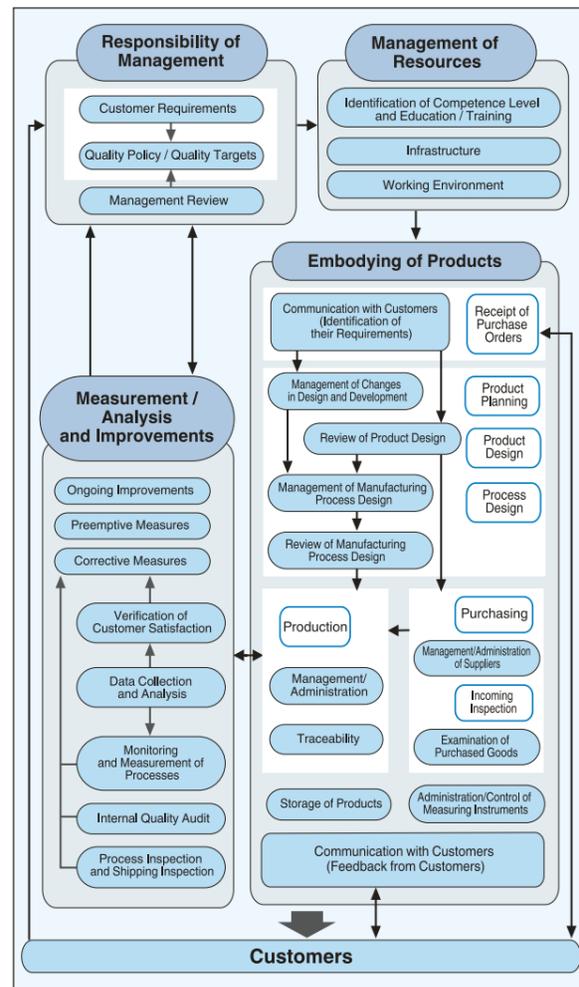
Customer Service Office
Masataka Nakazono

Our group is responsible for responding customers not only of current car navigation and car audio products but also of old household appliances. The tendency of customer inquiries is changing reflecting the changes in society, and we try to deal with each inquiry with sincere attitude.

manufacturing units 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 responding to ISO26262, which is a safety standard for vehicles scheduled to be officially announced in summer 2011. This ISO26262 aims to pre-emptively solve possible malfunctions of total vehicle systems, including software, which are getting increasingly complicated and larger in scale and render customers "safety and security."

Through organized functioning of each process and its proper maintenance as a quality management system, Clarion offers customers technology and quality that can promise them feeling of "Safety," "Security" and "Comfort".



For Improvement of Customer Satisfaction

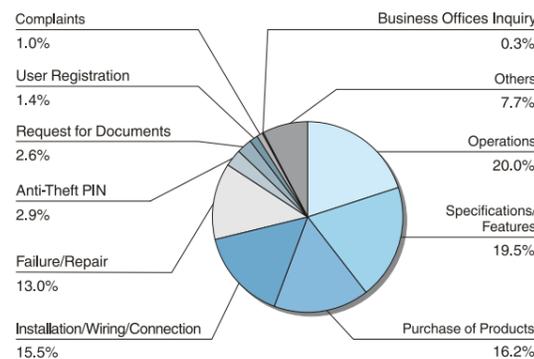
Clarion endeavors, on top of efforts on technology development and improved product quality, to "improve products and services" for better customer satisfaction (CS) through enhancement of "lines of communication between customer and the company" and "feedback system within the company" of the assessed 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 capable of handling calls from mobile phones. (Number of calls in fiscal 2010 was about 60,000.) 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 2010 was over 1,100,000.)

The product category for which largest number of inquiries came was car-navigation systems (over 70%). Increasing portion of them should have been directed to the car manufacturers, products being their genuine parts.

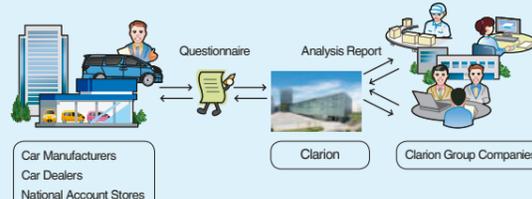
Types of Consultations/Inquiries



Topics

Offering products and services of higher quality

In order for Clarion to become more needed brand to our business partners, we launched in fiscal 2010 "BtoB Customer Questionnaire." In the first year, we asked nearly 1,000 customers for their response. This practice made it possible to unify direction of our objective-awareness through making customers actual voices on Clarion's positioning and issues that we need to address clearly seen and shared within the group.



Assessment of Customer Needs and System for Feedback within the Company

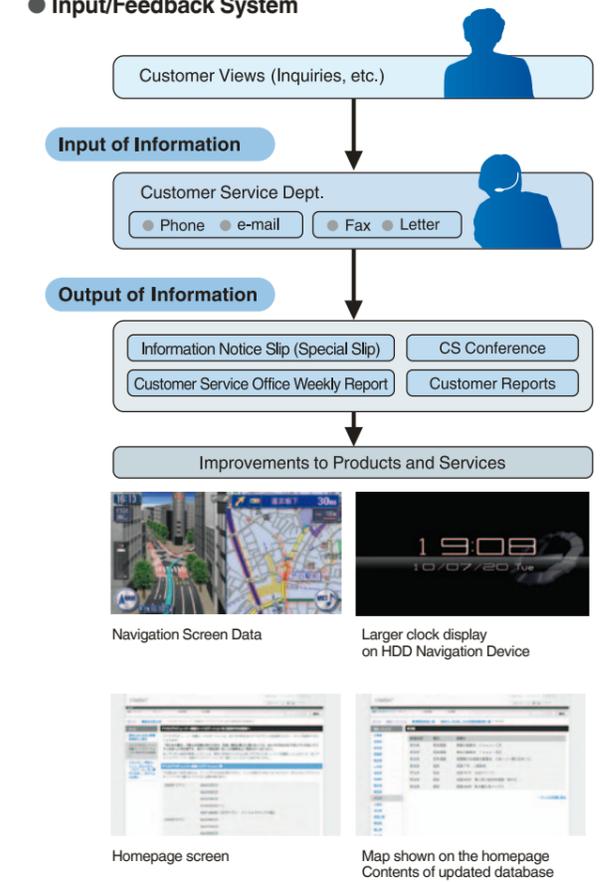
We seek to accurately understand and respond to customers' views and requests. Additionally, we issue monthly "Customer Reports" summarizing customers' views, and hold monthly "CS (Customer Satisfaction) Conferences in order to improve product function and sales/repair/servicing systems and to implement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

