KENWOOD
Listen to the Future

ANNUAL REPORT 2005

For the year ended March 2005

Contents

Kenwood Corporate Vision

Vision

Reaching out to discover, inspire and enhance the enjoyment of life

Principle

Cultivate original thinking and execute with pride, passion and precision

The heritage, strength and future aspiration of the Kenwood brand are reflected in the values we share.

We must ensure that every aspects of our corporate activity, from product development through customer relations, is consistent with the following core values to realize our vision.

Core Value

A Step Ahead

To drive dynamic evolution through progressive thinking and a willingness to embarace change.

The Right Fit

To create products and services that have an intuitive appeal because they fit customer needs and lifestyles.

Fresh Experience

To foster the spirit of discover at work and refreshing surprise in daily life.

Quality and Performance

To insist on uncompromising quality and performance in our products, our people and our business practices.

Confidence and Trust

To build confidence in the brand and lasting goodwill through relationships based on trust.

Financial Highlights

Kenwood Corporation and consolidated subsidiaries
Years ended March 31

	Millions of yen				
	Mar.2001	Mar.2002	Mar.2003	Mar.2004	**Mar.2005**
Net sales	303,356	302,604	225,579	178,731	**181,112**
Operating profit	0	6,101	12,260	12,610	**7,061**
Ordinary income (loss)	(3,727)	1,046	7,059	8,541	**4,696**
Net income (loss)	(21,843)	(26,658)	4,221	7,318	**4,836**
Net income (loss) per share (yen)	(148)	(160)	21	34	**17**
Net income per share after adjustment for latent shareholdings (yen)	—	—	16	16	**11**
Shareholders' equity	1,485	(17,002)	13,704	20,161	**33,132**
Shareholders' equity ratio	0.7%	-9.3%	9.6%	14.9%	**28.5%**
ROE	-118.8%	—	—	—	—
Retained earnings (deficit)	(30,066)	(38,581)	(34,238)	(9,777)	**13,199**
Interest-bearing debt	122,438	110,143	80,851	67,272	**31,088**
Net debt	100,936	85,907	50,083	29,885	**15,147**
Cash flows from operating activities	(7,421)	15,173	10,358	27,502	**15,539**
Number of employees	9,765	8,628	4,877	4,440	**4,334**

Haruo Kawahara, President & CEO

"V"-shape recovery accomplished as efforts for sweeping restructuring and concentrating on core businesses take hold

Kenwood Corporation, which had continuously expanded its audio and wireless radio businesses as its main areas of expertise since its foundation, had kept its operating balance in the black even after Japan's bubble economy collapsed. The strong performance was achieved as the car electronics and communications equipment businesses offset unprofitable areas such as home electronics and new businesses. However, it is true that these unprofitable businesses weighed on the Company's business conditions, and the balance sheet deteriorated markedly due to an extraordinary loss as a result of the withdrawal from new businesses and an extraordinary loss due to evaluation losses as deflation worsened. Hurt by these negative legacies, the Company stated its negative net worth at 17.0 billion yen[*1], interest-bearing debt at 110.1 billion yen[*1] and a cumulative loss of 44.6 billion yen[*2] as of the end of March 2002. Against this backdrop, corporate management restructuring was a pressing task for the Company.

There have been many Japanese corporations whose performance became sluggish as their industry matured, but I believe that such industries are intrinsically quite attractive. In a matured field, no growth is expected, but a large and stable market already exists. While an increasing number of companies are withdrawing from this industry due to reduced profitability, it is difficult for new entrants, because, in this industry, resources such as technologies, facilities and sales networks have generally been established and brand presence has been built, constituting an extremely high barrier for entrants.

To eliminate the past negative legacies as soon as possible and restructure the Company by leveraging the benefits of a mature industry, we formulated our "Revitalization Action Plan" in July 2002 under which all the staff strived to achieve drastic restructuring of finances, business, costs and the management of the Company. As a result, we were able to eliminate the negative net worth in December 2002 and completed various restructuring measures within nine months. In fiscal year ended March 31, 2003, the Company booked the largest consolidated net income in its history, achieving a "V"-shape recovery in net income.

The first mid-term business plan "Excellent Kenwood Plan" —enhancement of competitiveness and promotion of growth strategy enabled us to sweep away the past negative legacies

As earlier mentioned, the Company had completed various restructuring measures by the end of March 2003, and shifted its management priorities aiming for a new leap forward as the reborn Kenwood. In May 2003, aiming to become one of the world's truly excellent companies, the Company drafted its first mid-term business plan, the "Excellent Kenwood Plan" that focuses on the business domain of "Mobile & Home Multimedia System," which is expected to be one of the most promising fields in the 21st century.

In fiscal year ended March 2004, the initial year of the first mid-term business plan, the Company focused on "Production Innovation" to improve the profitability and cash flows, while enhancing its consolidated management system. As a result, net income rose to a record high for two consecutive years. Managing to reduce cumulative loss and interest-bearing debt significantly, the balance sheet also became healthier, as the Company took its first step towards becoming an excellent company.

In fiscal year ended March 2005, the second year of the mid-term business plan, the Company promoted the "New Financial Strategy," which involves the simultaneous execution of four measures: entirely eliminating cumulative loss; redeeming half of the preferred stocks through public share offering; terminating the repayment agreement through refinancing; and substantially reducing interest-bearing debt. The Company completed this unprecedented scheme (for Japan) by the end of August 2004. This accomplishment translated into a dramatic improvement in its financial basis and capital structure. As a result, the Company was able to achieve the goal of resuming dividend payments, one of the four objectives set in the first mid-term business plan, one year ahead of schedule. In addition, we have the prospect of accomplishing two other goals; "achieving a 20% return on equity (ROE)" and "implementing zero net-debt business management."

In fiscal year ending March 2006, the final year of the first mid-term business plan, we made efforts to redeem the remaining half of the preferred stocks and we completed the redemption of all preferred stocks issued through a debt-for-equity swap to eliminate the negative net worth by the end of August 2005, producing a healthier balance sheet and an increase in shareholder value.

We could complete the above-mentioned scheme thanks to the understanding and support of every shareholder; financial institutions as well as our customers. Taking this opportunity, I would like to express my heartfelt gratitude to you.

With the completion of this redemption of preferred stocks, the Company broke free from its past negative legacies, shifting its management priorities to full-scale growth.

In fiscal year ended March 2005, the Company pushed forward its growth strategy through measures such as strategic investment of about 4 billion yen as well as strategic partnership and M&A to prepare for the final year of the first mid-term business plan in fiscal year ending March 2006. However, the Company was forced to revise the goal of achieving an operating profit margin of 10%, the remaining objective of the first mid-term business plan, due to such factors as fluctuations in foreign exchange rates and dramatic changes in the consumer electronics market environment, and reformed its business structure to address these changes and implement measures such as strategic investment. As a result, we initiated our new efforts after formulating the second mid-term business plan, the "Value Creation Plan," in May 2005 rather than waiting for the final year of the first mid-term business plan. While implementing the second mid-term business plan, we will strive to become one of the most profitable companies in the industry through significant growth and reconstruction of revenue base and enhance corporate value to join the billion-dollar club at an early stage.

The second mid-term business plan "Value Creation Plan" —working on the strategy to enhance corporate value for the purpose of joining billion-dollar club to realize significant growth and become one of the most profitable companies in the industry

In fiscal year ending March 2006, the first year of the second mid-term business plan, we will enhance the revenue base with the car electronics consumer (audio) and wireless radio equipment businesses as our core operations. Based on this, the Company will restructure the profit structure of the car electronics OEM and car multimedia (consumer) businesses, two of the growing businesses, and dynamically overlay it on top of that of the stable businesses. In addition, we will embrace the digitization of music media as a new business opportunity. Combining these businesses together, we will create a new sound entertainment business, primarily in home electronics.

To achieve the above-mentioned goal, we will further accelerate our growth strategy through such measures as enhancing strategic development in each business and strengthening marketing systems in new markets, centering on the BRICs nations, as well as fully-utilizing surplus funds, by for example, reinvesting in each business including M&As.

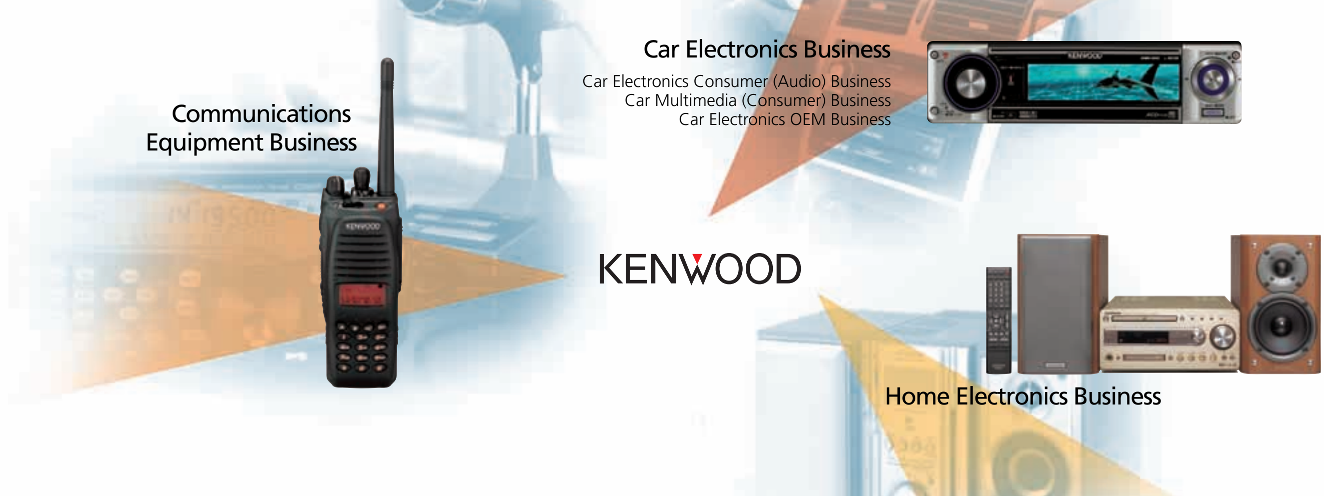
Looking ahead, we recognize the development of technology in the field of digital, network, wireless and multimedia as a new business opportunity. As the sole manufacturer that simultaneously operates in the three businesses of car electronics, communications equipment and home electronics, we will strive to combine our technology in the audio visual field that we have nurtured over the years with the cutting-edge digital network technology to expand seamless entertainment of home-use, mobile and car-mounted equipment, as well as promote networking with PCs and the Internet. Through these measures, we will actively strive to develop new businesses that match our target Mobile & Home Multimedia System business and create added value for the marketplace.

