

# KENWOOD

Listen to the Future

## ANNUAL REPORT 2006

For the year ended March 2006

60<sup>th</sup>  
Anniversary

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### Disclaimer

Forward-looking statements and charts contained in our documents are based on currently available information and therefore actual results may significantly differ from projected figures depending on various factors. Please do not make any material judgments based on the projections contained herein alone. Our core business deals with the rapidly changing Electronics sector and factors including technology, demand, price, competitive environment, changes in economic environment, exchange rate fluctuations and many other factors may adversely impact to management results or the financial condition of the company. For details on risks and uncertainties related to our results, financial conditions and other matters deemed important for investment decisions, please refer to "Business and Other Risks" contained in the "Consolidated Annual Summary Report" of Kenwood.

## 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 embrace 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 discovery 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

	Mar.2002	Mar.2003	Mar.2004	Mar.2005	Mar.2006
	Millions of yen				
Net sales .....	302,604	225,579	178,731	181,112	183,616
Operating profit .....	6,101	12,260	12,610	7,061	8,686
Ordinary income .....	1,046	7,059	8,541	4,696	4,886
Net income (loss) .....	(26,658)	4,221	7,318	4,836	6,104
	yen				
Net income (loss) per share .....	(160)	21	34	17	17
Net income per share after adjustment for latent shareholdings .....	—	16	16	11	15
	Millions of yen				
Shareholders' equity .....	(17,002)	13,704	20,161	33,132	37,486
Shareholders' equity ratio .....	-9.3%	9.6%	14.9%	28.5%	34.2%
ROE .....	—	—	—	—	21.0%*
Retained earnings (cumulative loss) .....	(38,581)	(34,238)	(9,777)	13,199	18,316
Interest-bearing debt .....	110,143	80,851	67,272	31,088	26,263
Net debt .....	85,907	50,083	29,885	15,147	12,215
Cash flows from operating activities .....	15,173	10,358	27,502	15,539	12,664
Number of employees .....	8,628	4,877	4,440	4,334	4,424

\* ROE is calculated based on common shareholders' equity at the beginning of the fiscal year. (excluding book value of preferred stock worth 12.5 billion yen from the shareholders' equity at the beginning of the fiscal year)



Haruo Kawahara, President and CEO

A handwritten signature in black ink, appearing to read "H. Kawahara". The signature is fluid and cursive, with a long horizontal stroke at the end.

**“V”-shape recovery and resumption of dividend accomplished as efforts for sweeping restructuring and concentrating on core businesses take hold**

Kenwood Corporation has expanded its businesses based on its core competences of “sound” and “wireless radio communications” ever since its foundation. The strong performance in the car electronics and wireless radio equipment businesses enabled the Company to keep reporting operating profit even after the collapse of Japan’s bubble economy. However, mature Home Electronics business and new businesses weighed on the Company, and prompted the Company to implement structural reforms at the end of March 2002.

There have been many Japanese corporations whose performance became sluggish as their industry matured, but I believe that such industries are intrinsically quite attractive. Mature fields, which are not expected to grow, have large and stable markets that have been already established and that have accumulated resources such as technologies, facilities, sales networks, and brand presence.

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 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 2002 (ended March 31 2003), the Company booked the highest consolidated net income in its history, achieving a “V”-shape recovery, and realizing resumption of dividend in June 2005.

**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 and complete the reforms on the financial base and capital structure**

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 2003, the initial year of the first mid-term business plan, the Company focused on "Production Innovation" to improve its profitability and cash flows, while enhancing its consolidated management system. As a result, the Company posted record net income for two years running. In addition, the Company strengthened its balance sheet by significantly reducing cumulative loss and interest-bearing debt.

In fiscal 2004, 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 stock through public offering; terminating the repayment agreement through refinancing; and substantially reducing interest-bearing debt. The Company completed this unprecedented scheme (for Japan). 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 fiscal 2005, the final year of the first mid-term business plan, the Company made efforts to redeem the remaining half of the preferred stock, and 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. The Company substantively accomplished its goals of, "ROE of 20%" and "interest-bearing debt of 30 billion yen or less," completely reformed its financial base and capital structure, and managed to put an end to a series of structural reforms that it had addressed since fiscal 2002. 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.

**The second mid-term business plan "Value Creation Plan" efforts to enhance the corporate value by promoting growth strategy and reforming profit structure**

Kenwood, which made a clean break with its negative past legacy upon completion of its structural reforms, moved into a full-scale growth stage and started new efforts in accordance with the second mid-term business plan "Value Creation Plan," which it formulated in May 2005.

The purpose of this plan was to join the billion-dollar club at an early stage by pursuing a strategy to enhance corporate value toward new growth and increased profitability.

Concretely speaking, Kenwood will increase sales and profits in the core businesses of Car Electronics Consumer (Audio) and communications Equipment businesses, add a reformed profit structure of growing Car Electronics OEM and Car Electronics Consumer (Multimedia) businesses to them, promote structural reform of the Home Electronics business by taking the spread of digital media and the advance of digital and network environment as a new business opportunity, and create a new "seamless sound entertainment" that links home audio and car audio with digital media.

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 BRIC nations, as well as fully-utilizing surplus funds as reinvestments in each business including M&As.

Moreover we will actively strive to develop new businesses that match our target "Mobile & Home Multimedia System" business and create added value for the market.

Kenwood is celebrating its 60th year in business in December 2006. We sincerely express our gratitude for the longstanding support and understanding of all the stakeholders including the shareholders, investors, financial institutions, and customers. We will promote more highly transparent management, try to enhance the corporate value, and contribute to the public good through our business operations. Your continued understanding and support would be appreciated.

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

## Corporate Profile

### Kenwood is aiming to become a “World Excellent Company” with its core competencies in sound and wireless radio communications.

Kenwood, which was established in 1946 in Akaho, 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 equipment businesses. 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.

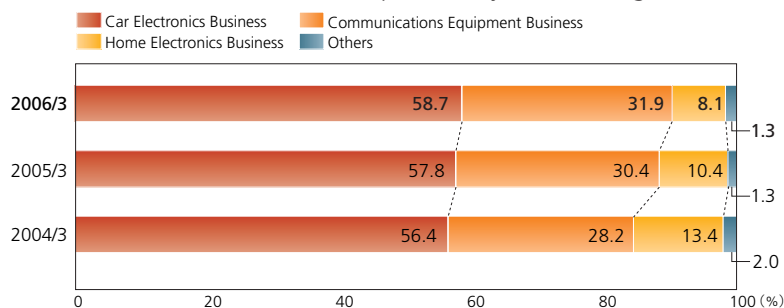
After changing its name to Kenwood Corporation in 1986, the Company aggressively entered new business fields such as car navigation

systems and mobile phone business enabled by advances in digital networks and IT technologies, becoming known as the “Kenwood - sound and communications.” Its business performance was poor for some time due to the severity of the business environment after the collapse of Japan's bubble economy. The Company carried on a bold structural reform starting in July 2002, and succeeded in completely reforming its financial base and capital structure in August 2005. Thus, Kenwood was able to make a clean break with the difficulties of the past.

