

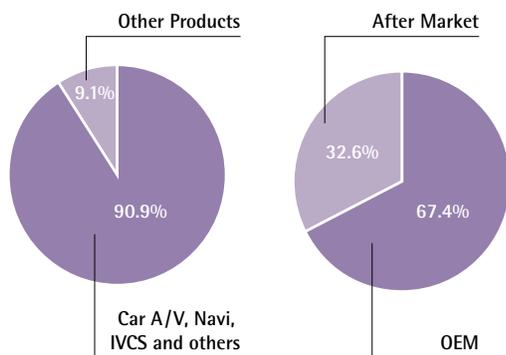
Performance by Segment

The Clarion Group's operations are classified into two product segments: Car Audio-Visual, Navigation, and IVCS Devices; and Other Businesses.

In fiscal 2002, sales in the Car Audio-Visual, Navigation, and IVCS Devices segment edged up 0.8%, to ¥168,716 million, and accounted for 90.9% of net sales, up 1.9 points. Sales from Other Businesses declined 18.4%, to ¥16,814 million, or 9.1% of net sales.

The Group's operations can also be classified by sales channels: OEM and Aftermarket sales. OEM sales in fiscal 2002 amounted to ¥125,119 million, or 67.4% of net sales. This represented a significant 2.5-point increase. Aftermarket sales, at ¥60,411 million, accounted for the remaining 32.5% of net sales.

>> Consolidated Sales: ¥ 185,530 million



Performance by Region

In fiscal 2002, domestic sales totaled ¥97,333 million, up 2.0% from fiscal 2001. This figure represented 52.4% of net sales, up from 50.8%. Despite depressed economic conditions in Japan, domestic automobile manufacturers increased production and sales compared with the previous year. Clarion responded with a proactive marketing effort, resulting in higher sales, especially of car navigation devices. We also improved profitability in the aftermarket through cost-reduction efforts. As a consequence, our Japanese operations reported higher revenues and earnings.

Sales in the Americas fell 14.0%, to ¥39,291 million, or 21.2%

of net sales, down 3.1 points. Our performance in that region was affected by a number of factors, such as weakening personal consumption, a decline in OEM sales to the Big Three U.S. automobile manufacturers, and falling prices due to intense competition.

Despite generally depressed economic conditions in Europe, sales in that region climbed 5.1%, to ¥38,763 million, accounting for 20.9% of net sales, up 1.3 points. This improved result stemmed from our active sales promotion efforts in the aftermarket.

Sales in Asia-Oceania grew 2.0%, to ¥10,141 million, or 5.5% of net sales, up 0.2 point. During the year, we boosted revenues and profits in Asia, entering on China, both in the OEM market and aftermarket.



Hard Disk Navigation System
MAX 730HD (Japanese after market)

Car Audio-Visual, Navigation, and IVCS Devices Product Strategies

Clarion is shifting the focus of its management resources from conventional car audio-visual products to in-vehicle computing system (IVCS) devices. In the car navigation category, users are demanding systems with IVCS functions, as well as audio-visual functions, rather than car navigation systems as dedicated products.

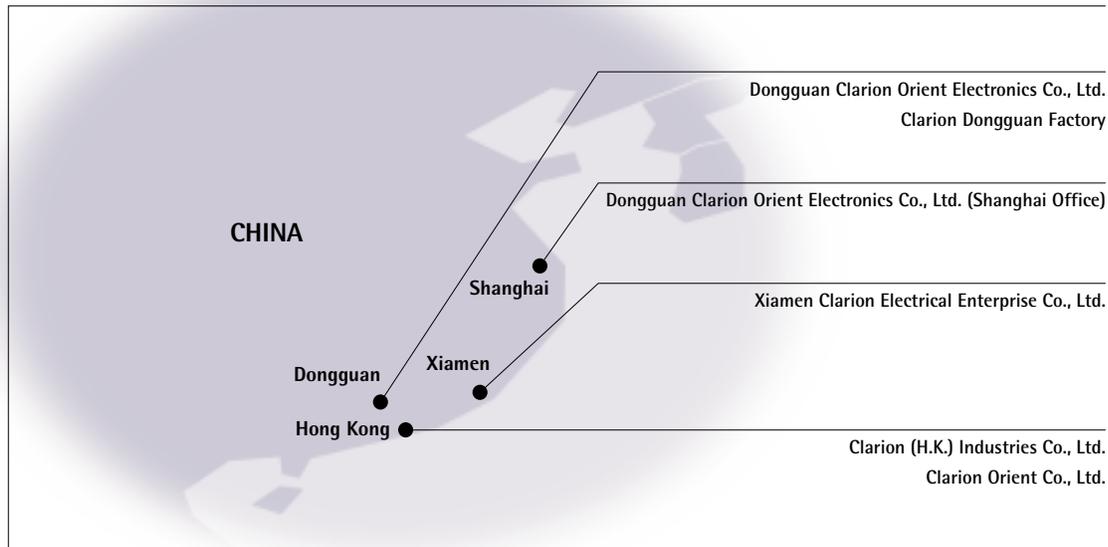
Taking the challenge of these trends to a new level, in December 2002 Clarion launched Japan's first in-vehicle PC. Installed with Windows® CE for Automotive, a highly expandable and versatile operating system, the product promises to offer a multitude of functions not available with existing in-vehicle products. We regard this product as the symbol of our IVCS strategy and will use it as the basis for further progress in the future.