In proceeding with these measures for growth, we will increase the transparency of our corporate management and strengthen accountability so that all the stakeholders, including the shareholders, investors, financial institutions and customers, can understand well what we are doing. The Company will also strive to contribute to the public good through its business operations as well as to improve corporate value. We appreciate your continued understanding and support.

*1 Consolidated figures posted as of the end of March 2004
*2 Non-consolidated figures registered as of the end of March 2004

"Reaching out to discover, inspire and enhance the enjoyment of life"

Corporate Profile



Aiming to become a Global Excellent Company with our core competencies in audio and wireless radio communication technologies

Kenwood, which was established in 1946 in Nagano prefecture as a company specializing in radio assembly and repair, produced an advanced high-frequency coil by taking advantage of its location surrounded by mountains, where radio waves were weak. The high-frequency technology that was built at that time became the base for the Company to develop FM tuners and amateur radios. Since then, it has expanded its business domains steadily to include home-use and car-mounted audio systems as well as commercial radio equipments. Its business areas have also expanded into North America, Europe, Asia, particularly China, East Europe, particularly Russia, Latin America and the Middle East.

During the period when the Company was called TRIO Electronics, Inc. (1960 - 1986), it developed as a full-scale audio manufacturer with the launch of FM tuners that were evaluated as the world's best, followed by transistorizing audio products for the first time in the industry. The Company leveraged its advanced technologies that it had developed in home-use audio products to enter into the car audio product and portable audio product markets in 1980 and 1982, respectively, establishing the foundation of its present concept of sound entertainment.

In 1986, the Company was renamed as Kenwood Corporation, and it proactively entered into new business fields such as car navigation system and mobile phone businesses in line with the development of digital, networking and IT technologies, while expanding not only the audio product business but also the radio equipment business as "Kenwood - sound and communications."

After Japan's bubble economy collapsed, its earnings slowed down for a while. This was because of a severe business environment and deteriorating profitability in the matured home electronics business, in addition to new businesses which unexpectedly turned out to be unsuccessful. As a result of implementing a bold program to restructure its corporate structure after July 2002, however, it was able to post a record-high consolidated net income in fiscal 2002, achieving a "V"-shape recovery in net income.

In May 2003, the Company formulated the first mid-term business plan "Excellent Kenwood Plan," and focused on enhancing its competitiveness and promoting a growth strategy. As a result, record net incomes were seen for two consecutive years. Simultaneously, the Company strived to implement the "New Financial Strategy," achieving a "resumption of dividend payment" that was one of the objectives of the first mid-term business plan, as well as setting a course for "implementing zero net-debt business management" and "achieving a 20% return on equity (ROE)." In addition, the Company completed the redemption of preferred stocks in August 2005 to sweep away the past negative legacies, thus accomplishing the radical reform of the financial base and capital structure.

At present, the Company is implementing a growth strategy in the businesses of car electronics, communications equipment and home electronics under the new corporate vision – "Reaching out to discover, inspire and enhance the enjoyment of life" by leveraging its assets such as technical prowess, products planning capability, global networks and the brand in order to accomplish the goals of the second mid-term business plan "Value Creation Plan" that was formulated in May 2005. As the sole manufacturer simultaneously operating in the car electronics, communications equipment and home electronics businesses, we will continue our utmost effort to establish the business of "Mobile & Home Multimedia Systems" by further combining audio and wireless radio technologies as our core competence, and become the dominant company in the world.

Business Bases


Head Office / Hachioji Business Center


Yokohama Business Center

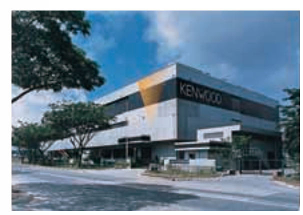

France Factory


Malaysia Factory

“KENWOOD” brand is enhanced at 18 nations and 53 sites in the world

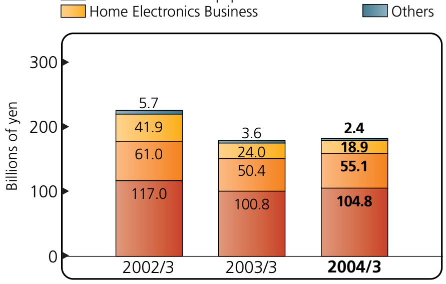

Yamagata Factory


Nagano Factory

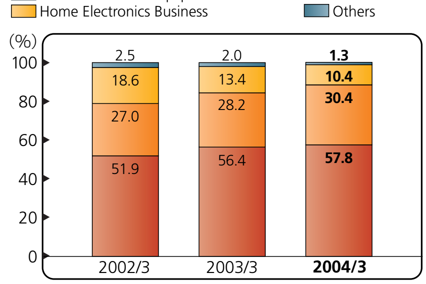

Singapore Factory


Shanghai Factory

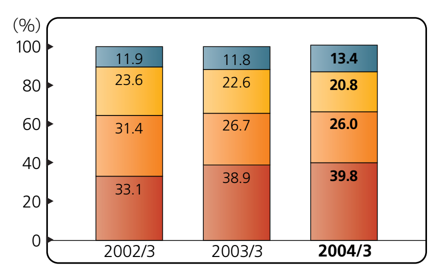
Consolidated sales by business segment



Consolidated sales composition by business segment



Consolidated sales composition by geographic area



In pursuit of further value creation by integrality our three core business segments and establish "Mobile & Home Multimedia System" business

Car Electronics Business

Development of digital and networking technologies for automobiles has opened remarkable possibilities in the fields of car audio and navigation systems. Since its entry into the automotive electronics market 25 years ago, the Company has built a high brand presence worldwide, utilizing the capability to cultivate potential needs of the market and the ability to plan and develop products, while emphasizing a consumer business based on the high fidelity technology it has accumulated over the years. In the course of this period, the Company has launched many innovative and sophisticated products such as the industry's first pull-out car audio products, encompassing anti-theft and MP3 car audio models and holds a strong brand presence worldwide.

To solidify its global presence in the car electronics consumer (audio) business, the Company has expanded its product lineups by launching products such as; models which can be linked with PC applications through an advanced codec drive (AC Drive), the first such design in the industry; high sound-quality models which the Sound Meister, the pride of the Company, developed by combining high fidelity technologies; and commercializing an item that promotes a new way of enjoying sound, and an iPod connection module that enables Kenwood's car electronics products to be connected to Apple Computer Inc.'s iPod. In addition, the Company has been focusing on developing new markets, mainly in the BRICs nations, to enhance the revenue base.

In the car multimedia (consumer) business, which is a growing field, the Company has been developing products with emphasis on the user interface design, adopting touch-sensitive panel and voice-recognition systems earlier than its rivals did. In recent years, we have been selling proposal-oriented products, including an audio-visual hard disc navigation system that focuses on functionality and entertainment, radio tuners for digital satellite broadcasting and the first civilian use of tuners for terrestrial digital broadcasting as a product to North America.

Car Multimedia Division, which became independent of the Car Electronics Consumer Division in April 2005 and established its own development system for car navigation systems, launched the world's first HDD car navigation system that is compatible with an iPod, while focusing on the development of visual products that have been growing globally, as well as multimedia products including products compatible with terrestrial digital broadcasting, that are expected to become increasingly popular in the future.

As for the car electronics OEM business, which became independent in April 2004, the Company is rapidly expanding operations globally, by taking advantage of its advanced technologies, which are well-renowned in the consumer business, and its ability to plan and develop products, as well as its reliability and brand presence. In addition, the Company is increasing its presence in components for automotive electronics, as well as car multimedia and audio systems and is working hard to boost business competitiveness and profitability, by enhancing development and production systems through proactive investment as well as vertically integrating plants at home and abroad.

Communications Equipment Business

Since its foundation, the Company has operated the radio equipment business using the high-frequency technology, developing proprietary techniques and high know-how in the field of wireless communications, which is not included in the car electronics and home electronics businesses. The Company has increased its market share of commercial wireless radio equipment, becoming the world's second largest supplier. To achieve this, the Company has speedily complied not only with various countries' laws and regulations on radio waves but also with digitalization of radio equipment, which requires cutting-edge technologies. The Company has supplied radio systems that require extremely high reliability, privacy and security, durability and operability. This can be proven by the fact that the Company has been providing equipment - to the Team McLaren Mercedes of formula one (F1) auto-racing as an official supplier for 15 years.

The Company now focuses on the businesses of wireless radio equipment, including primarily commercial radio systems as well as amateur radios and license-free transceivers. In addition, the Company has expanded its business center in the U.S., the largest market for Kenwood, where it is enhancing the cooperative system of marketing, sales, development and production and further shifting from being a manufacturer of terminals to becoming a system provider.

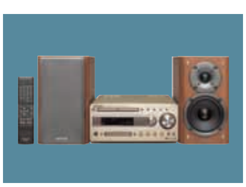
Kenwood is expanding its operations in Asia, particularly China, where spectacular growth is forecasted, and the regions in which growth is projected, including East Europe, particularly Russia, the Middle East, Latin America and Africa. Meanwhile, the Company is actively carrying out a growth strategy through strategic partnerships and M&As. As part of this strategy, the Company acquired the wireless radio operations of Toyo Communication Equipment Co., Ltd. in June 2004. With this acquisition, the Company can now supply a large number of products to public agencies and power utilities, as well as utilize networks and huge resources or technologies relating to radio equipment operations. It is now expanding its radio equipment business in Japan.

The digitalization of the wireless transmission system has been promoted in the commercial wireless radio field. In response to this, Kenwood has been vigorously promoting R&D in digital wireless radio systems. For example, Kenwood completed the development of the digital wireless radio system for use in F1 races and produced commercial digital wireless radios in compliance with APCO (Association of Public-Safety Communication Officials: commercial digital wireless radios for public safety institutions such as police and fire departments) that has already been commercialized. In February 2005, Kenwood established of a technical alliance with Icom Inc. to engage in joint research and development for wide-ranging digital wireless radio systems. In the future, Kenwood will further accelerate the digitalization of commercial wireless radio systems by leveraging its partnership with Icom Inc. to ensure the second greatest presence in the commercial wireless radio equipment market, worldwide.