At present, the Company is making efforts to expand its corporate value in accordance with the second mid-term business plan, the “Value Creation Plan” formulated in May 2005 based on the corporate vision of a new Kenwood “Reaching out to discover, inspire and enhance the enjoyment of life.” Kenwood is pursuing a growth strategy in its core businesses of Car Electronics, Communications Equipment, and Home Electronics by making use of its assets including technical prowess, product planning capability, global networks, and brand power. Moreover, as the sole manufacturer simultaneously doing the three businesses, we will try to further combine audio and radio communications, which are our core competences. Through these measures, we will continue our utmost efforts to be the dominant company in the world in the business domain of “Mobile & Home Multimedia Systems.”



Consolidated net sales composition by business segment



## Business Bases

### “KENWOOD” brand is enhanced at 19 nations



Head Office / Hachioji Business Center



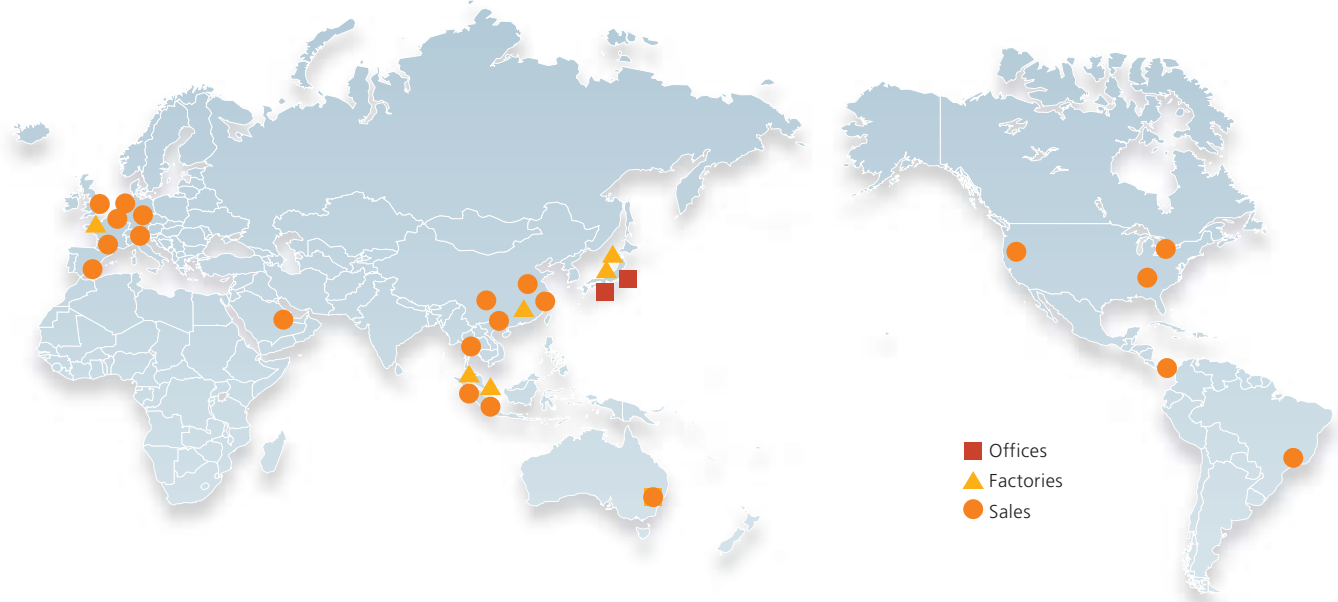
Yokohama Business Center



Yamagata Factory



Nagano Factory



France Factory



Malaysia Factory

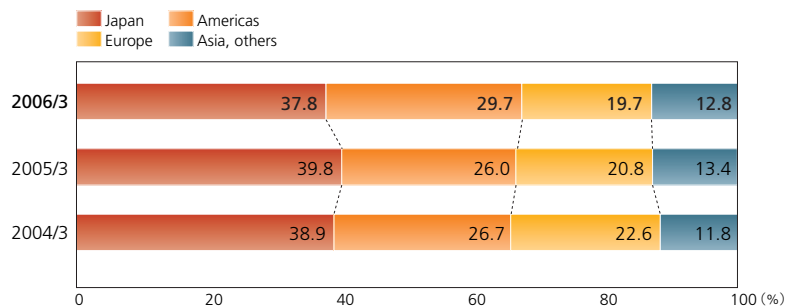


Singapore Factory



Shanghai Factory

### Consolidated net 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



Advances in digital network technologies for automobiles have created significant possibilities in the car electronics market. Since its entry into this market in 1980, the Company, which has emphasized a consumer business, has launched many innovative and sophisticated products by leveraging its marketing power, its product planning ability, and its product development capability based on technology for high sound quality. In this way, the Company has built a high brand presence across the world.



In the consumer audio business, the Company is now expanding its product lineups to consolidate its global presence by using the latest digital network technologies. For example, it has developed models that can connect to the portable digital audio players and USB devices that are rapidly growing in popularity. Kenwood commercialized a high sound quality model in which it instilled the essence of the highest fidelity technology produced by its Sound Meister. In addition, the Company also commercialized tuners for satellite digital sound broadcast and a tuner for terrestrial digital broadcast for the first time for consumer use, to begin full-scale entry into the market. Furthermore, the Company has been focusing on the development of new markets, mainly in the BRIC nations, to enhance its revenue base.



In the growing consumer multimedia business, the Company has developed a user interface oriented merchandising strategy by adopting touch-sensitive panels and voice recognition systems earlier than its competitors. Kenwood established a unique plan to develop a car navigation system that incorporates Microsoft® Windows® Automotive Ver. 4.2 as a car operating system for the first time in Japan, and the Company is now delivering new types of products to the market, including commercialization of an HDD car navigation system directly connectable to Apple Computer's iPod for the first time in the industry, and a car navigation system with an AV system that delivers sophisticated sound quality. The Company has also developed a new concept car navigation system that combines a portable navigation system with a TV/DVD receiver, and is focusing on the development of multimedia products such as those compatible with terrestrial digital broadcast, which is expected to spread in the near future.



In the OEM business, Kenwood is further pursuing its advantage of high quality sound, while at the same time it is attracting new customers and rapidly expanding global operations by taking advantage of its advanced technologies, its product planning and development capabilities, its reliability, and its brand presence which are recognized in the consumer market. In addition, the Company has strengthened its presence not only in the finished product business but also in the component business and has enhanced its development and production system through aggressive up-front investments. For example, the Company increased its production capacity by expanding the Shanghai Plant, and it built a new test course at Nagano Plant. Furthermore, the Company is working hard to boost business competitiveness and to increase profitability by promoting vertical integration among Japanese plants and overseas plants, and by transferring the production lines for components to overseas plants.

### Communications Equipment Business



Since its foundation, the Company has operated the Communications Equipment (wireless radio equipment) business using the high-frequency technology, developing proprietary techniques and high know-how in the field of “wireless radio (= communication)”, 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 digitization 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 to the Team McLaren Mercedes Formula One (F1) auto-racing team as an official supplier for 16 years.

The Company now focuses on the businesses of wireless radio equipment, including primarily commercial wireless radio systems as well as amateur wireless radios and specially-designated low power transceivers. In addition, the Company has reinforced its business base 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 provider of system solutions.



Kenwood is expanding its operations in Asia, particularly China, where spectacular growth is forecast, 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 alliances 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.



Meanwhile, the digitization of the wireless communication 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 introduction of the digital wireless radio system for use in F1 races and produced commercial digital wireless radios in compliance with Project 25 (commercial digital wireless radio system for public safety institutions such as police and fire departments) that has already been commercialized. In addition, Kenwood will further accelerate digitization of commercial wireless radio systems through its technical alliance with Icom Inc. and the new consortium including Trident Microsystems, Inc. of the U.S. with respect to research and development on wide-ranging digital wireless radio systems establishing a position as number two in the world in this area.