With regard to car navigation systems, for which we currently receive majority of inquiries, 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 treated in special ledgers to be 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



Responsibility Toward Product and Information Security

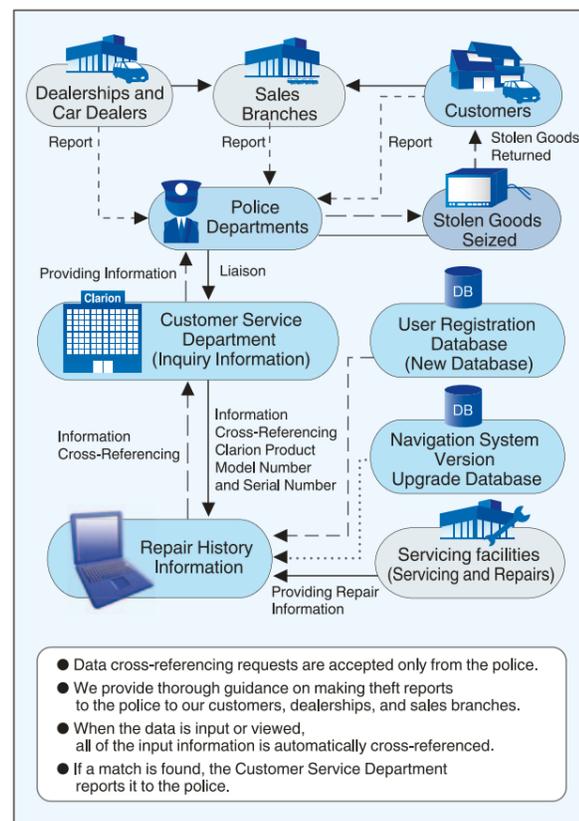
Responsibility Toward Products

Clarion recognizes the nature of the products we sell and pay utmost attention in this respect of safety, complying with laws and safety standards. 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 regarding PIN codes of the devices, theft reports and confiscated devices.

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.

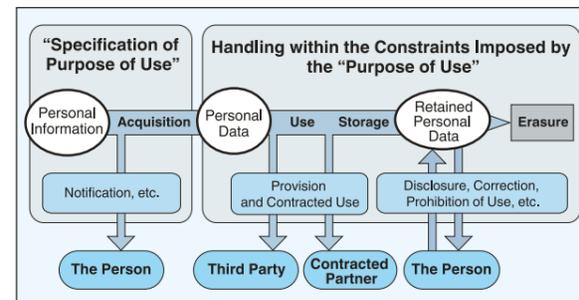
Automatic Theft Identification System



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 all 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.

Specifically, we have implemented physical measures, such as placing restriction on access to the server room.

With regard to access to information assets, we have technical measures for protection through authorization processes with passwords and encryption of data.

Further, we carry out company-wide education and training on risk assessment of information assets and e-learning in order to increase the security awareness. At the same time, we perform yearly regular information security audit to make early assessment of possible issues and improvement if necessary.

We are Clarion



Production Planning Management Dept.
Hiroshi Iwanami

Export Security Committee is involved in "Security Trade Control" under supervision of the Ministry of Economy, Trade and Industry as well as "Designated Export Declaration System" under Authorized Economic Operator System supervised by Tokyo Customs Office. The purpose of export/import control is to maintain peace and security of the international society. Our activities are in coordination with Hitachi Automotive Systems, Ltd., and we exchange information at monthly liaison meetings. We will make efforts to improve level of export administration.

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.

Support to Areas Afflicted by Natural Disasters (Donation activities)

Domestic Clarion Group's support to areas hit by the Great East Japan Earthquake

[Donations]

◆ The earthquake and tsunami on March 11, 2011, caused unprecedented damages to areas centering around Tohoku (northeastern Japan). In response to this, Clarion Group staged a campaign to raise donation funds from group employees. The total donation collected from group employees amounted to 1,300,777 yen and this was donated through Japanese Red Cross Societies.

◆ Apart from employees' donation, Clarion, as a company, donated 2 million yen to the city of Koriyama, with which we have close relations.



Presentation ceremony at Koriyama Disaster Countermeasure Headquarters

[Help Goods]

◆ Hitachi Automotive Systems as a group collected help goods specifically for Sawa region in Ibaraki and Koriyama region in Fukushima. These goods in 47 cartons were delivered to these regions.

◆ One thousand units (worth 39.8 million yen) of PNDs (Personal Navigation Devices with terrestrial TV receivers) were donated to Saitama prefecture's disaster countermeasure headquarters. These devices were then donated to the city of Ishinomaki (Miyagi prefecture) and helped the people in the area very much as sources of information.

◆ Fourteen units of PNDs were donated to personnel of town office of Futabacho (Fukushima prefecture) who stayed as refugees in Saitama Super Arena due to accident in Fukushima Dai-ichi Atomic Power Plant.

[Volunteer Activities]

◆ We recruited 3 volunteers to help people from town of Futabacho who stayed as refugees in Saitama Super Arena due to accident in Fukushima Dai-ichi Atomic Power Plant, and they were engaged in the activities for total of 5 days.

Support to areas hit by the Great East Japan Earthquake from Overseas Clarion Group

Donations from overseas Clarion Groups and their employees came, converted in Japanese yen, to total of 4,413,233 yen, with remarkable sums from, among others, CM/CPM (1,644,600 yen), CCA (US\$17,605) and CHI group (483,857 yen).

Social Contribution Activities

Friendship with Local Communities

◆ Volunteers from CHE of Hungary visited a child care facility in Transylvania region of Romania. They donated 25% of Clarion Brand Award which CHE had received last year, as well as stationeries, books, CDs/DVDs, candies and washing detergents which the volunteers had purchased. The region used to be a part of Hungary and the visit was very much welcomed and appreciated.



Memorial photo after the presentation

Plaque commemorating the visit was presented

Local Social Contribution Activities

◆ CXEE in China continues steady activities contributing the local community by collecting garbage on the sea-shore with volunteers from each department.