Home Electronics Business

The home electronics business is another of our longstanding operations along with the wireless radio equipment business. Since our commercialization of a high-class FM tuner using advanced high-frequency technology and honored as the world's best, Kenwood has steadily expanded the business under the concept of "high fidelity" and expanded its presence as an audio manufacturer around the world. At the same time, the Company has produced many proprietary sound technologies that significantly improve quality, and continued to offer fresh, attractive sound entertainment for the market, at a time when media technology shifted from analog to digital. This concept has remained intact even after drastic restructuring measures were implemented in fiscal 2002 because profitability of the business deteriorated as the market matured and trends changed.

The Company now focuses on the development of digital amplifiers with high fidelity and high power, the features meeting the needs of the digital era, and products compatible with networks, which match with the Company's concept of providing sound entertainment in every living scene. As part of this effort, the Company in May 2004 launched a hard-disc audio system that can handle music distribution services offered by Any Music Inc., in which the Company has a stake. This was followed by the release of a network-based theater system, which reads music and videos stored on a PC through wireless networks and reproduces them at high quality.



Taking advantage of the penetration of new digital media such as flash memories and hard discs as a new business opportunity, the Company launched a portable flash memory audio product, followed by a portable HDD audio product that adopted a digital amplifier for the first time in the industry, achieving the highest fidelity in its class as well as proposing seamless "sound entertainment" through connections with home audio and car electronics products.

Kenwood will continuously strive to open up new grounds for "sound entertainment" with higher fidelity and more satisfaction to customers, by leveraging cutting-edge digital media and networking environment, while focusing on its traditional high-fidelity reproduction.

Speaker System Business

The Company has been enhancing its audio operations while focusing on high fidelity and increased its presence as an audio manufacturer. Despite the widespread progress of digital media, speaker systems remain a sensitive field as they rely on the physical phenomenon of air oscillation to convey sound. The Company has accumulated extensive proprietary analog technologies and relevant know-how through a painstaking process of trial and error in its high fidelity design as well as development of new materials for speaker system.

In April 2004, the Company created the Speaker System Division by integrating the speaker operations of the Car Electronics Division and the Home Electronics Division, aiming at offering attractive, value-added products with high-fidelity sound reproduction based on the above-mentioned technologies and know-how.

The Speaker System Division, as an important division common to the Consumer Business Sector, is expected to contribute to the Car Electronics and the Home Electronics Divisions and establish a business centering on speaker systems, through which it plays a part in further enhancement of the audio sector.

Consumer Business Development Center

The Company conducts research and development for advanced technologies on the cutting edge in anticipation of the full-scale arrival of the fully digitized and networked society. In April 2004, the Company established the Consumer Business Development Center, aiming to develop new, competitive technologies and products that match our vision as well as design platforms, in the consumer electronics field where technical innovation is remarkable.

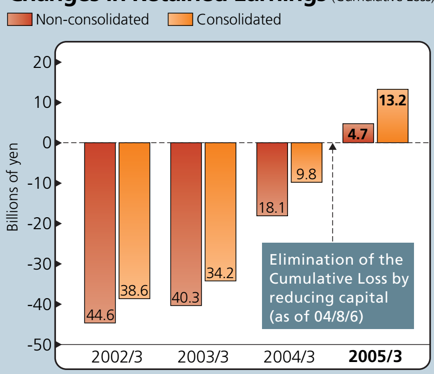
This new R&D organization is combining core technologies and optimizing the use of resources through such efforts as commercialization of an agent function that combines voice recognition and synthesis techniques with dialogue control technology, and new functions that utilize digital and network technologies. In addition, it is proactively developing basic technologies common to every business, and carrying out advanced development and strategic development, while devising common strategic development themes for the entire company.

Furthermore, in April 2005, the Company created the Value Creation Division (VCD), a new organization that organically operates across the three businesses of car electronics, home electronics and communications equipment businesses, with the objective of exerting Kenwood's strength as the only manufacturer that simultaneously operates in these businesses. By blending AV technology, which has been nurtured over many years, with cutting-edge digital, networking, wireless and multimedia technologies, Kenwood plans to further advance the seamless integration of car electronics, home and portable audios, and networking with personal computers and the Internet, and will strive to open up new business avenues that, as the best possible model for its "Mobile & Home Multimedia System" business, will enable Kenwood to offer new added value to the market.

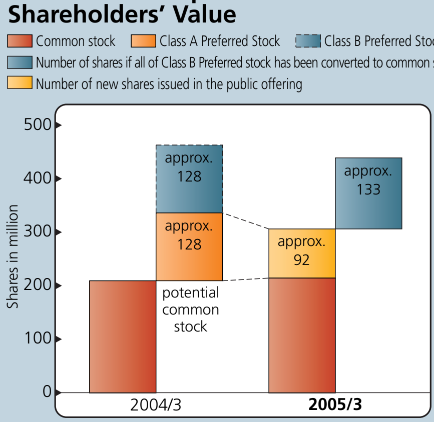
2005.3

Major Accomplishments of Consolidated Accounts —Complete Elimination the "Negative Legacy" of the Past to Resume Distribution of Dividends and Implement Strategies for Full Scale Growth

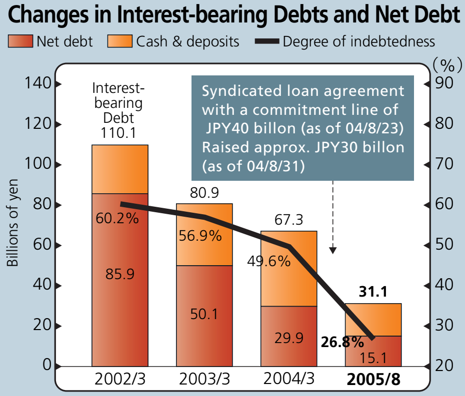
Changes in Retained Earnings (Cumulative Loss)



Reduction of Impact from Dilution in Shareholders' Value



Changes in Interest-bearing Debts and Net Debt



During the last term ended March 2005, which marks the second year of the first mid-term business plan, the "Excellent Kenwood Plan," we sought to enhance our competitiveness of business operations and promote the growth strategy. This was done by eliminating the "negative legacy" of the past, achieving a resumption of dividends after six terms by drastically reforming the financial base and capital structure, implementing "Production Innovation" as well as M&A, to achieve dramatic growth in the car electronics OEM business and communications equipment business, with "Strategic Investments" for the purpose of new growth making a significant leap into the future.

Successful completion of the "New Financial Strategy" with a resumption of dividends through carrying out the mid-term business plan one year ahead of schedule —Dramatic improvement of the financial base and capital structure through the elimination of the cumulative loss, redemption of preferred stocks and completion of refinancing

The "New Financial Strategy" was formulated in May 2004, in order to drastically reform the financial base and capital structure. We obtained an understanding as well as the support from the Resona Bank and other financial institutions we deal with, along with investors and shareholders to complete a scheme that has never been seen before in Japan, "elimination of the cumulative loss, the redemption of preferred stocks (halved), termination of financial agreements and dramatic reduction of interest-bearing debts."

❶Elimination of the cumulative loss by capital reduction without compensation —Back on track with the "Resumption of Dividends"

A capital reduction without compensation amounting to JY20 billion through a procedure involving merely a formality on the books resulted in the elimination of the cumulative loss both for consolidated and non-consolidated accounts without changing the amount of net assets or total number of outstanding shares. This made it possible to redirect the company back on the path with the "Resumption of Dividends" and changed our capital structure into a sound one.

❷Redemption of half of preferred stocks through public share offering —A dramatic reduction of impact on shareholders from diluted shareholder values

Funds were procured through an increased amount of capital gained through public offering and the issuance of new shares for JY23 billion. A capital reduction with compensation was also carried out by paying back JY16.1 billion to the first tranche class-A preferred shareholder (Resona Bank). This resulted in the erasure of half of preferred stocks issued by us, dramatically reducing the impact from a dilution of shareholder values in the future.

❸Termination of financial agreement and dramatic reduction of interest-bearing debts by means of refinance: —Independence gained in terms of financial affairs

We procured approximately JY30 billion through a new syndicated loan that became available due to the elimination of cumulative loss and by halving the preferred stocks. These funds together with funds on hand were used to complete repayments for existing debts. Independence was gained in terms of financial affairs by terminating the financial agreement with the financial institutions we deal with one year ahead of schedule. We also made a dramatic reduction in the interest-bearing liabilities, making a giant leap toward the realization of "Management with No Substantial Debts (Zero Net Debt)."

Aside from the above strategies for the term ended in March 2005 we attained a consolidated shareholders' equity of JY33.1 billion, a shareholders' equity ratio of 28.5%, consolidated retained earnings of JY13.2 billion and a net debt of JY15.1 billion, which is half when compared with the previous term. As a result, we resumed the distribution of dividends for the first time in six years.

Progress made by car electronics OEM business and growth of communications equipment business

The Car Electronics Division was divided into the Car Electronics Consumer Division and Car Electronics OEM Division as of April 1, 2004. These newly-formed divisions, combined with the Home Electronics Division and Communications Equipment Division, constituted our transition into an "organization consisting of four profit centers," thereby enhancing our business competitiveness and promoting a growth strategy.

We succeeded in bringing a new undertaking into fruition in the car electronics OEM business through the enhancement of a production organization made possible by the new organization, "Production Innovation" and from the new activities that utilized technological, planning and developing capabilities as well as credibility and brand presence nurtured through experiences gained in the car electronics consumer business. Our sales amount for the term ended March 2005 was 1.5 times the recorded amount of the previous term, which indicated that we succeeded in accomplishing our goals by exceeding our planned targets.

Development investments and sales strategies that have been implemented so far come to fruition in the wireless radio business, which are the main operations in the communications equipment business. This, along with the fact that there have been favorable trends, primarily in the United States, promoted our successful expansion in the emerging markets. Further, the favorable impact of M&A, intended to enhance our wireless radio business for the domestic market, also contributed and resulted in a growth in terms of sales amount for the term that ended in March 2005, which exceeded the performance record from the previous term by 9.3%.

*Even though a new "Profit Center Organization" was established, there were no changes with the three business segments used for account settlements (car electronics business, communications equipment business and home electronics business).