## Home Electronics Business

The Home Electronics business is another of our longstanding operations like 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 expanded the business under



the concept of "high fidelity" and expanded its presence as an audio system 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 remains meaningful even after the drastic restructuring due to market maturity and quickly changing trends.

Taking the spread of new digital media as a great business opportunity, Kenwood is now commercializing digital media products including portable digital audio players to realize the highest sound quality in a given product space. At the same time, the Company is proposing new seamless "sound entertainment" by connecting these players to home audio and car electronics products. The Company has newly established its "Sound Meister Edition," a product line for which its Sound Meister was engaged in a detailed process from product design to selection of components. This strategy was implemented in order to enhance product lines consisting of high value-added models, in line with the above significant changes in the market.



In the field of portable audio, the Company commercialized a flash memory audio product, followed by a portable HDD audio product that adopted digital amplification for the first time in the industry. Trying to reduce the sound degradation that is inevitable to the compressed music data, Kenwood is actively developing high sound quality technologies that are required in the new digital media era and applies them to its products. Such technologies include "Supreme," a patented technology for complementing deleted part in the high frequency range and original lossless compression method that enables us to directly record in HDD data with sound quality similar to CDs.

In the field of pure audio, Kenwood has enhanced its high fidelity audio product lines using traditional high fidelity technology fused with the latest digital technology. The Company has also commercialized a new entertainment system able to reproduce the high sound quality of hi-fi audio and front surround sound to create a sensation of realism.



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

## For further reinforcement of the Core Businesses —

### Strategic Technologies Development

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.

The Company is developing competitive new technologies and products especially in the remarkably fast-growing technology fields of car electronics, home electronics, and communications electronics. Kenwood is striving to strengthen its development capabilities for next-generation technologies and for products in the following areas: technology development to realize a unique, seamless entertainment world for the arbitrary sharing of contents in car audio, home audio, and portable audio; car multimedia development responding to next-generation ITS service; technology development for terrestrial digital broadcast in Japan and abroad and for overseas satellite broadcast; technology development for sophisticated voice interaction, and development of terminal technology that enables the receipt of AV content over broadband connections.

### Speaker System Business

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. The Company aims to offer added value that is more attractive to the market through the reproduction of high fidelity sound based on the above technologies and know-how. Contributing to both the Car Electronics business and the Home Electronics business, Kenwood will also establish a speaker business to further enhance the audio sector.



### Sound Quality Research

Kenwood has enhanced its presence as an audio manufacturer with the concept of "reproduction of original sound." Although the emergence of new media such as flash memory and HDD popularizes the compression of music data, the Company is always aiming to "reproduce the original sound" applicable to new media and software by taking advantage of its own sound quality technology, the know-how that it has gradually accumulated over a long time, and the latest digital technology. For this purpose, Kenwood has established a Sound Quality Research Office to seek the latest sound quality technology on a daily basis. The Company is making efforts to carry over its sound quality technology and know-how gradually accumulated through trial and error to these new markets in the future.

When commercializing audio products, the Company spares no effort in seeking the finest sound quality throughout the design process, including detailed tasks such as the selection of components under the strict control of the Sound Meister, the superintendent responsible for sound quality. These efforts are directed to enabling Kenwood to provide high quality sound product lines that are chosen with strict attention to quality.

**Completed the final stage of our reforms on the financial base and capital structure, and enhanced the implementation of new strategies to expand corporate value through the promotion of growth strategies and the reforms of our profit structure.**

The Kenwood Group completed the final stage of its reforms on the financial base and capital structure based on the Value Creation Plan, the Group's second mid-term business plan announced in May 2005, and has now begun implementing new strategies to expand corporate value through the promotion of growth strategies and the reforms of our profit structure.

These strategies that will expand corporate value, realize further growth and achieve higher profitability are aimed at reaching the goal of becoming a member of the Billion Dollar Club in the earliest possible timeframe.

More specifically, the new strategy consists of the following processes. First, the Kenwood Group plans to enhance stable sales and revenues in core businesses such as Car Electronics Consumer (Audio) and Communications Equipment businesses. At the same time, the profit structure of growing businesses such as Car Electronics OEM and Car Electronics Consumer (Multimedia) businesses will be reformed and overlapped on top of these core businesses. Finally, the structural reform of the Home Electronics business will be promoted to open up new frontiers in "Seamless Sound Entertainment," because the rising popularity of digital media content and the development of digital and network environments are considered to provide new business opportunities.

**Promoting the growth strategies and reforms of profit structure**

Aiming to profitable growth through reforming profit structure of growing businesses in addition to core businesses

The following measures were taken to reform the profit structure in the Car Electronics Consumer (Multimedia), Car Electronics OEM

and Home Electronics businesses. By doing so, the Group was able to achieve the results it had forecast at the beginning of the fiscal year.

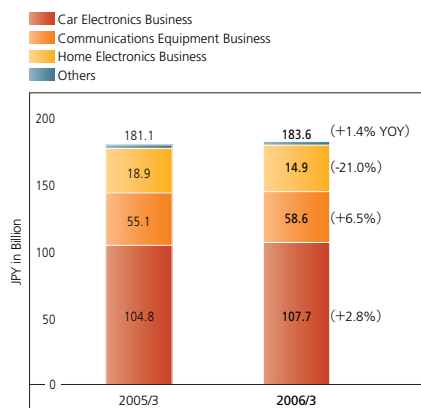
**Growth strategy and profit structure reform by the strategy change of the Car Electronics Consumer (Multimedia) Business**

- ▶ Self development and added product lineups of car navigation systems, and reforming overseas business utilizing new concept car navigation systems

Having completed the strategy change that was implemented to switch from joint development to self development of car navigation systems in the fiscal year ended March 2005, the Company started full scale operations for self developed on-dashboard type models, and conducted version upgrades in the fiscal year ended March 2006. The Company also improved its product lineups by introducing integrated AV models with high quality sound in February 2006. In addition, the Company introduced new concept products, which integrates the core portion of portable navigation systems and car multimedia systems, to overseas markets, and promoted its growth strategy for car navigation systems both domestically and globally.

Furthermore, the Company stepped up its efforts to strengthen its car multimedia products, including visual devices, which are currently showing strong global growth, and digital broadcast devices, which are anticipated to become more and more popular in the future, completed its strategy change of the Car Electronics Consumer (Multimedia) business as initially planned, significantly improved profitability, and started new growth strategy on a full scale basis.

Consolidated net sales by business segment



**Car navigation systems that drive the growth of the Car Electronics Business**



Self-developed car navigation systems, which expand product lineups (Compatible with iPod, Windows® Automotive installed)



New-concept navigation systems for overseas markets

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.

**Growth strategy and profit structure reform of the Car Electronics OEM Business**

- ▶ Growth strategy by the expansion of the Shanghai Plant and the acquisition of new orders, and the enhancement of cost reduction through the vertical integration of Japanese and overseas plants

In August 2005, the Company completed the construction of its new 11,000m<sup>2</sup> building at the Shanghai Plant (Shanghai Kenwood Electronics Co. Ltd.), one of the core manufacturing plants for car electronics products. This move allowed the Company to double its annual manufacturing capacity to one million car electronics units, primarily DVD mechanisms, acquire new orders, and transfer production from Japanese plant. As a result, the Company succeeded in increasing its production capacity and strengthening cost competitiveness.