In the OEM market, Clarion has an extensive track record and solid market share in serving prominent Japanese and overseas automobile manufacturers. We supply products both for line installation and as dealer options. Recently, we supplied our first car navigation systems for line installation, in selected vehicles made by Nissan Motor Co., Ltd., and Suzuki Motor Corporation. We also delivered our first car navigation systems to be offered as dealer options, in selected vehicles made by Mitsubishi Motors Corporation. In addition, we expanded shipments of car navigation systems, developed jointly with Honda Access Corporation, to Honda



Auto PC CADIAS

>> Manufacturing Network of China



Motor Co., Ltd. These and other activities have contributed to the Company's revenues.

In the future, we believe that automobile manufacturers will enrich their line installation programs with highly functional car audio-visual/navigation systems to improve the value of their vehicles. In our opinion, single units combining both audio-visual and navigation functions will become mainstream owing to their space- and cost-saving benefits. Regarding this as an opportunity, we will reinforce our capabilities in this area.

In another recent highlight, we concluded an OEM agreement to supply in-dash CD autochangers to a leading automobile components maker with a large share of the U.S. market.

In the Aftermarket, we supply car audio-visual and navigation systems under the ADDZEST brand in Japan and the Clarion brand overseas. These products feature the same technological excellence and reliability as those we supply to the OEM market. Due to intense price competition in the aftermarket, we will step up cost-reduction efforts by rationalizing our manufacturing operations and promoting the use of common parts across multiple products. Since success in the aftermarket is closely linked with brand power, we will rebuild and strengthen consumer loyalty to our brands by reinforcing our product planning capabilities while stepping up advertising and solidifying our sales system.

Building a Presence in China

Clarion is focusing its attention on China, which is an important center for world production and is emerging as a major market in itself. In response, we are building a network of manufacturing and sales operations in that nation. To meet the needs of automobile manufacturers entering China, we will strongly promote the establishment of an integrated product development, procurement,

and production system covering the Chinese market. At present, we have production and sales operations in Dongguan, Hong Kong, and Xiamen. We have also established a marketing and sales base in Shanghai. Through these operations, we will strengthen our business in serving the OEM sector and aftermarket in China.

Other Businesses

In fiscal 2002, sales of audio-visual devices for buses languished due to weak demand for new buses stemming from prolonged economic recession and suppressed capital expenditures. During the year, we strove to expand sales of rear-view monitor systems equipped with CCD cameras for use in regular vehicles, but intense price competition caused sales to decline. Nevertheless, we have a solid market share for these products, which are also highly profitable. In the future, we will aggressively develop this business while promoting common platforms between the products in this business sector and our IVCS devices, as the demand here will be for more functionally advanced and communication-compatible products.

Clarion's karaoke systems have been a long-time favorite of consumers since 1976. However, times and user needs have changed and, due to our renewed focus on profitability, we decided to withdraw from the business. In the second half of the year under review, we sold the shares of our karaoke systems affiliates, thus removing them from the scope of consolidation. In May 2003, we sold shares held by U.S. subsidiary Clarion Corporation of America in McIntosh Laboratory, Inc., a maker of high-end home audio systems. Our withdrawal from these segments of the non-automotive audio equipment market is consistent with our strategy of concentrating management resources on core businesses as outlined in New Creation 21.