

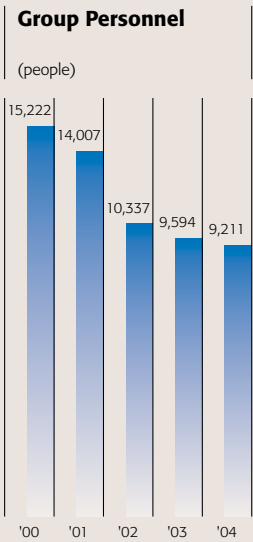
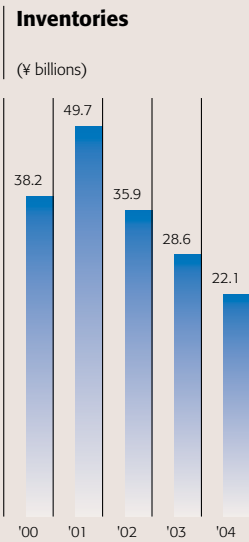
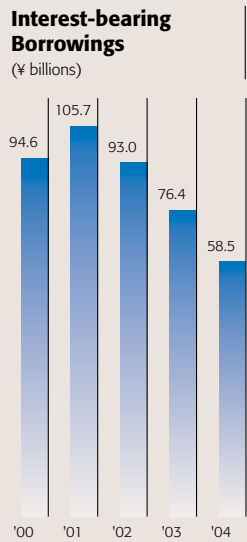
Building on progress made under the management plan just ended, we have formulated a new long-term vision and launched a new medium-term management plan. President Izumi provides more details in the following interview.



Q. How would you summarize progress made under New Creation 21, the management plan just ended?

Guided by New Creation 21, which began in April 2001, we undertook a series of management and structural reforms. We worked to lower fixed costs by streamlining our operations—including through consolidation of domestic and overseas production and sales systems, as well as reductions in personnel. Through these and other cost-cutting measures, we strove to improve profitability. We also focused particular effort on creating a rigorous inventory management system.

As a result, our earnings structure improved dramatically compared with at the beginning of the plan. Through major reductions in inventories and interest-bearing liabilities, we also succeeded in greatly enhancing our net worth ratio and achieving a leaner, stronger financial position. While net sales declined as we reorganized our business under a “selection and concentration” strategy, we succeeded in posting record-high figures for operating income, ordinary income, and net income. We attribute this success to the support that all shareholders and employees have given to our management policies.

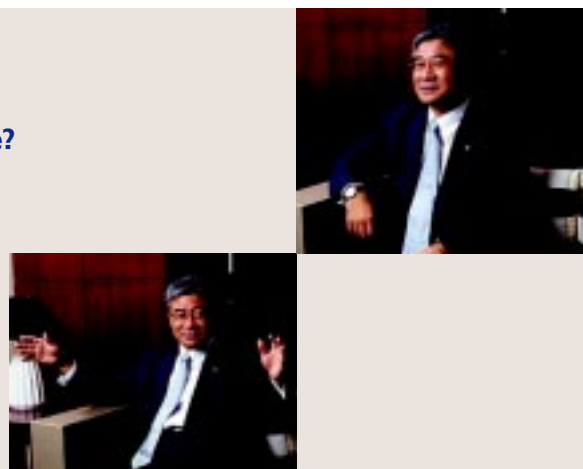


Q. Where do you plan to focus your efforts in the future?

Reforms to our earnings structure implemented over the past three years have enabled us to build a foundation for relaunching aggressive business initiatives in the future. At this juncture, we need to shape a vision of how we want Clarion to evolve down the road.

With this in mind, we formulated Vision-70, a long-term vision that will guide the Company to its 70th anniversary in the year to March 2010. Under the vision, we will continue introducing new innovations to our in-vehicle computing system (IVCS) business—including automotive AV equipment—so that we can become a company that always delivers products that meet customer needs. In other words, we will seek to become a “company that is truly needed by society.” Meanwhile, we are strengthening our corporate social responsibility (CSR) awareness and instituting measures aimed at increasing our true value as a corporation.

To this end, we have created a new three-year management plan, MOVE20 (More Valuable Enterprise 20), which contains specific measures to be undertaken.



Q. Please give an overview of Vision-70 and its objectives.

In an environment of “Mobile Infoentertainment*” where people can enjoy sound and information in their cars, we will create products that emphasize a “Fresh Feeling of Safety” and “Fresh Pleasure” and provide excitement and satisfaction to our customers.

Clarion’s business is to provide “automobile-based environments enabling people to seamlessly enjoy and share sound and information with anyone, anywhere, at any time.” By consistently making revolutionary products, especially for the aftermarket, we seek to create a high image for the Clarion brand. By exploiting the resultant synergies, we believe that we can also develop a superior position in the OEM market.

The market for mobile information devices continues to expand, symbolized by the proliferation of cellular phones and personal digital assistants (PDAs). In response, we aim to develop and commercialize attractive products, not only for automobiles but for other environments as well.

To this end, we are building up the universal appeal of our corporate brand in our mission to become a company that meets the expectations of all customers and is “truly needed by society.” We will ensure that all employees in the Company share this mindset so they can realize this mission with a sense of pride.

* Mobile-Infoentertainment is a mixture of Mobile, Information and Entertainment.

Q. What specific areas will you concentrate on?

To develop attractive products and improve our brand image, we are making new strategic investments in key areas. Specifically, we are securing top-level human resources in both product development and sales while investing in such areas as product planning and development, improvement of our manufacturing capabilities, creation of information systems, and development of a brand image as a highly reliable corporation. We are focusing on supplying revolutionary products to the aftermarket as a direct means of building a strong corporate image.

Consistent with our corporate image-building efforts, we will target stronger CSR initiatives. We believe that this comprehensive approach will enable us to improve corporate and shareholder value.



Q. What are the goals of the new medium-term management plan?

The new plan, called MOVE20, was created to facilitate strategic investments in areas outlined by Vision-70. The plan has a number of numerical goals for the fiscal year to March 2007. On a consolidated basis, for example, we are targeting net sales of ¥200 billion, a capital ratio of 20%, net interest-bearing debt of ¥22 billion or less, and a 20% improvement in corporate value.

Q. What specific initiatives are outlined in the plan?

For various reasons, such as more selective business development and withdrawal from unprofitable areas, net sales have not been increasing recently. Going forward, however, we will seek to expand revenues by concentrating on core businesses and adopting aggressive measures. We will also pursue higher profitability while maintaining the low-cost operations we have built to date. We are focusing particular attention on developing distinctive, attractive products for the aftermarket, and we are unveiling these products in succession. By launching new products and increasing revenues, we intend to improve our brand image and expand OEM sales.

In the future, we plan to increase OEM and aftermarket sales overseas, centering on China. To consistently develop attractive products, we will reinforce our technological development capabilities and actively invest in human resources. We will also solidify our global production system, with particular emphasis on China. In addition, we will ensure good corporate governance and renew our CSR focus, including protection of the environments surrounding our domestic and overseas facilities.