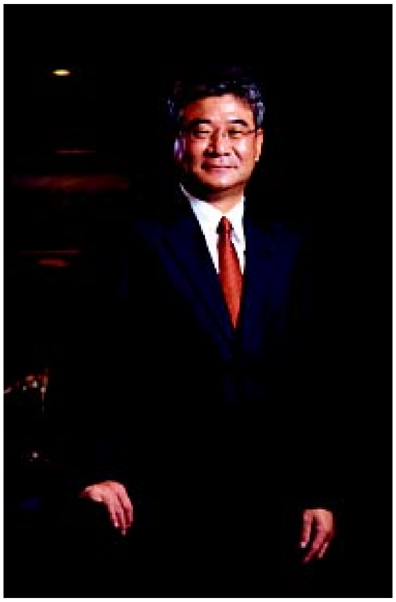


Profitability Improving Thanks to Management Plan

In fiscal 2003, ended March 31, 2004, the domestic automobile and automotive audio-visual (AV) equipment markets benefited from year-on-year gains in production and sales owing to the successive release of new models by Japanese automakers. However, the automotive AV equipment market remained difficult overall, due to stiff competition in the OEM market and aftermarket, which caused prices to decline. In North America and Europe, however, shipments of new vehicles remained largely unchanged, which was a factor preventing increases in sales.

Fiscal 2003 was the final year of the Clarion Group's medium-term management plan, New Creation 21, which began in April 2001. During the years, we continued consolidating our domestic and overseas production and distribution systems while implementing various structural reforms designed to slash costs, cut interest-bearing borrowings, and reduce inventories.

Adopting a "selection and concentration" strategy, we renewed our focus on our core business—automotive equipment. At the same time, we withdrew from the karaoke business and sold our interest in McIntosh Laboratory, Inc., a high-end U.S. home audio equipment maker. As a result, consolidated net sales amounted to ¥168.9 billion, down 8.9% from the previous year. However, operating income grew 8.6%, to ¥10.4 billion, and net income reached ¥6.3 billion, a 4.0-fold jump. Both income figures represented record-high amounts for Clarion.

On a non-consolidated basis, the Company addressed its cumulative losses, amounting to ¥32,789 million, by appropriating ¥1,800 million from an unappropriated reserve, ¥100 million from a legal earnings reserve, and ¥30,889 million from a capital reserve, following approval from the General Meeting of Shareholders. As a consequence, the Company eliminated losses to be carried forward.

On the earnings front, we are striving to strengthen our operating foundation and reinforce our shareholders' equity ratio. We are also selectively allocating resources to solidify our financial position. To fortify our market competitiveness, we are working to increase retained earnings for strategic R&D and business investments.

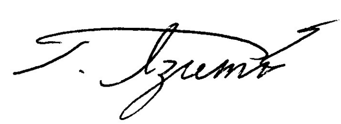
Cost competition will continue to intensify in the automotive industry. To prevail, we will need to make full use of IT and international parts procurement to cut costs, while improving productivity and delivering attractive products.

Building on progress made to date, we have formulated a long-term vision for the Company, entitled Vision-70. To realize this vision, we have also created a new medium-term business plan, called MOVE20, under which we will redouble our efforts to maximize enterprise value.

To this end, we will reinforce our global R&D, production, and sales operations in Japan, North America, Europe, China, and elsewhere, in order to swiftly and flexibly meet the changing needs of customers. At the same time, we will strive to improve customer satisfaction levels by strengthening our R&D capabilities and formulating effective new brand strategies.

We look forward to your continued understanding and encouragement as we embrace the challenges of the future.

June 25, 2004



Tatsuhiko Izumi
President