We are Clarion



Global Strategy Dept.
Yasushi Ishizaki

My duty is to build up a mechanism for improvement of Clarion's brand value. Some thousands of people took refuge in the aftermath of the last earthquake in Saitama Super Arena which is located just next to our headquarters. I helped with deliveries of meals and at temporary schools together with many other volunteers. We have to expect that it will take some time before Japan can regain peace in our life, I hope that Clarion and myself will continue to be needed by society in this adverse situation.

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 actively seek new business partners both domestically and overseas as we expand our global purchasing/procurement activities in 9 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.

to give briefings and explanations on our purchasing policy and requests in cooperation with our efforts in CSR and more eco-friendly activities. We have promoted activities, with more consideration on environmental protection, the "Green Purchasing Guidelines" as an example. As we joined the Hitachi Group, we are also communicating the "Hitachi Group CSR Activity Policy" to our business partners.

In a briefing meeting held in June, 2011, for domestic partners, 180 companies took part in it. We also hold such meetings in China regularly.

Annual Awards to Business Partners

We have a system in place for awarding our business partners annually to encourage improvement activities by our business partners and suggestions for higher added value products. The awards are presented to those partners whose performance with respect to Q (Quality), C (Costs), D (Delivery Date) and VEC* activities were particularly outstanding in that year. In fiscal 2010, 7 companies were awarded. Going forward we intend to further strengthen cooperation with our business partners through these kinds of activities.

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



Business partners commended at the Briefing Session of Purchasing Policy

Purchasing Policy

- Proper Quality / Cost Competitiveness / Quick Delivery
- R&D Power (or R&D Capability) / Environmental protection / Enhancement of purchasing policies based on CSR

Objectives

- Reduction of total purchasing costs for materials and services

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

Briefing Meeting on Purchasing

Cooperation with our business partners is essential in promoting CSR-oriented purchasing activities. We hold annually a meeting

We are Clarion



Purchasing Dept.
Nobuko Nagaoka

I am in charge of indirect material purchasing, such as expendable supplies and work contracting. It is most important to establish relationship of trust with our business partners in these purchasing operations. I always try to perform my duties sincerely, keeping in mind this trust-relationship, and it goes without mentioning that it is very important to comply with applicable laws and regulations, such as subcontract laws.

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 2010, two staffs participated in the outside seminars.

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.

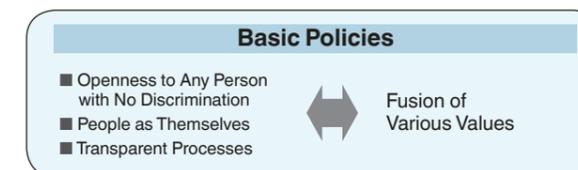
Together with Our Employees

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.

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.



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 human resources, we select people as themselves, irrespective of their academic background, gender, religion or nationality. Through the selection procedures, Clarion evaluates personalities based on interviews with all applicants, and assessments are made based on their ability to communicate well and come up with unique ideas. We make efforts to ensure a transparent selection process by giving all prospective employees feedback of the full content of their assessment.

Employment of People with Disabilities

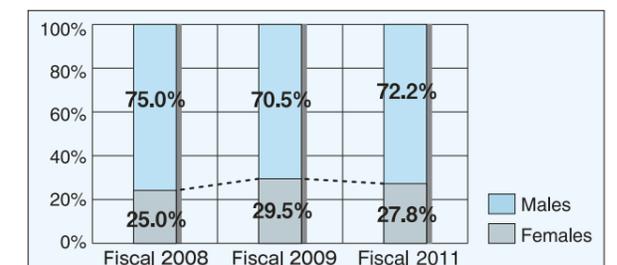
Clarion aims to expand its hiring of people with disabilities. Our employment rate of the disabled is improving year by year. The rate of employees with disabilities at the headquarters was 1.9% in Fiscal 2010, and we achieved the legal requirement of 1.8%.

Equal Opportunity and Treatment in Employment

Prior to the enforcement of the amended Equal Employment Opportunity Law on April 1st, 2007, we disseminated throughout the company the amended points such as prohibition of disadvantageous treatment of women due to pregnancy or child birth and points regarding sexual harassment among others. Additionally, we provided education/training for managers to raise awareness of the issues.

The proportion of female employees at the Headquarters is low at 12%, but we do not have no discrimination in recruitment by gender pursuant to the Basic Policies. The ratio of female at recruitment has reached 27.8% in Fiscal 2011 and female employees are finding a wider range of opportunity of work in our R & D, purchasing and sales departments.

Male and Female New Graduate Recruitment Ratios



No new graduate recruitment in Fiscal 2010

Topics

Anniversary Event of 70th Year of our Founding

In December 2010, "Clarion Festa" commemorating the 70th anniversary of our founding was held. Clarion Group employees and their families were invited, and about 2,000 attendees celebrated the occasion. It was a grand event with attendees trying Brazilian Samba, lottery and live comic shows, as well as various booths set up by employees.



Greeting by the President

Brazilian Samba Try-out

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.

Basic Policies	
<ul style="list-style-type: none"> Establishing Self-realization Establishing Corporate Culture of Generosity Discovering and Fostering of "Independent Personnel" 	Appraisal linked to performance of roles 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 in line with personal wishes, as an opportunity for staff to select their own jobs within the company. We also introduced the FA (Free Agent) system to encourage flexible movement of personnel within the company.

unit : person

	Fiscal 2008	Fiscal 2009	Fiscal 2010
Achievements of the In-House Recruitment System	3	4	5
Achievements of the FA System	2	4	2

We are Clarion

<Mentor Tsuburaya>

Mr. Akachi, a new recruit of Fiscal 2009, looked rather lacking confidence in himself, at the beginning but now, I see him grown up and responds not only strictly to but also more than expected by superiors' instructions. He still has to experience more things, but I hope he will be one of the valuable staffs who can lead the group.



IT Core Development Dept.
Taketo Tsuburaya

<Mentee Akachi>

I look up to my Mentor Mr. Tsuburaya, as he is considered reliable by everybody around him. When I was given an assignment of performance assessment, he gave me precise and detailed instructions about the procedure. I am still very young and unskilled, I will do my best so I can catch up with Mr. Tsuburaya as soon as possible.