In addition, the Company promoted vertical integration with the Nagano Plant (Kenwood Nagano Corporation) regarding OEM products and the Yamagata Plant (Kenwood Yamagata Corporation) regarding consumer products to aim for further cost reduction.

**Reforming the Home Electronics Business**

- ▶ Fixed costs reduction by reducing the size of unprofitable overseas business and expansion of profitable Japanese businesses

Due to increasingly fierce competition and lower prices in the home theater market resulting from the rise of manufacturers in emerging countries, the Company conducted its strategy change that reduces its business size primarily in the overseas home theater market in the fiscal year ended March 2005. As a result, fixed costs decreased and the profit structure of the Home Electronics business significantly improved.

The Company took advantage of business opportunities

generated by the rising popularity of new digital media content and a recovery in the demand for high-class audio products, and promoted new product strategies utilizing its high quality sound technologies and the proliferation of digital media content, in order to enhance the Japanese pure audio and portable audio businesses.

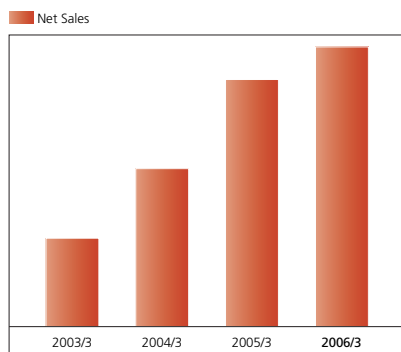
However, this business was not able to make any profit due to the effects of losses incurred as a result of the strategy change, which partially affected the first half of the fiscal year, and rapid changes in the digital audio market, although profitability significantly improved.

**Structural reforms of the US sales system**

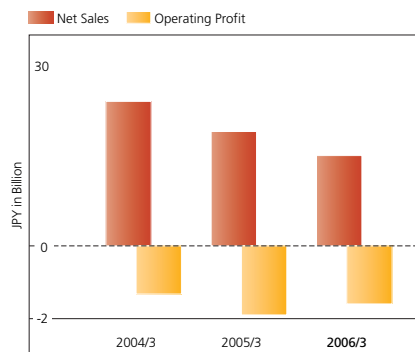
In the US, the Company shut down those firms affiliated with outlet sales operations because the Company judged them to be non-viable as business reforms continued. In June 2005, the Company established the Kenwood Americas Headquarters headed by the US sales subsidiary, and has begun full-fledged implementation of strategies by focusing on strengthening its business in the US and Canada, and expanding sales in emerging markets such as Mexico and other Central and South American countries.

With the effects of improved revenue including increased sales of Communications Equipment (wireless radio equipment) business, the revenue of the US sales subsidiary significantly increased, and the gain on reversal of allowance for investment losses on subsidiaries on a non-consolidated basis was significantly larger than expected.

Growth of CE OEM Business (Image)



Structural Reform of HE Business



## Completing Reforms of Financial Base and Capital Structure

Completed the final stage of reforms on financial and capital structures that started in fiscal year ended March 2003 by fully redeeming preferred stocks

The Company conducted an onerous redemption of a half of its preferred stocks in the fiscal year ended March 2005, and redeemed the remaining preferred stocks in the current fiscal year ended March 2006. As a result, the Company became Japan's first company to fully redeem preferred stocks through a debt-for-equity swap, and completed the final stage of the reforms on financial and capital structures and also finished a series of its structural reforms.

These reforms on financial and capital structures contributed to the financial results for the current fiscal year. Compared to the previous fiscal year, financial results significantly improved. Specifically, consolidated shareholders' equity for the current fiscal year finished at JPY37.5 billion, shareholders' equity ratio settled at approximately 34.2%, consolidated retained earnings totaled approximately JPY18.3 billion, and net debt was approximately JPY12.2 billion.

Additionally, the Company returned to the national government past service pension assets that it had been managing within the employees' pension fund in July 2005, and generated an extraordinary profit of approximately JPY4.9 billion. As a result, the amount of retirement benefit liabilities fell by approximately half, and these measures are also projected to significantly reduce future liabilities.

### Redemption of all preferred stocks due to elimination of all negative legacies, and reducing the dilution impact to shareholders

In August 2005, the Company completed the redemption of its Class B Preferred Stock by returning JPY15.0 billion to the preferred shareholder (Resona Bank). In order to do this, approximately

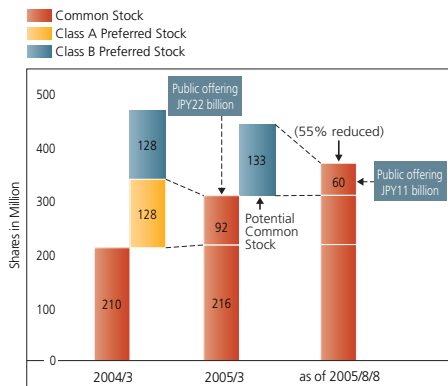
JPY11.0 billion was raised through a public offering, and combined with approximately JPY4.0 billion of cash on hand. By doing so, the Company was able to return more than the book value of the stock (JPY12.5 billion) to its Class B Preferred Shareholder, similar to payments made to the Class A Preferred Shareholder in the previous fiscal year. Moreover, all of the preferred stocks issued as a result of the debt-for-equity swap carried out in December 2002 were redeemed, allowing the Company to reduce the dilution impact on shareholder value to 40% of the dilution that would have been seen if all of the preferred stocks had been converted to common stock.

As shown above, the Company succeeded in improving its financial base and capital structure, eliminating all negative legacies left behind from prior years, and completing the series of structural reforms that it has been implementing since the fiscal year ended March 2003. At this time, we would like to again thank all the shareholders and creditors, with a special thank you to financial institutions, for their support and patience through this transitional time.

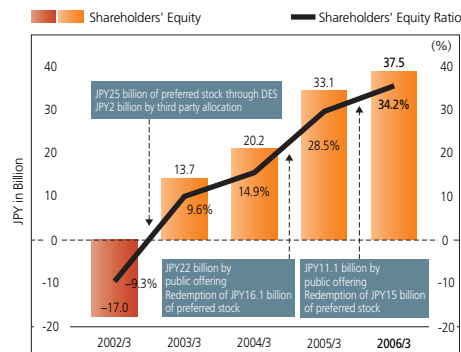
### Extraordinary Profit due to returning to the national governmental past service pension assets and reduction of retirement benefit liabilities by half

Following on from the Company obtaining approval to be released from paying future portions of past service pension assets managed by the Kenwood Pension Fund on April 1, 2004, the Company received permission to return to the national government a certain portion of these assets on July 1, 2005. As expected, the Company generated an extraordinary profit of approximately JPY4.9 billion in the first half of the fiscal year as a result of this move. As a result, the amount of retirement benefit liabilities fell by approximately half from JPY38.4 billion at the end of the previous fiscal year to JPY18.6 billion at the end of the current fiscal year, and future related liabilities were also reduced significantly.

