

Management Activities

Kenwood management believes that increasing the efficiency and transparency of decision making through enhanced corporate governance is crucial to improving corporate value. Towards that end, we are striving to strengthen and complete corporate governance by implementing a group-wide internal control system. The checks in this system are improved through division of management and executive functions, employing outside directors and corporate auditors, and the establishment of an Internal Auditing Division.

Corporate Governance System

Board of Directors

While functioning as a body that makes fundamental and strategic decisions, they are responsible for supervising the executives. They deliberate and vote on the basic policy of management and other important matters, and supervise the state of corporate affairs. Since 2000, directors have had a term of one year.

Executive Officer System

In 2002 we laid out a new system of governance, the basis of which was introducing an executive officer system to clarify the separation between the directors and the executives. Currently there are 9 directors (6 from within the company and 3 from outside), and 10 executives (including 5 who are also on the board) that fulfill these responsibilities.

Auditors

Auditors attend meetings of the board and the executive committee, and hold meetings of the Board of Corporate Auditors. They also supervise the executives and accounting throughout the Kenwood Group. As of June 2006, there are 3 external auditors and 5 internal operators fulfilling these responsibilities.

Status of the Internal Control System

The following system has been established to ensure that Kenwood's business practices are appropriate.

● System to Ensure Lawful Execution of Duties

Establishment of the "Basis for Decision Making Rights"

We established regulations to clarify who has the responsibility to make decisions within the company. We are working towards a complete system that ensures the execution of duties by employees throughout the Kenwood Group are quick and appropriate.

Establishment of "Kenwood Compliance Guidelines"

In 2003, guidelines were established for all employees of the Kenwood Group. The guidelines have been distributed to all employees to form a basis of knowledge about compliance. At the same time, we are monitoring and executing compliance education and instruction programs as necessary.

Establishment of a Compliance Committee

This committee created at the top of the corporate division to draft policies for group compliance and education, and to make inquiries of the CEO.



- Ch. 1 As a Member of Society
- Ch. 2 For Investors
- Ch. 3 Dealing with Competitors and Suppliers
- Ch. 4 Regarding Customers
- Ch. 5 As a Member of our Company
- Ch. 6 As an International Citizen
- Ch. 7 Protecting the Environment
- Ch. 8 As an Employee
- Ch. 9 Aims and Application of the Ch.1 Guidelines, Hot Line

Kenwood Compliance Guidelines

● Risk Management Activities

Responding to Risk

The Kenwood Group is predicting risks, preventing accidents, and quickly responding to emergency situations through the establishment of a "Risk Management Policy", a "Disaster Response Plan", and an "Insider Information Management Policy".

Environmental Framework

In order to enhance our environmental measures and the environmental risks inherent in the production and sale of products, we have implemented policies for each division as decided by our "Green Products Promotion Council" and the "Environmental Protection Promotion Council."

● Maintenance of Internal Audits and Establishment of a Hot Line

Establishment of an Internal Auditing Division

Kenwood has established an Internal Auditing Division that audits all aspects of the Kenwood Group and reports directly to the board of directors. Its policies and directives are set out in our "Regulations on the Management of Affiliated Companies" and our "Basis for Decision Making Rights".

Establishing a "Hot Line"

A "Hot Line" (corporate reporting system) for people to contact the Internal Auditing Division. This system is meant to prevent the violation of laws and company policies by obtaining the advice of corporate lawyers and other outside advisors and conferring protection of whistle-blowers.

● Timely and Appropriate Release of Information

Establishment of an "Information Disclosure Council"

Kenwood has declared its stance on the timely and appropriate disclosure of information. To facilitate this, Kenwood has set out policy in its "Regulations on the Timely and Appropriate Release of Information", distributing it to the entire group. Also, audits are performed by the auditors and the Internal Auditing Division through the establishment of the "Information Disclosure Council."

Overview of Year's Activities Toward Complete Corporate Governance

• Since June 2006, the Chairman of the Board has been directing management and supervising the execution of business. Also, Kenwood started working to improve its internal controls by establishing a project spanning the entire Kenwood Group to produce the "Internal Control Report".

Corporate Governance Framework