IT Core Development Dept.
Masashi Akachi

Human Resource Development

Basic Policy on H.R. Development

Clarion's target is upbringing of group of professionals which can cope with rapid changes in the business environment. Various specific measures are taken in both strategic upbringing of human resources for the company and departments as well as supporting individual autonomous activities.

Expected Employee Role Models
Expected role models of an employee is: <ul style="list-style-type: none"> Ready to face challenges To have strong sense of teamwork To have high level of individual professional skill To pay respect to customers and social contribution To have global perspectives and sensibilities To have eagerness to grow up through work

Education and Training System

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

	Business Skill Education/Training	Core Skill Education/Training	Professional Skill Education/Training
Managerial Staff	Education/Training to acquire necessary skills and knowledge for employees' roles	Education/Training to nurture Clarion's unique culture of strong sense of unity and spirits of meeting challenges continuously	Education/training for enhancing professional skills/competence for each job type
Experienced Staff			
General Staff			

Career Development Support System

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

Mentor System	Each new employee (a mentee) is allocated with a senior staff member from the same department as his/her mentor. This method encourages each new recruit to become independent and to build up internal network within the company at an earlier stage of employment. Clarion is the first company to have adopted this system in Japan.
Support for Career Planning Activities	Clarion offers supporting career development lectures for employees at turning points of their employment to review their current career path and relationship with the company for building up and following a future career by themselves

Work-Life Balance

Supports to Child Caring and Nursing

Clarion has set up a childcare leave system, a nursing leave system and vacation deposit system to ensure environments and working conditions for employee 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 promote awareness raising programs and others at education and training sessions for each segment. We are also reforming systems in this regard from viewpoint of diversified working conditions.

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. Thus deposited vacation is used as leave for treatment of non-work-related injuries/illness or care for family members. We have 5 days/year of holidays outside the deposit system for caring the family.
Childcare Support	Short working hours system of 2 hours/day up to child's graduation from elementary school
Maternity Protection	Possibility to take maternity holidays from 8th week before the child birth

unit : person

	Fiscal 2008	Fiscal 2009	Fiscal 2010
Results for Childcare Leave Taken	8	7	9
Results for Nursing care Leave Taken	0	0	0

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, "Anniversary Holidays" (3 days), company-wide paid holidays (5 days).

We are Clarion



HMI Software Design Dept.
Wenli Meng

I resumed my previous work after a childcare leave. I think Clarion has good system to provide flexible working environment such as flexitime and so on. When my child was first in the day care facility, he got often fever and I used to get calls to go and pick him up. Thanks to understanding and help of superiors and colleagues, I could deal with the matter successfully each time, and successfully perform my duties as a mother and a working woman.

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 understand and comply with laws, regulations and ordinances related to health and safety in the workplace.

Basic Policies
<ul style="list-style-type: none"> To maintain safety and health has the utmost priority of all

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 2010 also, there was no serious incident.

Mental and Physical Health

We see rising risk of lifestyle related disease recently. Clarion has set up a target to have all employees go through regular health check. The health check was switched to that of one-day visit to facilities offering such examination to increase accuracy and for early detection of possible serious illness.

Furthermore, we see the importance of mental health. Based on this belief, we established a health counseling office for mental health issues with outside counselors. Additionally, we provided mental health lectures by expert lecturers with attendees of about 80 in Fiscal 2010. The participants learned about its importance and necessary response to it from risk management point of view.



Employees receiving a health management 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

C O N T E N T S

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Environmental Management

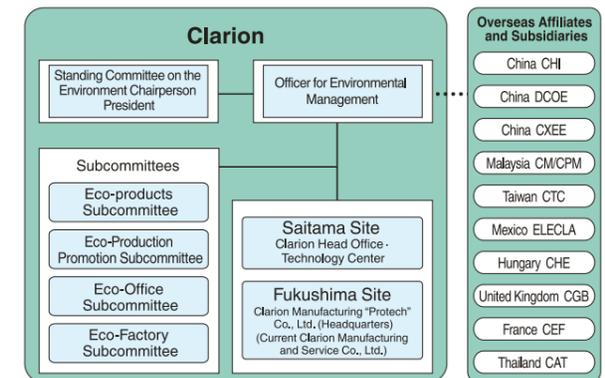
Clarion works for harmony among people, communities and nature, and promotes corporate activities for sustainable society through efforts, among others, for effective use of limited natural resources and energy. The entire Clarion Group, based on the Corporate Philosophy, continues to undertake environmental protection activities by concentrating its technical, economic and human resources.

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 for promoting environmental protection and offering of products and services which contribute to building up of sustainable society.

Promotional Framework for the Environment

In order to promote environmental protection activities, Clarion acquired ISO14001 certification for its domestic companies in 2000. By the end of March 2008, 10 overseas affiliates completed their acquisition of the ISO14001 certification. The whole Group continues to enhance this environmental management system. Specifically, the activities are promoted by "Standing Committee on the Environment" and 4 subcommittees play active roles. At all of our domestic sites, external inspections are conducted once a year, and internal environmental audits twice a year, to assess the state of implementation and maintaining of environmental management system.



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. Based on this education and training, the managers take the lead in conducting an education program for all employees, including employees of domestic affiliates and subsidiaries, at least once per year. In addition, in 2007 e-learning was introduced to further develop eco-awareness.

● 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.

● 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.

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Clarion China, General Affairs Dept.
Chao Xia

As the department responsible for environmental administration, we set up environment objectives and targets and make full efforts for the achievement of these in cooperation with other relevant departments. DDCE launched new operation to produce escutchions. In order to prove that our factory complies with applicable Chinese laws and regulations, we perform environmental measurements.