Redemption of All Preferred Stocks



Shareholders' Equity and Equity Ratio



## Completed reforms on financial and capital structures at subsidiary firms

Following on from the completion of reforms on the financial base and capital structure at sales subsidiaries in France and Germany in the fiscal year ended March 2005, the Company carried out similar drastic reforms on its US sales subsidiary during the fiscal year ended March 2006. Specifically, a debt-for-equity swap was carried out for approximately JPY5.3 billion, the amount loaned to the subsidiary by the parent company, boosting the capital base of the subsidiary. In addition, the Company completed measures to boost capital for sales subsidiaries in Belgium and the Netherlands. As a result, we were able to eliminate our negative legacies from prior years on a consolidated basis.

## Promotion of Environmentally Sustainable Measures

The Company made further inroads into green product development, and since RoHS instructions\* will be applied to products that will be sold in the European Union starting from July 1, 2006, we have prepared for complete compliance to these rules by responding to all guidelines regarding environmental substances in all of our production processes, starting with the procurement of parts and components. We have also improved our infrastructure to respond to the WEEE instructions\* related to the product recycling regulations that are being promoted in Europe.

\* RoHS instructions: This is an abbreviation of the Restrictions on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment, which is being implemented by the European Union. This law regulates the use of harmful and toxic substances in electrical and electronics equipment products. The use of six substance groups consisting of lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyl (PBB) and polybrominated biphenyl ether (PBDE) will be regulated for products sold in the European Union starting on July 1, 2006.

\* WEEE instructions: WEEE is an abbreviation of Waste Electrical and Electronic Equipment, and these instructions are recycling instructions for scrapped electrical and electronic equipment.

## Actions to Strengthen Product Design Capability in Company's Three Major Locations in the World

The Kenwood Group has established design offices in Los Angeles and Paris, and started design and development activities in three major locations for the purpose of creating product design value that can provide customers with the enjoyment of life. In addition, the Kenwood Group plans to face these issues by focusing on students' fresh and free ideas and through partnerships and exchanges with designers, design students and educational institutions in the world as well as in Japan, and has started industry-university joint research cooperation with Tama Art University in Japan and Ecole Nationale Supérieure de Creation Industrielle in Paris.

## Basic Policy for Distribution of Profits

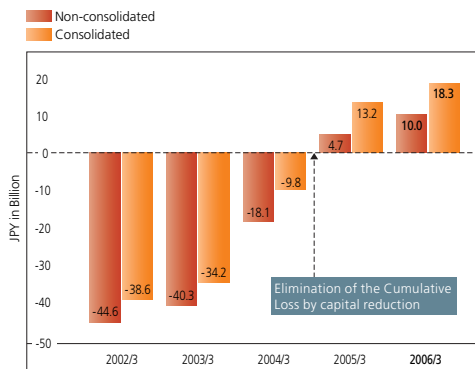
At Kenwood, we believe that providing stable dividends is one of the most important topics facing management, and we calculate the amount of earnings to appropriate after considering profitability and financial conditions in general.

Under this basic policy, the Company was able to achieve one of the key objectives of the first mid-term business plan, the "Excellent Kenwood Plan," one year ahead of schedule in June 2005. This objective, the resumption of dividend payments, was made possible because the Company generated its first retained earnings in ten fiscal years during the fiscal year ended March 2005. In addition, it marked the first time that the Company had distributed dividends in six fiscal years.

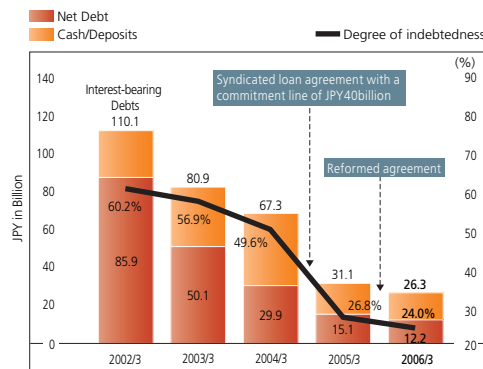
The Company plans to supplement its strategic investment funds by using certain cash on hand that increased in the fiscal year ended March 2006, in order to achieve growth in the future. The Company also plans to pay stable dividends on a continuous basis, and will pay an annual dividend of 2 yen as forecasted, which is the same amount as the previous fiscal year.

In addition, the Company changed the articles of incorporation related to dividends due to the enactment of the revised Corporation Law, but will not change its current policies for a while.

Retained Earnings (Cumulative Loss)



Interest-bearing Debts



## Promoting the strategy to expand corporate value based on the second mid-term business plan, the "Value Creation Plan"

Realizing a Seamless Entertainment World by taking advantage of business opportunities generated by the rising popularity of digital media content

The fiscal year ending March 2007 is the mid fiscal year of the mid-term business plan, "Value Creation Plan," which started in the fiscal year ended March 2006, and the Company will implement the following strategies, including the active execution of investments in strategic development, in order to achieve the plan.

The "Zero Net Debt," one of our goals, has already been achieved with debt falling to a sufficiently low level, so we have excluded this goal from our targets as we expect to make increased investments for future growth.

### Improving Competitiveness in Businesses

#### Improving competitiveness in businesses by investments in strategic development, and new organization systems

- ▶ Responding to technological innovation by investments in strategic development, and implementing new product strategies

The Company plans to focus on strategic development of new technologies and products in the fiscal year ending March 2007, and make investments in strategic development amounting to JPY4 billion per annum, in addition to research and development activities that we conduct each year, so that it can swiftly respond to rapid changes in management environments caused by technological innovations such as the rising popularity of digital media content and the progress of digital/network environments, and implement new product strategies of the next generation by looking at these changes as major business opportunities.

Such plan mainly consists of strategic development of car multimedia products, i.e., development of the core of global

navigation system, development and application of mobile multimedia tuners for ground-wave digital broadcasting, satellite digital broadcasting, construction of the "Seamless Entertainment World" for digital media integrating car electronics and home electronics that the Kenwood Group proposed for the first time at IFA (an international consumer electronics exhibition) held in Europe in September 2003, development of a new digital method for wireless radio equipment, and new consortium activities (joint development by the Company, Icom Inc. and Trident Microsystems, Inc.: announced on May 16 in the U.S. before IWCE\* (held on May 17, 2006 in the U.S.).

\* IWCE : International Wireless Communications Exposition, the largest scale exposition of wireless communication technology held in U.S.

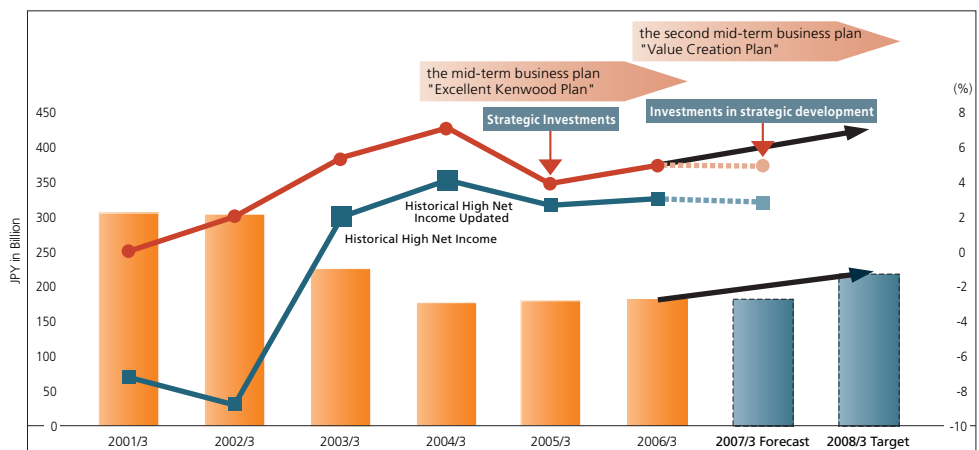
- ▶ Strengthening the business base under a new organization system

For rapidly changing consumer electronics, the Company reorganized its Consumer Business Sector, effective April 1, 2006, to form the "Consumer Business Sector" and "Car Electronics OEM Sector" in order to activate speedy organization activities, promote the realization of the "Seamless Entertainment World" for the strengthening of the business bases of the next generation, expand the OEM business further, and accelerate the growth strategies further based on the second mid-term business plan.