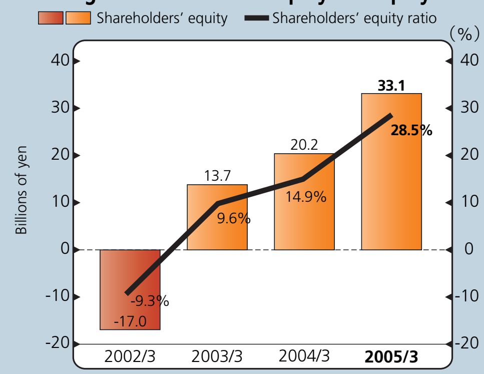
Normalization of activities following completion of "Production Innovation"
—Complete profit reforms and cash flow reforms through implementation of "Kenwood Quarter QCD Revolution"

The last term ended in March 2005 was the final fiscal year for activities intended to bring about "Production Innovation." This term was completed with the overall finalization of the production innovation that enhanced our production organization, through the implementation of the vastly progressive best practice for reforms in all manufacturing factories including the three production factories (Yamagata factory, Nagano factory and Singapore factory), where advance implementation of the production innovation is still taking place as the headquarters for these activities by enhancing relationships among individual business divisions and production companies and through the vertical integration of domestic and overseas manufacturing factories.

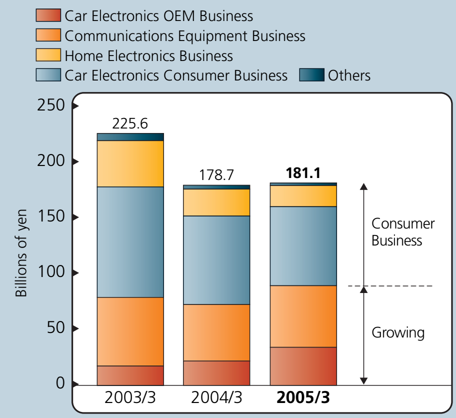
In addition, International Procurement Offices (IPOs) were established at our Shanghai and Singapore factories to enhance our global procurement functions and our business competitiveness as well as our profit earning capacity by promoting logistical cost reductions through the elimination of intermediate stocks, the commencement of direct shipments from manufacturing factories to sales locations and through the utilization of outsourcing.

Through such efforts, activities intended for the "Production Innovation," targeting profit reform and cash flow reform, resulted in a reduction of costs over the past two years by 23% in comparison with the term ended March 2003. More than half of the ground gained through this result was used to respond to the needs of competitive enhancements, such as price reductions. Inventory assets were reduced by about 27% in comparison with the term ended March 2003, which contributed to the improvement of cash flow. The "Production Innovation," therefore, was completed as scheduled in this last term ended March 2005.

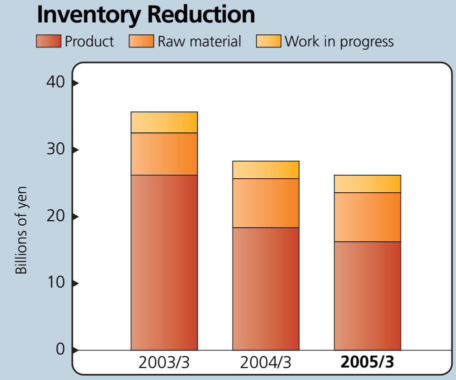
Changes in Shareholders' Equity and Equity Ratio



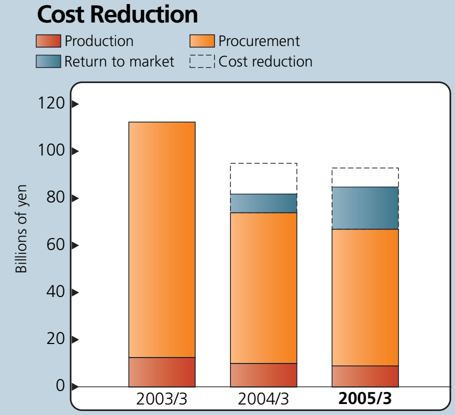
Consolidated Sales



Inventory Reduction



Cost Reduction



Promotion of growth strategy through strategic partnerships and M&A

❶Technical collaboration and capital alliance with Icom Inc.
Enormous changes are expected in the field of commercial wireless radio with the progress of digitization. A technical collaboration agreement was signed with Icom Inc., on February 25, 2005, to conduct joint research for the purpose of standardizing technical specifications for a broad range of digital wireless systems and to promote practical implementation of competitive digital wireless radio for commercial use while accelerating the growth strategy.

Further, in order to solidify this technical collaboration and to advance the wireless radio business of both companies, we made a capital alliance with Icom Inc., by obtaining 3% of their outstanding shares while allocating the new shares (approximately 1.5% of outstanding shares of the company) to Icom Inc. through the third party allocation of an equivalent amount (approximately JY1.07 billion).

❷Acquisition of wireless radio business from Toyo Communication Equipment Co., Ltd.
We established a strong presence in government and utility company sectors for the domestic commercial wireless radio field and obtained a large number of resources and technology relating to network and wireless radio business through the transfer of a wireless radio business on June 1, 2004, from Toyo Communication Equipment Co., Ltd. Further, we proceeded with the fusion of the transferred resources with our existing resources, sought expansion of our product lineup for domestic commercial wireless radio and contributed to the expansion of our domestic wireless radio business.

World's first HDD car navigation system enables to connect directly with iPod

iPod is a registered trademark of Apple Computer, Inc. in the United States and other countries.
Microsoft® and Windows® Automotive are registered trademarks or trademarks of Microsoft Corporation in the United States and other countries.

Promotion of "Strategic Investments" ——Promote strategic developments, brand strategies and reinvestments in personnel for new growth and to leap forward

The enhancement of our business competitiveness was promoted through the development of new technologies, while our global presence and brand power were enhanced and a reinvestment was made in personnel in preparation for the full-scale implementation of the growth strategy.

❶Promotion of strategic development
We made strategic investments for the purpose of developing competitive products for the car electronics, communications equipment and home electronics business respectively and accelerated our activities for the purpose of realizing the "Mobile & Home Multimedia System" business through the fusion of high sound quality, digital, and network technologies.

Car electronics business
We reviewed the joint development organization for the consumer car navigation systems in order to enhance our car multimedia field. We developed our proprietary HDD car navigation system based on a new concept and introduced the product to the market in March 2005. We also made efforts in the development of multimedia products, such as digital broadcasting compatible devices which are expected to spread in use in the future.

Communications equipment business
We developed commercial wireless radio with proprietary digital systems with the digitalization of wireless systems in mind. We proceeded with our research and development of digital wireless systems through such efforts as the commercialization of a wireless radio that supports a digital system of the Association of Public-safety Communication Officials (APCO) in the United States.

Promoting R&D in digital wireless radio equipment for both portable and automobile systems

Home electronics business

In consideration for the advent of new "digital media" for home electronics, such as hard disks and flash memory devices and to progress in network environments, we proceeded with the development of portable flash memory audio and portable HDD audio systems, as well as next generation network audio through the fusion of high quality sound, digital and network technologies.

❷Unfolding of "New Brand Image Strategy"

We refined our "Brand Logo" and established our new "Brand Statement" as our "New Brand Image Strategy" to raise the presence of our brand and deliver new values. Our "Corporate Vision" and "Activity Guidelines," as well as our five "Core Values" were subject to these new developments. We also commercialized products in new product groups for 2005, which we believe are appropriate for the rebirth of Kenwood.

Further, we participated in F1, where cutting-edge technologies gather from various industries around the world, as an official supplier for the Team McLaren Mercedes and promoted our brand on a global scale with the concept of high technical capability and reliability.

❸Reinvestment in personnel to enhance driving force behind business operations

We accepted 32 recent graduates in the last term ended March 2005 recruiting new graduates for the first time in three years. Even though we proactively recruited mid-career personnel with an emphasis on their skills, we also made efforts to train our employees, primarily our executives. Further, in March 2004 we completely eliminated the pay cuts for ordinary employees and in December 2004 for executive officers, which had been in effect since October 2002, thereby reinvesting in our employees in an effort to enhance the driving force behind our business operations.

Basic policy for distribution of profits ——Resume dividends after six terms

Since the term ended March 2000, we have had the unfortunate task of suspending dividend payments. As described previously, through the "New Financial Strategy" that was formulated in May 2004, we were able to resolve the cumulative loss in August of 2004 and during the past term ended March 2005 we were also able to record surplus earnings.

Therefore to respond to the support provided to us by our shareholders, we implemented the resumption of dividends, which was listed as one of the targets in the mid-term business plan, the "Excellent Kenwood Plan," one year ahead of schedule after six terms of suspension.

Further, we plan to strategically reinvest funds on hand for even greater growth in the future. Therefore, we paid an annual distribution of profits at JY2 per share for regular shareholders, combined with a commemorative dividend of JY1 for the resumption of dividends after six terms, to make a total of JY3 per share.

Furthermore, prior to distributing profits to our regular shareholders, we made payments for the cumulative unpaid dividends for the preferred stocks (JY126,357,786), outstanding since the issuance of the first tranche class-B preferred stock and the dividends for the first tranche class-B preferred stock (JY3.216 per stock) to the class-B preferred shareholders.

For details please refer to the press release "Notice Regarding Year-Ended Dividends (Resumption of Dividend) for Fiscal Year-ended March 2005" dated May 20, 2005.

World's first high-quality portable HDD audio with digital amplifier

Portable flash memory audio: the first digital portable audio product for the Company

Participating in F1 as an official supplier of the Team McLaren Mercedes

2006.3

Management Policy
—Commencement of New Activities for Corporate Value Expansion Strategy

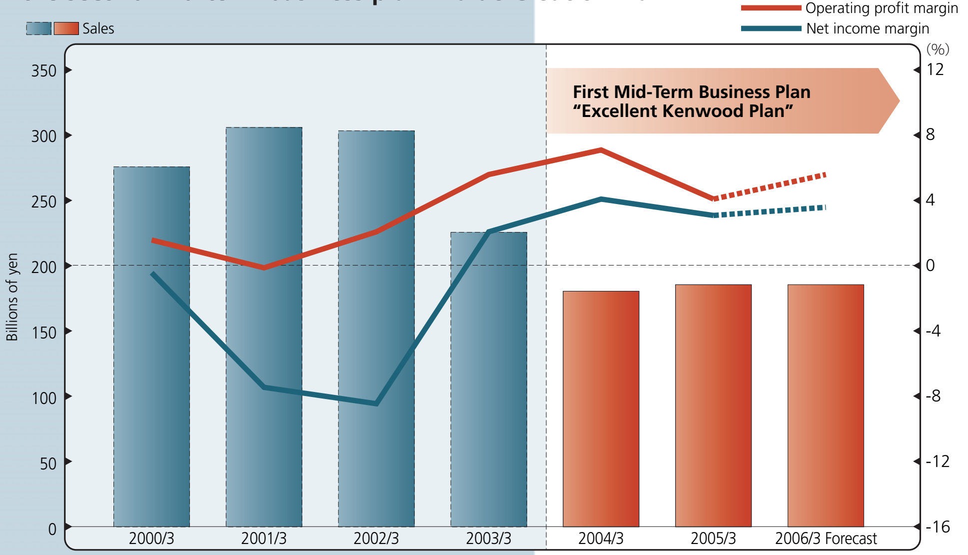
Commencement of new activities for corporate value expansion strategy by overall completion of profit base restructuring and capital structure reform during the final year of the first mid-term business plan, the "Excellent Kenwood Plan"

In May 2003, our corporate group formulated the first mid-term business plan, the "Excellent Kenwood Plan," for the rebirth of Kenwood and raised four management targets including "Resumption of Dividends," "Management with No Substantial Debts (Zero Net Debt)," "20% ROE" and "10% Operating Profit Margin." During the term ended March 2004, which was the first year of the plan, the consolidated business organization was enhanced as a part of our management restructuring efforts, promoting "Production Innovation" intended to drastically reform the profit and cash flow. During the term ended March 2005, which was the second year of the plan, we added efforts for drastically reforming our financial base and capital structure on top of activities that continued from the previous year while implementing a "Strategic Investment" for new growth and to significantly leap into the future to promote the enhancement of business competitiveness and growth strategy.