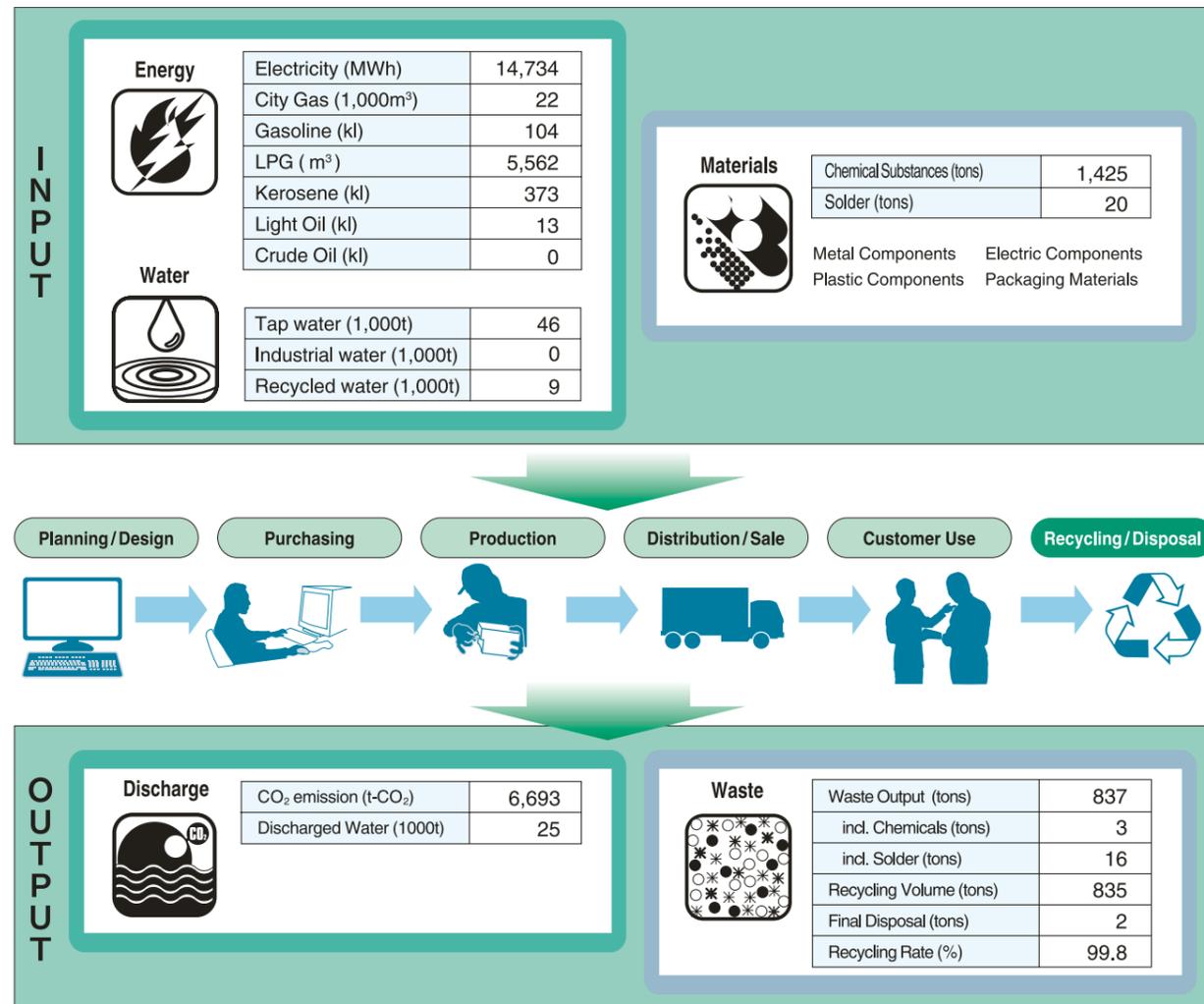
Business Activities and Environmental Impact

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. 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, chemical substances, etc., while the output data show CO₂ emissions, output of waste, etc. We continue our efforts to more effectively reduce our environmental impact through on-going collection and analysis of data.



< Covered Sites >

- Japanese Domestic sites are following 4 sites:
 - Saitama Site (Saitama-shi, Saitama)**
 - Clarion Co., Ltd. Head Office and Technology Center
 - Clarion Sales and Marketing Co., Ltd.
 - Clarion Associe Co., Ltd.
 - Fukushima Site (Koriyama-shi, Fukushima)**
 - Clarion Co., Ltd., Koriyama Branch Office
 - Clarion Manufacturing and Service Co., Ltd.
 - Zama Site (Zama-shi, Kanagawa)**
 - Clarion Co., Ltd., Zama Office
 - Tokyo Site (Bunkyo-ku, Tokyo)**
 - Clarion Co., Ltd., Hakusan Office
 - Clarion Sales and Marketing Co., Ltd.
 - Clarion Associe Co., Ltd.

< Relevant Period >

- The relevant period is as follows:
From April 1, 2010 to March 31, 2011

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 Environmental Accounting Guidelines" of the Ministry of Environment. The coverage was extended to overseas sites in Fiscal 2005.

Numerical Data for Fiscal 2010

- Relevant Period: April 1, 2010 - March 31, 2011
- Sites Covered by Data: Clarion and its domestic and overseas affiliates and subsidiaries (four domestic sites and 4 major overseas production sites)

Environmental Conservation Costs (Japan)

(Unit: Millions of yen)

Item	Description	Fiscal 2008	Fiscal 2009	Fiscal 2010
Costs within business areas				
Upstream/Downstream Costs	Green-Purchasing-related costs, Recycling costs for Containers/Packaging	1	0	11
Administration Costs	Certification-related costs, education costs, etc.	3	15	15
R&D Costs	Costs for reduction of environmental impacts, weight reduction, etc., for products and processes	8	7	7
Social Activity Costs	Costs for nature conservation, afforestation, beautification, etc.	0	1	10
Environment Recovery Costs	Costs for soil pollution countermeasures	0	0	0
Total Costs		98	101	113
Total Investment		33	1	0

Economic Benefits (Japan)

(Unit: Millions of yen)

Item	Description	Fiscal 2008	Fiscal 2009	Fiscal 2010
Effects of environmental protection related to resources utilized in business activities	Utilities cost, purchasing cost of copy and EDP paper, etc.	(94)	55	(35)
Environmental impact and waste resulting from business activities	Cost of general and industrial waste disposal, etc.	23	(2)	2
Benefits related to goods and services produced by business activities	Benefits of producing lightweight products	67	54	40
Conservation effects mainly related to transportation	Gasoline and light oil usage fees, etc.	23	(1)	(1)
Sales of valuables	Sales of valuables and wastes for recycling	9	15	20
Total		28	121	26