The Consumer Business Sector places the Car Electronics Consumer (Audio) Division, Car Electronics Consumer (Multimedia) Division and Home Electronics Division under its control, each of which handles consumer businesses, and seeks to enhance the competitiveness and growth of these businesses. With regard to the speaker system business, the Speaker System Division was reorganized to reinforce the structure for contributing to these three

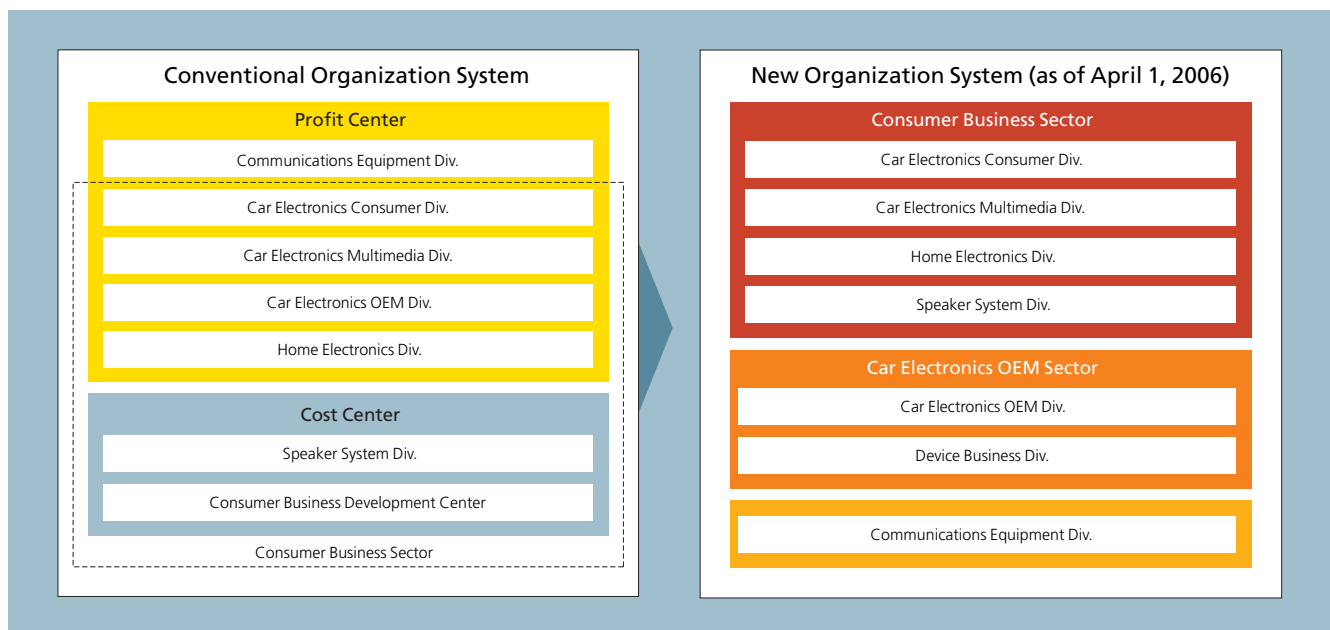
Illustrated progress of the second mid-term business plan "Value Creation Plan"

■ Net Sales  
■ Operating Profit margin  
■ Net Income margin

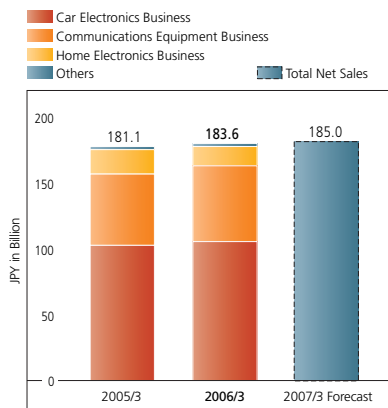


consumer divisions.

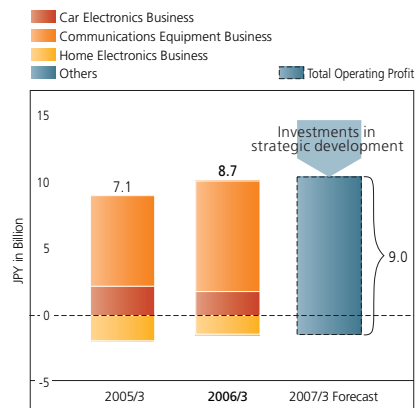
The Car Electronics OEM Sector places the Car Electronics OEM Division under its control, newly establish the Device Business Division, expand its mechanics and device businesses for DVDs, CDs, and the like, and aims to make a further leap forward.



Consolidated Net Sales



Consolidated Operating Profit



**Improving competitiveness of the core businesses**

**Improving competitiveness of the Car Electronics Business**

▶ **Fully-fledged operations for the new line-up of audio products in 2006 for the consumer market**

Because the delay in the closing of former products in the entire consumer market has had lasting effects until the introduction of our new products, the Company has started its fully-fledged operations for the 2006 line-up of car audio products whose introduction to the global market has been delayed, aims to gain the top market share in the entire world as it did with the 2005 line-up, actively cultivate new emerging markets, with the emphasis on the BRICs markets, strengthen the sales system, and increase revenues of the Car Electronics Consumer (Audio) Division.

▶ **Improving the product line-ups of car multimedia systems for the consumer market**

In Japanese market, the Company has started fully-fledged operations for self developed products, whose line-ups have been improved after the product launch in February 2006, and in the overseas market it will focus on mass-merchandised products, the shipment of which began in February 2006 under the Company's new concept. Through these measures, the Company plans to accelerate growth strategy by increasing sales and carrying out reform measures for profitability in the Car Electronics Consumer (Multimedia) business, in which the product line-ups have temporarily stalled due to strategy changes.

▶ **Improving profits in the OEM and multimedia businesses through production increases at the Shanghai Plant**

As previously mentioned, the expansion of the Shanghai Plant has

allowed fully-fledged production increases and strengthened cost competitiveness for car electronics components and OEM car audio products. As a result, the Car Electronics OEM business and the Car Electronics Consumer (Multimedia) business have both been able to increase productivity while significantly reducing processing costs, and the two businesses can engage in the implementation of growth strategies with a renewed level of competitiveness.

**Improving competitiveness of the Communications Equipment Business**

▶ **Business expansion by strengthening communication between the marketing and design sections, and fully-fledged introduction of digital wireless radio equipment**

The Company strengthens communication between the marketing and research sections headquartered in Atlanta, US, and the development and design sections in Japan, and promote business expansion in Europe, Asia, China, and other emerging countries, as well as in the main market of the U.S. The Company will also utilize technological and capital alliances with Icom Inc. in the increasingly digitized commercial wireless radio field, and accelerate the growth strategy of the Communications Equipment business by specifically promoting new consortiums including Trident Microsystems, Inc., and conducting research on digital wireless methods and development of digital wireless radio equipment and network systems in order to strengthen the network system business.