Of these four targets, from the first mid-term business plan, the "Resumption of Dividends" was attained one year ahead of schedule, while the prospect of attaining the "Zero Net Debt" and the "20% ROE" was established. As for the "10% Operating Profit Margin," however, adjustments had to be made due to the dramatic changes within the consumer electronics market environment, which were not foreseen at the time the plan was formulated, as well as a broad reorganization of the business structure and large-scale "Strategic Investments" that were implemented in order to respond to such changes, on top of the impact of the progressive appreciation of yen (with the US Dollar exchange rate rising from JY118 per US$1 to JY105).

In response to the aforementioned course of events, we formulated our second mid-term business plan, the "Value Creation Plan," the first year of which coincides with the final year of the first mid-term business plan, the term ending March 2006. We started new activities for the expansion of our corporate value through overall completion of the following profit base reforms and capital structure reforms in the first year of the new plan.

Shift final year of the "Excellent Kenwood Plan" to the second mid-term business plan "Value Creation Plan"



Profit base reforms
—Aim for profitable growth by reforming profit structure for the growth business and overlaying it on top of that of the base business

We aim for profitable growth by expanding the stable profit base of the car electronics consumer (audio) business and wireless radio business and to attain excellence through profit structural reforms to aid dramatic growth in the two business areas of car electronics OEM business and car multimedia (consumer) business.

❶Independence of Car Multimedia Division
—Taking action to reform profit structure

The Car Multimedia Division gained independence from the Car Electronics Consumer Division as of April 1, 2005, following the car electronics OEM business, which expanded business operations beyond the scope of the plan during the past term ended March 2005. As a result, the Car Electronics Consumer Division will concentrate on the consumer car audio business and make an effort to maintain this stable key business to sustain and increase profits. The Car Multimedia Division will take steps toward profit structure reforms by fully implementing new car navigation systems with proprietary developments and enhancing activities relating to multimedia products including visual products, which are growing on a global scale, and products that are compatible with digital broadcasting, which are expected to become popular in the future.

❷Innovation of profit structure in the Car Electronics OEM Business
—Complete additional construction of the Shanghai Factory and make improvements to increase production and promote cost reductions through vertical integration

We are proceeding with improving the foundation for enhancing market responsive capabilities and reducing costs in the car electronics OEM business, which is growing at a pace vastly exceeding the plan, by promoting a vertical integration of the Nagano factory and Shanghai factory in order to satisfy the requirements of OEM customers in all aspects of the supply chain, including quality and cost.

Prospects exist for increasing orders in the future particularly in the field of components for car electronics, which include DVD mechanisms and others. In order to respond to such increases, we started transferring production lines from the Nagano factory to the Shanghai factory, while construction of a new building was completed at the Shanghai factory in July 2005. We are seeking to improve profitability by increasing production and reducing costs to proceed with our reforms on profit structure, in addition to the rapid growth of the car electronics OEM business.

❸Restructuring of Home Electronics Business
—Restructure business operations and profit structures to reflect market changes and digital media innovations

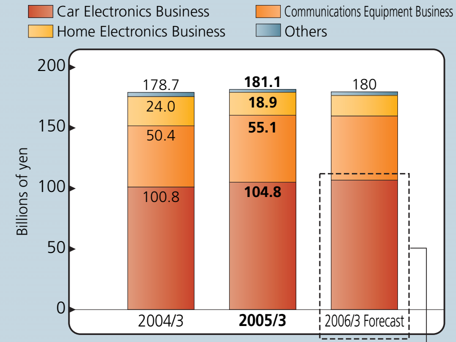
With prices falling continuously in the home theater systems market due to a reduction in market scale and the intensifying competition, we are seeing the emergence and sustained rapid growth of "digital media" in the home electronics market, such as flash memory and hard disks, replacing CDs and MDs, due to innovations with music media.

At the Kenwood Group, we see such a popularization of new media as a big business opportunity. Our MD player has been evaluated positively as a "Return to Made in Japan" model, which was then followed by the introduction of our flash memory audio system. Continuing with such efforts to capture business opportunities, we commercialized our HDD audio system, which has been achieving strong growth since being introduced to the market in June 2005.

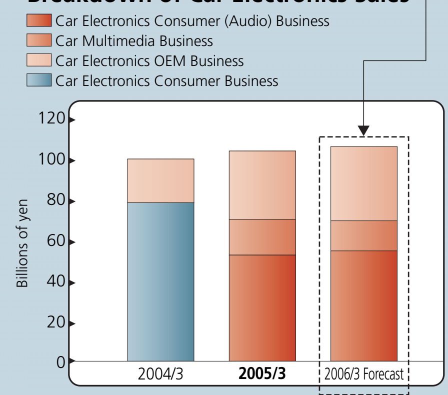
On the other hand, we will be concentrating on a highly value-added strategy in the existing home theater field, while in the pure audio field, we will be preparing a lineup of highly cost-competitive products by utilizing a high quality sound technology. We will seek to reform our profit structure through the aforementioned efforts, as well as through the promotion of product developments by taking preemptive action for the innovation of digital media.

In the future, we intend to pioneer into new realms of "Entertainment of Sound" that is appropriate for the digital and network era as the only manufacturer dedicated to sound that is involved in the three business areas of home electronics, car electronics and communications equipment.

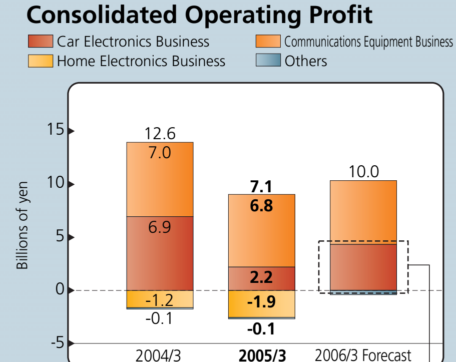
Consolidated Sales



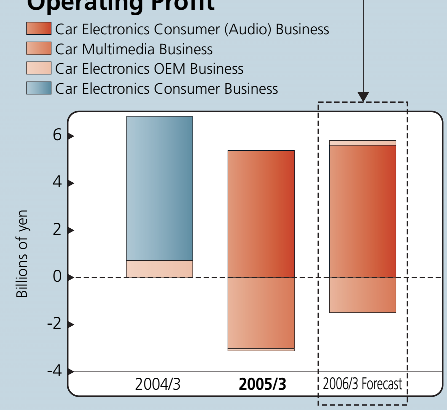
Breakdown of Car Electronics Sales



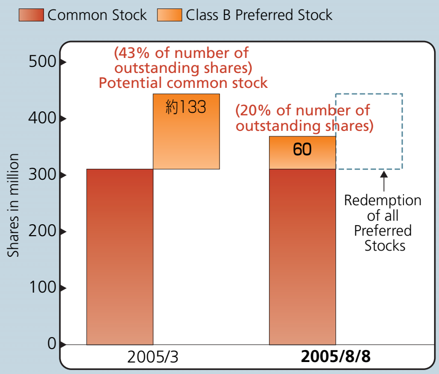
Consolidated Operating Profit



Breakdown of Car Electronics Operating Profit



Redemption of all Preferred Stocks



Overall completion of capital structure reforms ——Becoming the first company in Japan to completely redeem preferred stocks through the issuance of new shares and funds on hand

In terms of finances, we had a few critical issues that we needed to take care of, such as the possibility of dilution of shareholder value in the future because of the preferred stocks issued due to the debt-for-equity swap, which took place in December 2002, a financial agreement with a term of three years that was formed with a correspondent financial institutions, and the existence of cumulative loss. As mentioned above, we formulated our "New Financial Strategy" in May 2004 and completed the "elimination of cumulative loss, redemption of (first tranche class-A) preferred stocks, termination of financial agreements and dramatic reduction of interest-bearing liabilities."

Therefore, in order to redeem the rest of preferred stocks, we completed a capital reduction on August 8, 2005 by raising approximately JY11.1 billion through a public share offering, and combining the proceeds with funds on hand of about JY3.9 billion to redeem JY15.0 billion of the first tranche class-B preferred stock held by Resona Bank. As a result of this action, we completed the redemption with compensation of the first tranche class-B preferred stock held by the first tranche class-B preferred shareholder (Resona Bank) in a form that achieved redemption in excess of par value (12.5 billion yen), accomplished repayment of all preferred stocks issued by the company and substantially reduced the potential dilution of shareholder value in the future.

For details please refer to the press release "Kenwood Completes Capital Reduction with Compensation and Withdraws the Registration for Issuance of New Shares" dated August 8, 2005 for details.

Establishment of production organization that provides consistency through planning to design, production and quality control ——Establish a "fabricating" organization that offers superior cost competitiveness and speedy commercialization of high quality products

"Production Innovation" activities completed in the past term ended March 2005 have evolved further through the implementation of sustained enhancement of production innovation by the "Global Production Operation," which was newly established as of April 1, 2005. Business process reengineering (BPR) of the new supply chain management system under the "PSI Innovation Project" and IT system developments, along with the following activities were used to build an organization that performs concurrent technology developments and product commercialization from consistent planning to designing in production through to quality control, to establish a "Fabricating" organization that can commercialize products with a superior cost competitiveness and high quality in a speedy manner.

