MESSAGE FROM THE PRESIDENT

Operating Environment and Results

In fiscal 2002, ended March 31, 2003, the Clarion Group reported a generally satisfactory performance. Over the past several years, our results have been disappointing due to fierce competition and price wars amid prolonged economic recession. Since April 2001, however, the entire Group has implemented drastic structural reforms under its medium-term management plan, called New Creation 21. As a result, consolidated net sales amounted to ¥185,530 million, down 1.3% from the previous year. By contrast, operating income jumped 119.9% to ¥9,534 million, the highest level since 1982. Moreover, we reported a positive consolidated net income figure for the first time in four years.

Total shareholders' equity at fiscal year-end was ¥14,617 million, representing a 3.7-fold increase compared with a year earlier. This rise stemmed from a private placement amounting to ¥8,300 million and from the solid net income figure of ¥1,555 million. Consequently, Clarion significantly reinforced its financial position, with the equity ratio improving 7.8 points, to 10.4%.

Although we posted a positive net income figure, the need to address significant carried-over losses remains. Unfortunately, therefore, we were unable to declare cash dividends for the year under review.

New Creation 21: A Progress Update

The Company's medium-term management plan, New Creation 21, covers the three-year period from April 2001 to March 2004. Guided by the plan, we have undertaken a series of management reforms. In fiscal 2002, the second year of the plan, we made significant progress, details of which are described below.

- We established a solid base for increasing earnings by expanding sales in the OEM market and otherwise concentrating on our core business in car audio-visual, navigation, and IVCS devices.
- We streamlined fixed costs by reducing personnel expenses as well as moving our head office to the Saitama plant. We also consolidated the operations of domestic affiliated companies.
- To reinforce our capital base and improve R&D capabilities for the future, we made a private placement, raising ¥8.3 billion.
- To better concentrate on our core business, we consolidated Group companies.
- We significantly reduced Group-wide interest-bearing liabilities by reducing inventories and improving operating cash flows.
- Steep cuts in Group-wide inventories enabled us to make good progress in increasing operating efficiency.
- We achieved an 8.8%, or ¥13.5 billion, reduction in total assets as part of our plan to raise return on assets (ROA).

During the period covered by the plan, we have made significant progress in reducing personnel expenses and streamlining our workforce. In fiscal 2002, we reduced personnel expenses to ¥28.7 billion, down ¥2.9 billion from the previous year and ¥6.6 billion since the plan began. Since the launch of the plan, we have lowered the number of employees by 4,113, to 9,595 at fiscal year-end, or 1,243 lower than the year earlier. Through further reductions, we plan to have a workforce of 9,100 people, with personnel expenses of ¥26.0 billion, by the end of the current fiscal year.

Meanwhile, we have actively rationalized and consolidated our network of domestic and overseas production and sales affiliates. The total number of such companies came down from 54 in March 2001 to 42 in March 2002. In fiscal 2002, we reduced the number further, to 34 by year-end. We plan to lower the number by another five in the current fiscal year.

On March 31, 2003, the Company's inventories stood at ¥28.7 billion, down ¥7.3 billion over the past year and ¥21.0 billion since the beginning of the plan. We project a further reduction, to ¥26.5 billion, in the current fiscal year. Interest-bearing liabilities totaled ¥76.4 billion, down ¥16.7 billion over one year and ¥29.3 billion over two years. Our target for the end of fiscal 2003 is ¥68.1 billion.

Future Perspectives

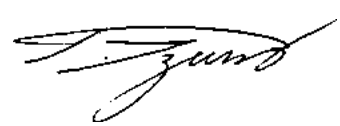
The outlook for the future is increasingly uncertain. On the international front, there is growing concern about worldwide recession and the impact of the Iraq and SARS situations. In Japan, meanwhile, personal consumption remains sluggish in the wake of prolonged economic stagnation and unstable employment conditions.

Moreover, due to intensifying cost competition in the automotive sector, manufacturers are facing pressure to drastically lower costs while enhancing their ability to develop appealing products. Many are expanding their international parts and components procurement systems to achieve these aims.

The current fiscal period, ending March 2004, is the final year of New Creation 21. In our effort to achieve the targets outlined in the plan, we will harness Group-wide resources and strive to maximize corporate value.

We look forward to the ongoing support and understanding of our shareholders and customers.

June 27, 2003



Tatsuhiko Izumi
President