Environmental Conservation Benefits

Category	Indicators for Environmental Conservation Benefits (unit)	Japan			Environmental Conservation Benefits	Environmental Impact including 4 Overseas Sites Fiscal 2010
		Fiscal 2008	Fiscal 2009	Fiscal 2010		
Effects generated by costs within business areas	Effects related to resources used in business activities					
	Amount of electricity used (MWh)	18,982	17,798	14,734	3,064	21,418
	Amount of fuel oil used (crude oil equivalent kl)	471	498	439	59	593
Effects related to environmental impact and waste produced by business activities	Amount of CO ₂ emissions (t-CO ₂)	6,843	6,709	6,693	16	20,365
	Amount of waste final disposal (tons)	5	3	2	1	547
	Amount of waste recycled (tons)	989	761	835	(125)	-
Effects generated by upstream/downstream costs	Effects related to goods and services produced by business activities	99.5	99.6	99.8	-	-
	Recycling rate (%)					

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Clarion Mexico, Quality Assurance Dept.
Francisco Melendez

In Elecla, located in Mexico, we try to contribute environmental revitalization through planting trees as a part of nature protection activities. Not only the employees but also their families take part in this action. We are now carrying out a program of tree planting in an area of 4 hectare at a national park where thousands of butterflies, known as "Monarch Butterflies" migrate from Canada to take refuge from cold temperature. Up to now, we have planted more than 5,000 pine and other trees. This was achieved with enthusiastic participation of our employees and their families.



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.

Efforts and Achievement

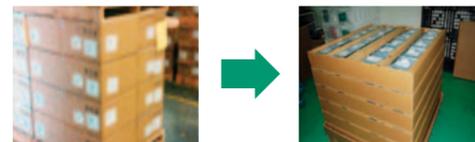
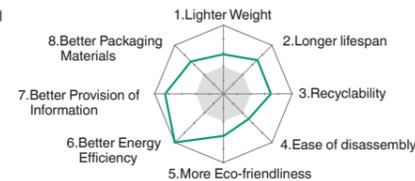
Assessment
 A: Targets achieved, continuation of good status
 B: Partial achievement and/or continued efforts
 C: Target unachieved and existence of problem(s)

Subject Area	Fiscal 2010 Targets	Fiscal 2010 Achievements	Assessments	Fiscal 2011 Targets	
Eco-Products	Product assessment	100% implementation with A/B rank (new) models (*1)	A	Expansion of products subject to environmental assessment	
	Design based on Environmental Impact Assessment	Development of eco-friendly products	Development of OEM model (1) with "Eco-Information" function	A	Development of Eco-Friendly products
		Improvement of packaging and transportation methods	Reduction of use of card-board cartons for overseas destinations (-12%) (*2)	A	Implementation of joint transportation and freight collection for purchased components
		Electronic owners' manuals	Application in Europe and North America	A	
Regulated Chemical Substances	Switching to RoHS (European) regulation materials	Assessment of use of PCV containing plastic plasticizer	A	Promotion of switching of Europe's REACH SVHC items	
	Establishment of system to deal with REACH	Implementation in response to Europe's REACH Regulation	A	Implementation in response to Europe's REACH Regulation	
Eco-Factory	Prevention of Global Warming	Reduction of CO ₂ emission by 12% (Fukushima site, against fiscal 1989)	B	Reduction of CO ₂ emission by 6% (on datum year) (Fukushima site, against Fiscal 2005)	
	Reduction of Waste Output	Continuation of zero waste output	Recycling rate 99.8% (*4)	Maintenance of zero waste output	
Eco-Management and Others	Environment Related ISO	Retention and expansion of ISO certification acquisition	Audit by a third party certification institution	Retention of ISO certification	
	Environmental Education	Implementation of environmental education programs	e-learning on environmental issues (attendee ratio of 98%)	Implementation of stratum education/training within the company	
	Environmental Information	Satisfaction of customer requirements	100% response on product environmental survey	100% response on product environmental survey	
	Environmental Conservation	Water quality after soil recovery works in Koriyama site	Continued monitoring	Continued monitoring	
	Environment-Society Activities	Promotion of afforestation	Participation in "Saitama Street Support System" and maintaining of shrubbery in front of the Headquarters building (*5)	A	Continued communication with local communities

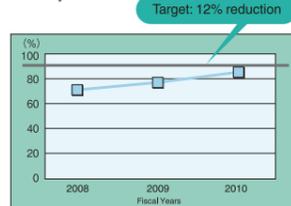
(*1) Quantitative assessment of environmental impact at each stage of product life cycle based on 8 items of environmental assessment at the stage of product designing

(*2) Change from master carton (4 units) method to pallet-size skid-packing

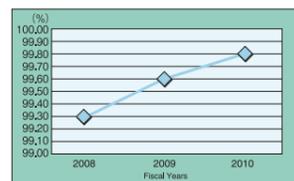
● 8 items of Environmental Assessment (Example)



(*3) CO₂ Emission at Fukushima Site
 Fluctuation in Fiscals 2009 and 2010 due to factory concentration and economy



(*4) Recycling rate
 Waste separation patrol, education and increase of sales of valued items in the waste



(*5) "Saitama Street Support System"
 Participation in "Saitama Road Support System" promoted by the city of Saitama, regular activities of cleaning and beautification of public streets in front of the Headquarters/ Technical Center buildings



We are Clarion



Clarion Hungary, Quality Assurance Dept.
Csaba Suda

We, at CHE in Hungary, are directly involved, as a production site, with compliance activities of EU Directives, such as RoHS, REACH and ELV. Naturally, we ask our suppliers to take part in these activities, and we extend these to suppliers of not only raw materials but also of stationary and expendables as well as of services of cleaning and gardening. We continue to engage ourselves in repairing activities of elementary schools, kindergartens and public health offices, for which we were honored with Clarion Brand Award. We deliver free internal environment newsletter to employees and their families and encourage more employees and families to take part in these activities.



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 from material, components, production processes, physical distribution, to usage, disposal and to recycling by our customers. The results of successful assessment are displayed in the form of "Clarion Eco-Mark."