❶Construction of new building at Shanghai factory

In order to increase the available production space at the Shanghai factory, which became an asset as an independent entity in August 2003, a new building with approximately 11,000 square meters of floor space will be completed in July 2005. The quality level of the added production lines rivals those at Yamagata factory, which is our Best Practice with regards to activities relating to production innovation. The Shanghai factory will undergo a restructuring of the production organization through vertical integration with Nagano factory.

❷New installation of a test course at Nagano factory

In order to meet the needs for quality innovation for the car electronics OEM business and overall consumer business, a test course, which plays a vital role in establishing the quality of car electronics products, will be built at Nagano factory, which is the major manufacturing factory of the car electronics business.

This will not only enhance the quality certification tests, under adverse conditions that are characteristic for car electronic products, but will also improve the organization for providing feedback from vehicle-mounted tests to the design stage in a speedy manner, thereby shortening the lead time for the development of products.

❸Acceleration of quality innovation
Activities for the innovation of quality for all products ranging from hardware to software will undergo an increased level of acceleration. The Quality Innovation Division, which was newly established as of June 1, 2004, will play a central role in doing this, by enhancing quality control functions that cover the entire range of processes from the certification of parts and components to design and production of car electronics products required to have high quality standards, particularly against vibration, temperature and dust.

❹Promotion of environmental steps
It has been sometime since we started undertaking activities for manufacturing environmentally friendly products. We are planning to complete the implementation of lead-free solders in all business divisions by the end of October 2005. Further, since RoHS instructions* will be applied to products that will be sold in nations of the European Union starting from July 1, 2006, we are in the process of preparing for complete compliance to these instructions by responding to regulations regarding environmental substances in all of our production processes, starting with the procurement of parts and components. We are also improving our infrastructure to respond to the recycling regulations that are being promoted in Europe.

* RoHS instruction: This is an abbreviation for the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment, which is implemented by the European Union and regulates harmful and toxic substances in electrical and electronics equipment products. The use of six substance groups of lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyl (PBB) and PBDE will be regulated for products to be sold in European Union member nations of the European Union from July 1, 2006.

Structural reforms of our sales company in the United States —Eliminate past "Negative Legacy" on consolidated base as well

In order to make the financial base and capital structure of our subsidiaries sounder, we have completed financial structure reforms with our sales companies in Germany and France during the past term ended March 2005. Continuing with these efforts, we plan to convert liabilities into shares (debt-for-equity swap) amounting to approximately JY4.8 billion, loaned from the parent company here in Japan to our sales company in the United States. Capital is enhanced and financial as well as capital structures will be drastically reformed.

Together with the aforementioned activities, we will also be closing a company that is related to selling products to outlets in the United States, which became financially non-viable as business structure reforms continue. Through such efforts, we will be eliminating the "negative legacy" of the past.

Due to these developments, the Kenwood Americas Headquarters Preparatory Office was established as of November 15, 2004, and was re-established as the Kenwood Americas Headquarters that will gain overall control of Kenwood USA as of June 1, 2005 aiming enhancement of business operations in the United States and Canada, as well as emerging markets in Mexico and Central and South America will be made.

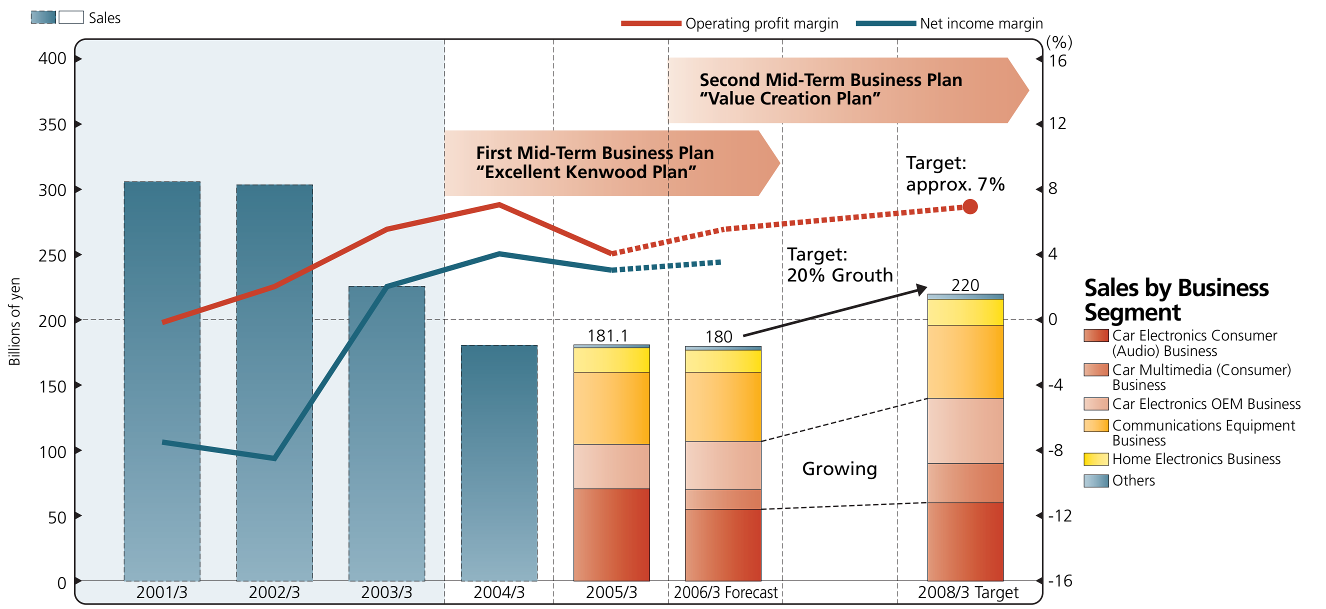
The Second Mid-Term Business Plan, "Value Creation Plan"

Aim to Join Billion Dollar Club at an Early Date through Dramatic Growth, as well as Top Level Earning Capacity in Industry and Implement Corporate Value Expansion Strategy

As mentioned above, the Kenwood Group has formulated the second mid-term business plan, the "Value Creation Plan," which spans three years starting from the term ending March 2006, which is also the final year of the first mid-term business plan, the "Excellent Kenwood Plan," to the term ending March 2008.

This is intended to take our key businesses of car electronics consumer (audio) business and wireless radio business, which dominate more than half of the sales of our entire group of companies, and further enhance their stable profit base by enhancing the organizations to cope with the growing markets such as BRICs, together with progress in M&A. Excellence will then be attained through the reform of profit structures of growing businesses, such as car electronics OEM business and car multimedia (consumer) business operations, and overlaying them on the top of that of the stable businesses. Also we will grasp the "Digitization of Media" for music media to be a new business opportunity. This will then lead us to the pioneering of a new realm in the "Entertainment of Sound" that integrates car electronics business with home electronics business. All these will result in dramatic growth and a top level earning power in the industry, and we shall undertake activities relating to the Corporate Value Expansion Strategy to expand our corporate value to enter the Billion Dollar Club at an early date.

Illustrated progress of "Value Creation Plan"



Setting of targets

We have started activities intended for the attainment of the targets set, such as the performance forecasts for the term ending March 2006, which is the first year of the second mid-term business plan and targets for the term ending March 2008, which is the final year of the plan.

The overall target for early entry into the Billion Dollar Club is sought by implementing a corporate value expansion strategy through the promotion of growth and top ranking earning capacity of the industry as described above as well as through the promotion of a growth strategy

Furthermore, with the complete redemption of preferred stocks in the term ending March 2006, which is the first year of the plan and the halving of the liability to provide retirement benefits through the completion of the reversion of the substituting role for the execution of welfare annuity, combined with the overall finalization of the capital structural reorganization, the return to a sound balance sheet will be complete. Strategic developments will then be enhanced along with sales organizations in the emerging markets with BRICs as the central element to accelerate the implementation of the growth strategy and to further utilize the surplus funds in their entirety for reinvestment to business operations, including M&A, while aggressively expanding the corporate value.

Numerical targets for the final year: Fiscal year ending March 2008

●Consolidated sales amount

The home electronics business will be restructured based on the benefits gained through the expansion of the growing businesses, car electronics OEM business and car multimedia (consumer) business, as well as through the stable growth of the key businesses, car electronics consumer (audio) business and wireless radio business with the aim for a consolidated sales amount of JY 220 billion, which is a growth by 20% in comparison with the term ending March 2005.

●Consolidated operating profit

We are aiming to achieve operating profit of JY15 billion (an operating profit margin of approximately 7%), which would be double that of the term ending March 2005, by increasing the stable revenue base of the car electronics consumer (audio) business and wireless radio business, which are our key businesses, as well as through reforming the profit structures of the growing businesses, car electronics OEM business and the car multimedia (consumer) business, and restructuring of the home electronics business.

●Net debt

We intend to proceed further with cash flow reforms by reducing inventory assets and other means to attain a “Zero Net Debt” and utilize surplus funds for M&A as well as other business reinvestment purposes.

Further, the borrowed funds of about JY 30 billion will be considered our operating funds and utilized as short-term revolving funds.

●ROE

A rate of 20% or more will be targeted for ROE in the final year of the plan by converting the financial base and capital structure into sound states, expanding the net income for the current term through a growth strategy and by expanding our shareholders’ equity.

Commencement of long-term strategic development with consideration for events following completion of mid-term plan
——Activities have begun for long-term strategic development over three years, capturing digital media conversions

Exhibiting strengths of the only specialized manufacturer that contains three core businesses of car electronics business, home electronics business and communications equipment business by enhancing a responsive ability for consumer businesses, in which there are rapid changes and by capturing business opportunities from the developments of digital, network, wireless and multimedia technologies.

As a part of such efforts, we are aiming to proceed with activities to develop businesses that can contribute new added value to markets in three years, which are appropriate for the business of “Mobile & Home Multimedia System,” implemented with Value Creation Division (VCD), an organization that was newly established as of April 1, 2005, as the central element. Such efforts will involve the fusion of audio-visual technologies nurtured over many years and cutting-edge digital and network technologies to realize a seamless connection between car electronics, home audio and portable audio as well as promote networking with personal computers and the Internet.

Basic corporate governance philosophies

We consider the enhancement of corporate governance in our corporate group to be a means to increase transparency and raise efficiency in the decision-making of the management. Therefore, we consider it one of the most crucial management issues relating to the improvement of corporate value. The entire group of companies is striving to substantiate and enhance corporate governance and is involved in the promotion of activities intended for the enhancement of compliance, while efforts are made to improve the management organization, operational execution organization, as well as the auditing and supervising organization for the entire consolidated business entity.