**Improving competitiveness of the Home Electronics Business**

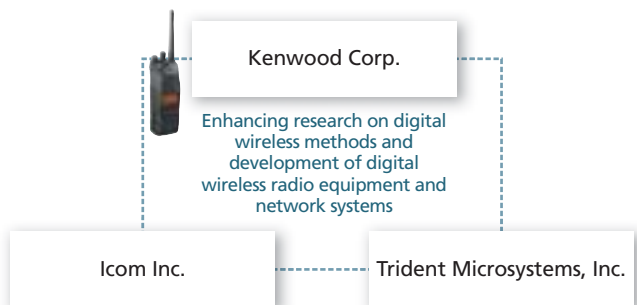
▶ **Improving high quality sound models that utilize high quality sound technologies**

The Company will take advantage of the rising popularity of digital media content and a recovery in demand for high-class audio

Line-up of products for consumer market in Car Electronics Business



New Strategic Alliance in Communications Equipment Business





products as business opportunities, and implement product strategies that utilize Kenwood's own high quality sound technologies. More specifically, the Company increases its product lineups, mainly consisting of high value-added models, corresponding to the rapidly changing audio market in recent years, and promotes the structural reforms of the Home Electronics business. These products include high quality sound digital portable audio players and high-class Hi-Fi audio systems that have been produced by the "Sound Meister," Kenwood's sound officer, and the sales of the current models of these products have been strong.

**Strengthening cost competitiveness through design, procurement and "Production Innovation"**

▶ **Reducing processing costs at plants in France and Shanghai, and strengthening global procurement functions.**

Since February 2003, the Company has started to globally implement "Production Innovation" that was a significant success with regard to the reforms on profitability and cash flows, and realized a significant reduction in processing costs at plants in France (Kenwood Electronics Bretagne S.A.) and Shanghai, as well as in Japanese plants in Yamagata and Nagano.

The Company also reinforced IPO (International Procurement Office) functions of the Shanghai and Singapore Plants, and newly established an IPO in Hong Kong, in order to strengthen global procurement functions.

In addition, the entire Company conducts new operational innovation activities for designs related to planning, systems and products and for production technologies by focusing more on plant

operations, and strengthens cost competitiveness in order to respond to lower prices resulting from increasingly fierce market competition.

**Business and Capital Investments**

The Company has considered making several business investments and corporate mergers in the past, and will also be actively making various effective investments to increase its corporate value in the future.

As for capital investments, in the fiscal year ended March 2006 the Company made investments in the technology center development at the Nagano Plant and the construction of a test course with various road surfaces to be used for development purposes. The Company will purchase neighboring land (approximately 12,800 m<sup>2</sup>), establish experiment, research and customer service facilities, and improve environments for employees' activities in the fiscal year ending March 2007.

The Company will also take actions for new social environments including strengthened security measures.

**Greet the Company's 60th Anniversary Foundation**

**Strengthening brand presence and business promotions through a sales campaign**

The Kenwood Group will celebrate its 60th anniversary in December 2006 and the Company regards the period until December 21, the anniversary date, as the 60th anniversary campaign period. A campaign consisting of various business promotions focuses on expanding the Company's brand strategy to various parts of the globe.

High value-added models "Sound Meister Edition" in Home Electronics Business



High-quality sound, pure audio system "Kseries"



High-quality sound, portable HDD audio player "Media Keg"



Front Surround Home Theater Systems

The 60th Anniversary Mark



# Implementation Status of Corporate Governance

## 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. We are striving to substantiate and enhance corporate governance, 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.

Our corporate group is promoting activities based on our "Kenwood Compliance Guidelines." These guidelines are to be shared by all personnel of the Kenwood Group in order to establish a corporation trusted by society and which also evolves with it. The purpose of these guidelines is to serve as a base to reinforce compliance with the law and internal regulations and so operate honest and precise business; all executives and employees of the group must mutually observe and denounce behaviors that might lead to illegal, corrupt and anti-social conduct.

## 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 June 2006, nine 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 operations at the company and affiliates both inside and outside Japan. Five auditors, including three external auditors, are performing these duties as of the end of June 2006.

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.

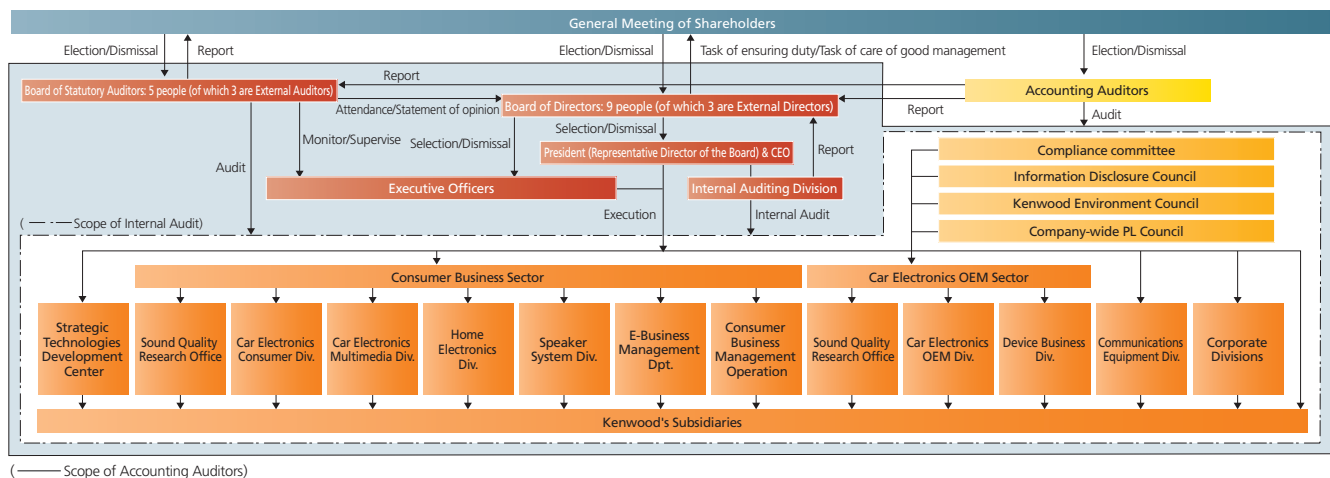
There are two certified accountants who performed duties regarding the certification of an audit for the Kenwood Group, Hiroshi Kawamura and Yasunari Kunii. Mr. Kawamura is a representative partner (continuous auditing for two years) of Deloitte Touche Tohmatsu and Mr. Kunii is an employee thereof (continuous auditing for five years). The auxiliary members for auditing duties include certified accountants, assistant accountants and other assistants, who number 16 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.

## Promoting CSR activities

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 Council" was established for the purpose of enhancing our undertakings relating to product liability.

We submitted 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 commenced to submit 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

The Company has a management team consisting of six internal and three external directors. In the process of improving its efforts for the second mid-term business plan, the "Value Creation Plan", the Company revamps its revenue base and accelerates its growth strategy for each business, as well as improves its next generation business base aiming to realize a "Mobile & Home Multimedia System" business, in order to further speed up the growth strategy.

The Company has strengthened and enhanced its auditor system to respond to stricter qualification requirements for the auditors. With the resignation of one statutory auditor and the election of one new external auditor (part-time), the overhauled auditor system is now comprised of two statutory auditors and three external auditors (part-time).