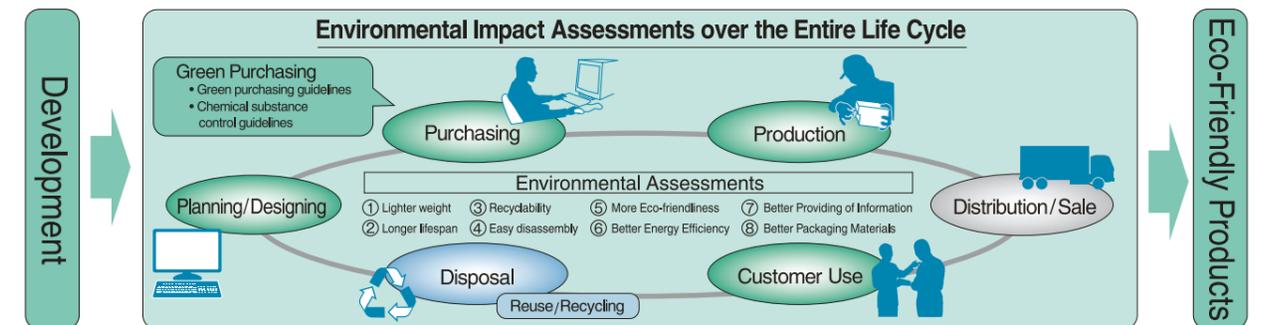
Efforts for Eco-Friendly Products

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 of products.

We also address the issues necessary to comply with the RoHS Directive of the European Union 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.



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. The products which meet our own criteria are certified as "Eco-Friendly Products", and the "Clarion Eco-Mark" are displayed on them.

Examples of products with the "Clarion Eco-Mark"



Compliance with REACH Regulations

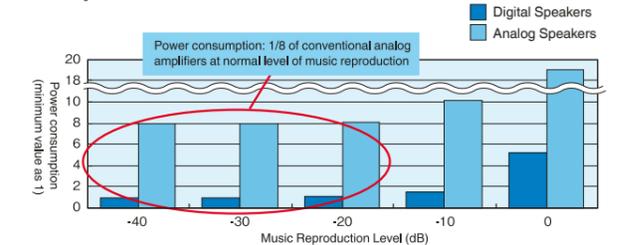
The REACH (Registration, Evaluation and Authorization of Chemicals) Regulations aim to put obligation of safety assessment of practically all chemicals in distribution within Europe and registration and evaluation of them. The regulations came into force in June 2007. They expect to minimize the impacts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

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

Development of Full-Digital Speakers for Cars

Clarion has succeeded in developing the world first full-digital speakers for cars. With these speakers, drastic saving in electric power can be achieved with driving voltage of less than a half and power consumption about 1/8, of conventional speakers. We aim to introduce high quality audio system products suitable for EVs (Electric Vehicles) and HVs (Hybrid Vehicles).

Comparison of power consumption at music reproduction



Promotion of Green Purchasing

Clarion has been promoting green purchasing activities. In order to 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 suppliers.

Environment Protection Activities

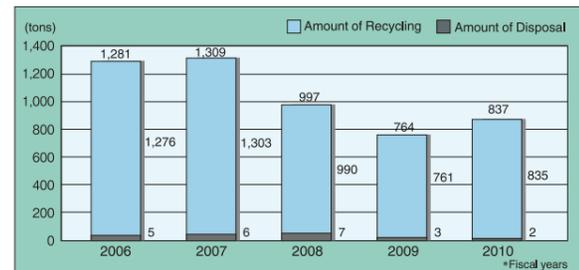
Clarion is working to reduce the environmental impact of its business activities and fulfill its responsibility as a member of society. These activities range widely from waste reduction, preservation of ecological system, prevention of global warming and other environment protection.

Effective Use of Resources

In order to contribute to building a recycling-based society, Clarion endeavors to reduce the total amount of waste generated by its business activities and promote recycling activities. Clarion defines "zero waste output" as "reducing the amount of final disposal at the sites to be less than 1%," 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 99.8% of output in Fiscal 2010. We shall address this issue of further reduction of environmental impact through promotion of higher level recycling and technology for re-input of waste as 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 as much as possible. Currently we work primarily to reduce solder, waste oil and Volatile Organic Compounds (VOC) which have higher usage and 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 small amounts below the levels subject to report under the PRTR. In Fiscal 2010, although as a whole Clarion domestic operations handled 955kg of chemical substances, the amount itself was below that required to be reported under the PRTR Law and there was no particular item subject to report. We are also striving to reduce the amount of usage and waste output of chemical substances that are not subject to the PRTR Law.

Preservation of ecological system

Clarion ECO Garden

A part of Fukushima site premise was turned to a biotope "Clarion ECO Garden" with 700 trees being planted and other greenery. It is not only actively used as relaxing area for employees and families but also contributing to measures for preservation of biodiversity.



Participation in Volunteer Clean-up Activity of Inawashiro Lake

As a part of environmental joint activity of Eco-Factory Subcommittee, we took part in Clean-up Activity of Inawashiro Lake in Fukushima. Clarion actively promotes the activities for improvement of water quality and preservation of ecological systems of Inawashiro Lake.



Efforts to Prevent 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.

Introduction of EVs (Electric Vehicles) as Company Cars

Clarion started deployment of EVs (Nissan "LEAF") as its company cars and built charging stations for EVs. With introduction of EVs, we further promote consideration for reduction of CO₂ emission in our business activities.

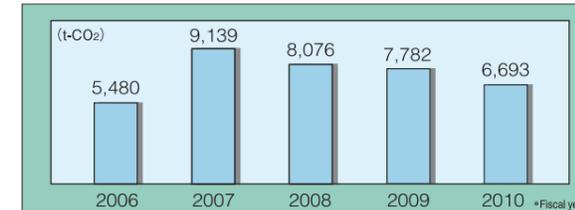


CO₂ Emission Reduction Activities

The Hitachi Group is striving to achieve two essential CO₂ emission reduction targets: Cutting its total CO₂ emission by 12% in fiscal 2010 (against fiscal 1990 level), or 25% per unit of production domestically. The total energy consumed by the Clarion Group in fiscal 2010 in terms of CO₂ emission was 6,693t-CO₂.

We shall make further efforts to reduce CO₂ emission through review of production processes, introduction of energy-saving equipment and steady activities of improvement of working environments.

CO₂ Emissions (Total Energy)



In August 2007, new Clarion Headquarters Office became fully operational. It employs actively facilities with considerations to the environment and energy efficiency such as air-conditioning system with thermal storage in the building, natural ventilation and sensor activated automatic lighting system, among others. Furthermore, use of private cars to work is in principle banned, and as its side effect, CO₂ emission is reduced by 124 t-CO₂.