Status of implementation for corporate governance

The Board of Directors is a decision-making organization for management, while it is also positioned as the supervisory organization for the execution of operations. The Board meets once a month for scheduled meetings, while extraordinary meetings are held as needed, to deliberate and resolve basic policies of management and important matters, as well as to monitor and supervise the status of operational executions. In order to clarify the responsibilities of directors, and in order to make the management organization dynamic enough to respond in a speedy manner to the changing management environment, the term of office for directors was designated as one year in June 2000. As of the end of the term ended June 2005, eight directors, including three external directors, are fulfilling their roles as directors of the Board. A new management organization involving the executive officer system at the core was implemented in June 2002 as part of the management structure reform based on the "Revitalization Plan." Intellectuals with various values were invited to join the Board as external directors. Clarifications were made to distinguish between the responsibilities of management and the responsibilities of operational executions, while aiming for a high degree of transparency in decision-making and operational executions that are speedy and accurate.

Auditors participate in the meetings of the Board of Directors, hold meetings of Board of Corporate Auditors, supervise the execution of duties by Directors, and execute audit of operations at the company and affiliates both inside and outside Japan. Five auditors, including two external auditors, are performing these duties as of the end of June 2005. In March 2003 we established the Internal Auditing Division that is responsible for conducting internal audits on the overall execution of operations in the entire Kenwood Group and reporting to the Board of Directors.

There are two certified accountants who performed duties regarding the certification of an audit for the Kenwood Group, Hiroshi Kawamura and Yasunari Kunii. They are representative partners (continuous auditing for one year) of Deloitte Touche Tohmatsu and employees thereof (four years). The auxiliary members for auditing duties include certified accountants, assistant accountants and other assistants, who number 11 in total. Further, we will be promoting activities to enhance governance and compliance, by optimizing the use of resources of our group, mainly with our core business operations, as well as establishing a consolidated management organization intended to conduct efficient management of business operations. We established the "Kenwood Compliance Guidelines," intended to serve as activity guidelines to be shared by all personnel throughout the Kenwood Group, for the purpose of forming an enterprise organization that is trusted by and evolves with society. We are also working to ensure that these guidelines are thoroughly implemented.

Furthermore, we are aggressively promoting activities that emphasize the social responsibility of the corporation, or Corporate Social Responsibility (CSR). To this end, we established the "Kenwood Environmental Council," chaired by the CEO, in order to enhance the countermeasures for risks relating to product sales and environmental measures. The "Environmental Protection Promotion Council" and "Green Products Promotion Council" have both been created, and the "Company-wide PL Counsil" was established for the purpose of enhancing our undertakings relating to product liability.

We submitted, to the Tokyo Stock Exchange, an affidavit declaring that we will be performing our duties in seriously regarding the provision of corporate information in a timely and appropriate manner at the time the regulations for the listing of securities were amended in January 2005. We also completed our preparation for submission of the "Confirmation Regarding the Appropriateness of the Financial Report" to the Tokyo Stock Exchange, to indicate that there is no falsified information in our financial report or semi-annual report. We formulated our regulation regarding the timely disclosure of corporate information in response to these developments and are working to ensure that the entire Kenwood Group understands these regulations. We established the "Information Disclosure Council," which is chaired by the CFO, while auditing is conducted by our auditors and the Internal Auditing Division to improve our organization and ensure that the disclosure of information is timely and appropriate.

●Management Structure

After releasing the second mid-term business plan, the "Value Creation Plan" on May 20, 2005, the company has started renewed efforts to revamp its revenue base and full-scale growth strategy towards increasing its corporate value, with a new management team consisting of five internal and three external directors, including two new directors who have remarkable track records in their respective business segments.

To prepare in advance for stricter requirements vis-a-vis the qualifications for external auditors and the increase of the number of external auditors to "more than half" of all statutory auditors (to go into effect after the first general meeting of shareholders related to the closing of accounts for fiscal year after May 1, 2005), the Company has strengthened and enhanced the auditor system. The overhauled auditor system comprises three standing statutory auditors and two statutory auditors including a newly elected external (part-time) auditor.

President (Representative Director of the Board)	Haruo Kawahara (Reelected)
Director of the Board	Kazuo Shiohata (Reelected)
Director of the Board	Hiroshi Komatsuzaki (Newly elected)
Director of the Board	Shoichiro Eguchi (Reelected)
Director of the Board	Akira Seida (Newly elected)
Director of the Board (Part-time, External)	Nobuo Seo (Reelected)
Director of the Board (Part-time, External)	Takenori Kawafune (Reelected)
Director of the Board (Part-time, External)	Takeo Nagatomo (Reelected)
Standing Statutory Auditor	Hideaki Kato (Not eligible for reelection)
Standing Statutory Auditor	Kazuhiro Kitahara (Not eligible for reelection)
Standing Statutory Auditor	Osamu Hamada (Not eligible for reelection)
Statutory Auditor (Part-time)	Koichi Kurosaki (Not eligible for reelection)
Statutory Auditor (Part-time)	Shojiro Asai (Newly elected)
& CEO	Haruo Kawahara General Executive, Quality Innovation Division Chairman of Kenwood Environment Council
& Executive Vice President & Executive Officer	Kazuo Shiohata CFO, Assistant to CEO; Equity, IR & PR Affairs
Executive Vice President & Executive Officer	Hiroyasu Hata Assistant to CEO; Personnel & Employment
Executive Vice President & Executive Officer	Akio Ueda General Executive, Procurement Division
& Executive Vice President & Executive Officer	Hiroshi Komatsuzaki General Executive, Communications Equipment Division General Manager, Yokohama Business Center
Executive Vice President & Executive Officer	Yosihiko Ueno Assistant to CEO; Engineering
& Senior Vice President & Executive Officer	Shoichiro Eguchi General Executive, Car Electronics Consumer Division
Senior Vice President & Executive Officer	Makoto Inukai President, Kenwood U.S.A. Corporation
Senior Vice President & Executive Officer	Hiroyuki Taki Deputy General Executive, Communications Equipment Division
& Senior Vice President & Executive Officer	Akira Seida General Executive, Car Electronics OEM Division

(As of 29, June, 2005)

Corporate Data

Established	December 21, 1946
Paid-in Capital	¥14.9 Billion (As of March 31, 2005) ¥26.1 Billion (As of June 30, 2005) ¥11.1 Billion (As of August 8, 2005)
Number of Employees	Consolidated 4,335 Non-Consolidated 1,600 (As of March 31, 2005)
Address	Head Office / Hachioji Business Center 2967-3, Ishikawa-machi, Hachioji-shi, Tokyo, 192-8525 Japan Phone: 81 (426) 46-5111 Fax : 81 (426) 46-7960 URL : http://www.kenwood.com/ Yokohama Business Center 1-16-2, Hakusan, Midori-ku, Yokohama-shi, Kanagawa, 226-8525 Japan Phone: 81 (45) 939-7000 Fax : 81 (45) 939-7090
Show Room	Kenwood Square Marunouchi Shin-Kokusai Building, 3-4-1, Marunouchi , Chiyoda-ku, Tokyo, 100-0005 Japan Phone: 81 (3) 3213-8775
Japanese sales offices	17sales offices and 24bases (As of March 31, 2005)

Company history

Dec. 1946	Establishes Kasuga Radio Co., Ltd. (predecessor of Kenwood Corporation) in Komagane, Nagano prefecture
Jun. 1949	High-frequency transformer passes the NHK (Japan Broadcasting Corporation) approval certificate for the first time in Japan
Jan. 1950	Renamed Kasuga Radio Industry Corporation
Feb. 1955	Establishes the Tokyo office in Ota-ku, Tokyo, and begins mass production of audio, communications and measuring equipment
Jan. 1960	Renamed Trio Electronics, Inc.
Sep. 1962	Launches the industry's first transistor amplifier
Aug. 1963	Establishes the Hachioji Business Center in Hachioji, Tokyo
Dec. 1963	Sets up a sales firm in the U.S., and begins full-scale overseas operations
Jan. 1966	Fully transistorizes audio products for the first time in the industry
Oct. 1969	Lists on the first section of the Tokyo Stock Exchange
Feb. 1978	Begins selling commercial wireless radio equipment in Japan
Jun. 1979	Sets up the Company's first overseas production firm in Singapore. Starts manufacturing abroad
Jun. 1980	Enters the car audio field
Dec. 1980	Launches Corporate Identity activities, and determines Kenwood as the corporate brand
Jul. 1981	Sets up production subsidiary Tohoku Trio (present Kenwood Yamagata Corp.) in Tsuruoka, Yamagata Prefecture
Oct. 1982	Enters the general audio field
Apr. 1983	Begins selling commercial wireless radio equipment in the U.S.
Jun. 1986	Renamed Kenwood Corporation
Jun. 1986	Becomes the primary sponsor for "Kenwood Cup," one of the world's four biggest yacht races
Feb. 1989	Enters the mobile satellite communications equipment business
Aug. 1989	Establishes the Yokohama Business Center in Midori-ku, Yokohama, Kanagawa Prefecture (closes the Tokyo office)
Jun. 1990	Sets up production subsidiary Kenwood Nagano Corporation in Ina, Nagano Prefecture
Mar. 1991	Begins selling license-free transceivers
Oct. 1991	Signs an official supply contract with McLaren to provide wireless radio equipment for the F1 world auto-racing championship
Mar. 1992	Enters the car navigation system field
Dec. 1993	Develops one of the industry's highest-level voice recognition ICs
Jun. 1994	Sets up production joint venture Shanghai Kenwood Electronics Co., Ltd. in Shanghai, China
Jul. 1995	Mounts amateur radio equipment on Russian space station Mir
Jan. 1996	Establishes one of the Company's largest manufacturing plants in Malaysia
Sep. 1996	Changes the subsidiary name from Trio-Kenwood to Kenwood, coinciding with the Company's 50th anniversary
Jun. 1997	Becomes Japan's first manufacturer to launch car-mounted DAB receivers
Dec. 1997	Enters the field of wireless radio systems for promoting the regional economy
Mar. 1998	Sells the premium model "Silver Signature" of "K's Esule" by taking orders
Jan. 1999	Jointly develops the world's first mobile digital broadcast receiving system
Mar. 2001	Announces the "Mid-term Reconstruction Plan"
Sep. 2001	Issues new shares worth a total of 7.1 billion yen through a third-party allocation
Feb. 2002	Develops a network interface module (NIM) for digital broadcasts via a communications satellite (CS)
May 2002	Sells shares in Kenwood TMI Corporation (withdraws from the test and measuring equipment business)
Jun. 2002	Relocates the head office to Hachioji, Tokyo
Jul. 2002	Announces the "Revitalization Action Plan" in response to the company's net worth becoming negative in the fiscal year through March 2002
Aug. 2002	Begins selling commercial digital wireless radio equipment in the U.S.
Oct. 2002	Issues new shares worth a total of 2.0 billion yen through a third-party allocation
Dec. 2002	Eliminates negative net worth through a debt-for-equity swap amounting to 25.0 billion yen
Jan. 2003	Ties up with Advanced Telecommunications Research Institute International to apply voice synthesis technology to car-mounted equipment
Feb. 2003	Launches "Production Innovation" activities
May 2003	Posts a record net income in the fiscal year through March 2003
May 2003	Announces the first mid-term business plan "Excellent Kenwood Plan"
Aug. 2003	Makes production joint venture Shanghai Kenwood Electronics Co., Ltd. into a wholly-owned subsidiary
Apr. 2004	Signs an agreement with Toyo Communication Equipment Co., Ltd. to acquire its radio equipment operations
Apr. 2004	Jointly sets up the music distribution service firm Any Music Inc.
May 2004	Posts a record net income for the second consecutive year in the fiscal year through March 2004
Aug. 2004	Completes the "New Financial Strategy", and entirely eliminates cumulative loss, retires the first tranche class-A preferred stock, terminates financial agreements, and substantially reduces interest-bearing debts
Mar. 2005	Launches proprietarily-developed car navigation systems in the consumer market
Mar. 2005	Forms a technical and capital alliance with Icom Inc. to jointly research the standardization of technical specifications for digital wireless radio equipment
Mar. 2005	Kenwood Nagano Corp. acquires certification to "ISO/TS 16949," the international standard for quality management specific to the automotive industry
May 2005	Formulates the second mid-term business plan "Value Creation Plan"
Jun. 2005	Launches the Company's first portable HDD player
Aug. 2005	Finishes redeeming the first tranche class-B preferred stock, resulting in the complete redemption of all preferred stocks