## Directors and Auditors

President (Representative Director of the Board) ····	Haruo Kawahara	(Reelected)
Director of the Board ···········	Hiroshi Komatsuzaki	(Reelected)
Director of the Board ···········	Kazuo Shiohata	(Reelected)
Director of the Board ···········	Hiroyuki Taki	(Newly elected)
Director of the Board ···········	Shuntaro Tanaka	(Newly elected)
Director of the Board ···········	Akira Seida	(Reelected)
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 ·········	Osamu Hamada	(Not eligible for reelection)
Statutory Auditor (Part-time) ········	Koichi Kurosaki	(Not eligible for reelection)
Statutory Auditor (Part-time) ········	Shojiro Asai	(Not eligible for reelection)
Statutory Auditor (Part-time) ········	Akihiko Washida	(Newly elected)

## Executive Officers \* \*\* means Director and the following position

* CEO ···········	Haruo Kawahara	Chairman of Kenwood Environment Council
* Senior Executive Vice President & Executive Officer	Hiroshi Komatsuzaki	General Executive, Communications Equipment Division General Manager, Yokohama Business Center
* Executive Vice President & Executive Officer	Kazuo Shiohata	General Manager, Corporate Relations Division Assistant to CEO; Personnel & Employee Benefit, Financial Strategy Support
* Executive Vice President & Executive Officer	Hiroyuki Taki	CFO General Manager, Financial and Accounting Division, Senior Manager, Business Accounting Department, Financial and Accounting Division
Executive Vice President & Executive Officer	Akio Ueda	Assistant to CEO; Operation Innovation
Senior Vice President & Executive Officer	Shoichiro Eguchi	Representative of Kenwood Americas Headquarters President of Kenwood U.S.A. Corporation
* Senior Vice President & Executive Officer	Shuntaro Tanaka	Assistant to CEO; Consumer Business Sector General Executive, Car Electronics Consumer Division General Executive, Car Electronics Multimedia Division
* Senior Vice President & Executive Officer	Akira Seida	General Executive, Procurement Division Assistant to CEO; Car Electronics OEM Sector Senior Manager, Strategic Procurement Department, Procurement Division
Senior Vice President & Executive Officer	Kazuhiro Kitahara	Representative of Kenwood Europe Headquarters President of Kenwood Electronics Europe B.V. President of Kenwood Electronics France S.A.
Senior Vice President & Executive Officer	Makoto Inukai	Assistant to CEO; Marketing and Product Strategy, Consumer Business Sector

(As of 29, June, 2006)

## Directors \* \*\* means Executive Officer and Director



Haruo Kawahara\*



Hiroshi Komatsuzaki\*



Kazuo Shiohata\*



Hiroyuki Taki\*



Shuntaro Tanaka\*



Akira Seida\*



Nobuo Seo



Takenori Kawafune



Takeo Nagatomo

## Auditors



Hideaki Kato



Osamu Hamada



Koichi Kurosaki



Shojiro Asai



Akihiko Washida

## Executive Officers



Akio Ueda



Shoichiro Eguchi



Kazuhiro Kitahara



Makoto Inukai

## Corporate Data

<b>Established</b>	December 21, 1946	Yokohama Office
<b>Paid-in Capital</b>	¥11.1 Billion (As of March 31, 2006)	1-16-2, Hakusan, Midori-ku, Yokohama-shi, Kanagawa, 226-8525 Japan
<b>Number of Employees</b>	Consolidated 4,424 Non-Consolidated 1,540 (As of March 31, 2006)	Phone: 81 (45) 939-7000 Fax: 81 (45) 939-7090
<b>Address</b>	Head Office / Hachioji Office 2967-3, Ishikawa-machi, Hachioji-shi, Tokyo, 192-8525 Japan Phone: 81 (42) 646-5111 Fax : 81 (42) 646-7960 URL : <a href="http://www.kenwood.com/">http://www.kenwood.com/</a>	<b>Show Room</b> Kenwood Square Marunouchi Shin-Kokusai Building 3-4-1, Marunouchi, Chiyoda-ku, Tokyo, 100-0005 Japan Phone: 81 (3) 3213-8775
		<b>Japanese sales offices</b> 23bases (As of March 31, 2006)

## Company History

- Dec. 1946 Establishes Kasuga Radio Co., Ltd. (predecessor of Kenwood Corporation) in Komagane, Nagano Prefecture (Photo①)
- 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. (Photo②)
- Sep. 1962 Launches the industry's first transistor amplifier (Photo③)
- Aug. 1963 Establishes the Hachioji office 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 (Photo④)
- 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 (Photo⑤)
- Apr. 1983 Begins selling commercial wireless radio equipment in the U.S. (Photo⑥)
- Jun. 1986 Renamed Kenwood Corporation (Photo⑦)
- Jun. 1986 Becomes the primary sponsor for "Kenwood Cup," one of the world's four biggest yacht races (Photo⑧)
- Feb. 1989 Enters the mobile satellite communications equipment business
- Aug. 1989 Establishes the Yokohama office 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 (Photo⑨)
- Oct. 1991 Signs an official supply contract with McLaren to provide wireless radio equipment for the F1 world auto-racing championship



①



②



③



④



⑤

KENWOOD

⑦



⑧

JRIO

⑨

- Mar. 1992 Enters the car navigation system field (Photo<sup>⑨</sup>)
- 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. (Photo<sup>⑩</sup>)
- 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 stocks, terminates financial agreements, and substantially reduces interest-bearing debts
- Mar. 2005 Launches self developed car navigation systems in the consumer market (Photo<sup>⑪</sup>)
- 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 audio player (Photo<sup>⑫</sup>)
- Aug. 2005 Finishes redemption of the first tranche class-B preferred stock, resulting in the complete redemption of all preferred stocks
- Aug. 2005 Completes construction of new building at the Shanghai Plant
- Aug. 2005 Kenwood Design Corp. starts industry-university joint research cooperation with Tama Art University
- Oct. 2005 Completes test course with various road surfaces at Nagano Plant
- Feb. 2006 Releases self development AV integrated car navigation system for the first time in the Company (Photo<sup>⑬</sup>)
- Apr. 2006 Shanghai and Malaysia factories receive ISO/TS16949: 2002 certification for automotive quality management system



⑨



⑩



⑪



⑫



⑬



⑭

## Factories

### ● Kenwood Yamagata Corporation (Yamagata Factory)

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

### ● Kenwood Nagano Corporation (Nagano Factory)

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. (France Factory)

Rue Saint-Exupery 35150 Janze, France  
Phone: 33(2)99473232  
FAX: 33(2)99470550

### ● Kenwood Electronics Technologies (S) Pte. Ltd. (Singapore Factory)

No.1 Ang Mo Kio Street 63, Singapore 569110  
Phone: 65(6482)3222  
FAX: 65(6482)4966

### ● Kenwood Electronics Technologies (M) Sdn. Bhd. (Malaysia Factory)

8, Jalan Padu, Kawasan Perindustrian  
Tampoi, 80350 Johor Bahru, Johor, Malaysia  
Phone: 60(7)2371261  
FAX: 60(7)2371297

### ● Shanghai Kenwood Electronics Co. Ltd. (Shanghai Factory)

No. 60 Rongle East Road, Songjiang  
Shanghai China Postal Code 201613  
Phone: 86(21)57741800  
FAX: 86(21)57742822

## Sales / Others

### North America

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