(Source: ECCJ, Energy Conservation Center, Japan)



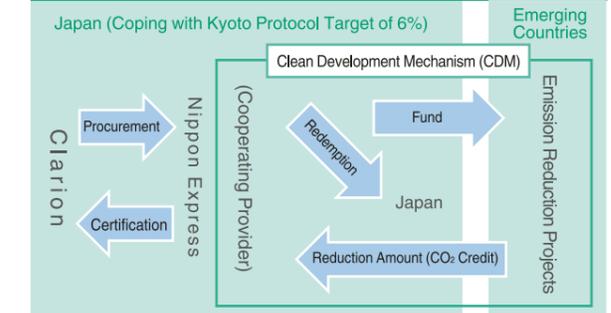
Active Use of CO₂ Credit (Emission Trading)

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.

* ECC2AWB 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, Karnataka, India [NSL27.65MW] / Wind Power Project in Karnataka, INDIA
Registration No. 0998, UN CDM Board



Energy-Saving Activities in Physical Distribution

Clarion is working on the following activities in order to reduce CO₂ emissions from our physical distribution process.



1. Promotion of Modal Shifts

As truck transportation has major impact on the environment, in particular air pollution. In cooperation with car manufacturers, we promote modal shifts in long distance truck transportation.

2. Volume Efficiency

We try to improve volume efficiency in case of container transportation by increasing number of units in a carton, shifting to pallet packaging from individual packaging and other improvements. Furthermore, we collect daily volume information and make flexible choice for higher transportation efficiency.

3. Promotion of Round Use of Containers

We work to reduce CO₂ emission by two-way use of containers. They used to be empty on the return trip after unloading import cargoes at our facilities but now are used for transportation of export cargoes.

4. Promotion of Joint Transportation and Freight Collection

In order to avoid inefficiency, eventually higher environmental impact, in transportation by individual companies, Clarion actively promotes joint transportation and freight collection.

5. Reduction of Stretching Wrapping Film and Cardboard Material Wastes

We reduce waste output of stretching wrapping film used in vast volume for transportation, by using special compressing machines. Used cardboard material is reused as cushion material. We also try to reduce waste output of cardboard material by changing the cardboard dust protection rids of reusable containers to reusable plastic boards.

We are Clarion



DDCE Quality Assurance Dept. & Promotion office Supervisor

Eva Tang

I work at Quality Assurance Promotion Office and am mainly in charge of maintenance of systems based on ISO/TS16949 and ISO14001. I engage myself in maintenance of environmental management system requesting related departments to draft out each year's environmental objectives and targets with respect to reduction of waste output and promotion of recycling.

Clarion Report 2011 Independent Review

Kunio Ito

Professor
Hitotsubashi University



It is quite notable in Clarion Report 2011, as was the case with the previous reports, that the company pays well-balanced attention toward all stakeholders of shareholders/investors, customers, local communities/their residents, trade partners and employees, and is pursuing consistent operation. This attitude is expressed in very moderate way, not in advertising or propaganda manners. The backbone that supports this is the persistence toward the Corporate Philosophy, "(to create products) to improve society by seeking to develop the relationship between sound, information and human interaction."

Corporate activities at times sway and deviate. It is often so when a company's corporate philosophy is only framed and hung on the wall without taking root in its employees. It is impossible in these days for a company to be a sustainable and growing enterprise if it pursues only the profit. As has been stated frequently in the report, a "valuable enterprise" does not mean a company that pursues only profit; it is a company that is trusted and needed by the society. Clarion's efforts in this direction to remain being a "valuable enterprise" are presented in various parts of the report which can be highly evaluated.

The Company continues to address compliance management in higher level, and it is highly evaluated that their relevant systems and organizations are further enhanced. There is no end to the efforts in the compliance management.

The Great East Japan Earthquake this March presented a chance to review how CSR management should be promoted. In the disaster stricken Tohoku region (north-eastern Japan), various top class enterprises had been active in the *monozukuri* (manufacturing) branch, including automotive industry. These enterprises incurred huge damages, and supply chains were disrupted. Automotive industry, in particular, suddenly had to face catastrophic crises. There are companies who were directly hit by the disaster, and many others suffered because business operations of their business partners were jeopardized. Could these companies deal with the situation correctly? Could they act quickly? Were the drills and trainings in the normal times deployed correctly at the time of actual crisis? Could the employees cope with the situation in a companywide and united manner?

In view of March earthquake and tsunami having been an unprecedented disaster, Clarion could have presented in the report its actions and activities dealing with it in more details. An enterprise can not avoid "crisis." No company can be unaffected by possible "crisis." In order for a company to enhance its sustainability, it bears more importance how it addresses "crisis management." It is my wish that Clarion will further strengthen its capability in crisis management, and more details of such efforts will be presented in the future reports.

In the present days when hybrid or electric vehicles are becoming the main stream, roles that in-vehicle information terminal play are increasingly wide and far reaching. They are expected to deal with such functions as processing, displaying and controlling energy flow and other information which have not been asked for in the conventional vehicles. In this sense, it can be said that central roles in the making of cars are played by these in-vehicle information terminals.

The scenes of tremendous numbers of vehicles having been washed away by the tsunami in March disaster make me feel strongly how big the potential roles of in-vehicle information terminals are. What roles do the in-vehicle information terminals perform, not only at normal and peaceful times but at times of crises? The future for the in-vehicle information terminals is broad and far reaching. I wish Clarion, who is a leading company in this field, to respond to such expectations, and to talk about its ideas and road map in the report as well.

I would like to see Clarion drive forward to strengthen its brand further and contribute to the society in Japan and world through advancing technical prowess and ever evolving CSR management.

clarion



● Editorial Policy

Clarion Report 2011 is constituted in two parts of "Company Profile" and "CSR Report". Our editorial policy is to inform Clarion's "corporate power" and our efforts in fulfilling corporate social responsibility (CSR) in a manner easy to understand.

● Sites Covered by the Report

Clarion and its domestic and overseas consolidated affiliated companies

● Report Period

Fiscal 2010 results (from April 1, 2010 to March 31, 2011), with part of Fiscal 2011 included

● Next Publication

Year 2012

◎ This report is available on the internet.

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

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