The Kenwood Group

Factories

●Kenwood Yamagata Corporation
1-15-80, Takarada, Tsuruoka-shi, Yamagata
997-0011 Japan
Phone: 81 (235) 24-4811
FAX: 81 (235) 24-7495

●Kenwood Nagano Corporation
2676-1, Nishi-minowa, Ina-shi, Nagano,
399-4501 Japan
Phone: 81 (265) 76-4111
FAX: 81 (265) 76-4113

●Kenwood Devices Corporation
1-16-2, Hakusan, Midori-ku, Yokohama-shi,
Kanagawa, 226-8525 Japan
Phone: 81 (45) 934-0508
FAX: 81 (45) 934-1325

●Kenwood Electronics Bretagne S.A.
Rue Saint-Exupery 35150 Janze, France
Phone: 33 (2) 99473232
FAX: 33 (2) 99470550

●Kenwood Electronics Technologies (S) Pte. Ltd.
No.1 Ang Mo Kio Street 63, Singapore 569110
Phone: 65 (6482) 3222
FAX: 65 (6482) 4966

●Kenwood Electronics Technologies (M) Sdn. Bhd.
8, Jalan Padu, Kawasan Perindustrain
Tampoi, 80350 Johor Bahru, Johor, Malaysia
Phone: 60 (7) 237-1261
FAX: 60 (7) 237-1297

●Shanghai Kenwood Electronics Co. Ltd.
No. 60 Rongle East Road, Songjiang
Shanghai, China Postal Code 201613
Phone: 86 (21) 5774-1800
FAX: 86 (21) 5774-2822

Sales / Others

North America

●Kenwood U.S.A. Corporation
●California Headquarters
2201 East Dominguez St., P.O. Box 22745,
Long Beach, CA 90801-5745, U.S.A.
Phone: 1 (310) 639-9000
FAX: 1 (310) 604-4488,4487
●Communications Equipment Division
3975 Johns Creek Court, Suwanee,
GA 30024-1265, U.S.A.
Phone: 1 (678) 474 4700
FAX: 1 (678) 474 4730

●Kenwood Electronics Canada Inc.
6070 Kestrel Road, Mississauga, Ontario,
Canada L5T 1S8
Phone: 1 (905) 670 7211
FAX: 1 (905) 670 7248

Central / South America

●Kenwood Electronics Latin America S.A.
P.O.Box 55-2791 Paitilla Plaza Credicorp
Bank Panama, Piso #9, oficina #901 Calle 50
Panama, Rep. de Panama
Phone: 507 (210) 1088
FAX: 507 (210) 1087

●Kenwood Electronics Brasil Ltda.
Alameda Ministro Rocha Azevedo, No.456-10° Andar
Edificio Jau - Cerqueira Cesar,
01410-001 Sao Paulo, SP, Brasil
Phone: 55 (11) 3066 0280
FAX: 55 (11) 3063 2181

Europe

●Kenwood Electronics Europe B.V.
Amsterdamseweg 37, 1422 AC Uithoorn,
The Netherlands
Phone: 31 (297) 519 900
FAX: 31 (297) 519 990

●Kenwood Electronics Belgium N.V.
Leuvensesteenweg 248 / J B-1800 Vilvoorde
Belgium
Phone: 32 (2) 757 90 60
FAX: 32 (2) 757 91 40

●Kenwood Electronics UK Limited
Kenwood House, Dwight Road, Watford,
Herts, WD18 9EB, United Kingdom
Phone: 44 (1923) 816444
FAX: 44 (1923) 819131

●Kenwood Electronics Deutschland GmbH
Rembrucker-Str. 15, 63150 Heusenstamm,
Germany
Phone: 49 (6104) 69010
FAX: 49 (6104) 63975

●Kenwood Electronics France S.A.
13, Boulevard Ney, 75018 Paris, France
Phone: 33 (1) 44721616
FAX: 33 (1) 44721640

●Kenwood Electronics Italia S.p.A.
Via G. Sirtori 7/9, 20129 Milano, Italy
Phone: 39 (02) 204821
FAX: 39 (02) 29516281

●Kenwood Iberica S.A.
Bolivia, 239-08020 Barcelona, Spain
Phone: 34 (93) 507 5252
FAX: 34 (93) 266 0235

Asia / Pacific

●Kenwood Electronics Australia Pty. Ltd.
16 Giffnock Avenue, Centrecourt Estate,
North Ryde, NSW 2113
Phone: 61 (2) 8879 2222
FAX: 61 (2) 8879 2233

●Kenwood Electronics Singapore Pte Ltd.
1 Ang Mo Kio Street 63 Industrial Park 1
Singapore 569110
Phone: 65 (6741) 3336
FAX: 65 (6741) 3633

●Kenwood Electronics (Malaysia) Sdn. Bhd.
#4.01 Level 4 Wisma Academy, Lot 4A
46300 Petaling Jaya, Selangor, Malaysia
Phone: 60 (3) 79588333
FAX: 60 (3) 79541233

●Kenwood Electronics (Thailand) Co., Ltd.
Mahatun Plaza Building, 3rd Floor,
888/ 194-195, Phloenchit Road, Lumpini, Pathumwan,
Bangkok 10330, Thailand
Phone: 66 (2254) 7755(Auto)
Fax: 66 (2254) 7756

●Kenwood Electronics (Hong Kong) Ltd.
Unit 3712-3724, Level 37, Tower One Metroplaza,
223 Hing Fong Road, Kwai Fong, N.T.,
Hong Kong
Phone: 852 (2410) 4567
FAX: 852 (2424) 2174

●Kenwood Electronics Trading (Shanghai) Co. Ltd.
Rm 24A-01 Majesty Building, 138 Pudong Avenue,
Shanghai, China Postal Code 200120
Phone: 86 (21) 5882 8701
FAX: 86 (21) 5882 8711
•Beijing Office
Rm 1505, Beijing Fortune Building, 5 Dong San Huan Bei-lu,
Chao Yang District, Beijing, China Postal Code 100004
Phone: 86 (10) 6590 8280
FAX: 86 (10) 6590 8283
•Guangzhou Office
Rm 909,East,Time Square, No.28 Tianhe N.Road,
Guangzhou, China Postal Code 510620
Phone: 86 (20) 3877 0091
FAX: 86 (20) 8752 0325

Middle East / Africa

●Kenwood Electronics Gulf Fze
P.O.Box 61318, Jebel Ali, Dubai U.A.E.
Phone: 971 (4) 8837400
FAX: 971 (4) 8837255

Japan

●Kenwood Core Corporation
1-16-2, Hakusan, Midori-ku, Yokohama-shi,
Kanagawa, 226-8525 Japan
Phone: 81 (45) 939-6246
FAX: 81 (45) 939-6249

●Kenwood Kenex Corporation
3-17-9, Aobadai, Meguro-ku, Tokyo, 153-0042
Japan
Phone: 81 (3) 3477-5471
FAX: 81 (3) 3477-5475

●Kenwood Geobit Corporation
Teito Shibuya Building, 15-13, Nanpeidai-cho,
Shibuya-ku, Tokyo, 150-0036 Japan
Phone: 81 (3) 5457-7246
FAX: 81 (3) 5457-7245

●Kenwood Service (Japan) Corporation
1-16-2, Hakusan, Midori-ku, Yokohama-shi,
Kanagawa, 226-8525 Japan
Phone: 81 (45) 939-6234
FAX: 81 (45) 939-6238

●Kenwood Design Corporation
3-17-9, Aobadai, Meguro-ku, Tokyo, 153-0042
Japan
Phone: 81 (3) 5457-7221
FAX: 81 (3) 5457-7220

●Kenwood Admi Corporation
2967-3, Ishikawa-machi, Hachioji-shi, Tokyo,
192-8525 Japan
Phone: 81 (426) 46-4781
FAX: 81 (426) 46-4749

●Kenwood Personnel Corporation
2967-3, Ishikawa-machi, Hachioji-shi, Tokyo,
192-8525 Japan
Phone: 81 (426) 46-5210
FAX: 81 (426) 46-1374

●Kenwood Engineering Corporation
2967-3, Ishikawa-machi, Hachioji-shi, Tokyo,
192-8525 Japan
Phone: 81 (426) 46-9861
FAX: 81 (426) 46-5159

Kenwood Global Website

http://www.kenwood.com/

Kenwood Corporation

2967-3, Ishikawa-machi, Hachioji-shi, Tokyo,
192-8525 Japan
Phone: 81 (426) 46-6724
FAX: 81 (426) 46-1440
URL http://www.kenwood.com/

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