

**KENWOOD**

Listen to the Future



**Social & Environmental  
Report  
2007**

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- Period covered by this report  
April 2006 through March 2007  
2007 is only partially covered in this report.
- Applicable range  
This report covers the activities of the Kenwood Group worldwide.
- Reference materials  
Environmental Reporting Guidelines from the Japanese Ministry of the Environment (2007 version)  
2002 GRI Sustainability Reporting Guidelines

# About this report

This report was compiled as a way to introduce our stake holders to the business activities of the Kenwood Group from the viewpoint of social responsibility and trust.

Kenwood started environmental conservation activities in 1992 and has published an "Environmental Report" since 2000. We changed the name in 2007 to "Social and Environmental Report" to reflect a desire to report on activities that are making Kenwood a more socially conscience company with products and services that contribute to the betterment of society.

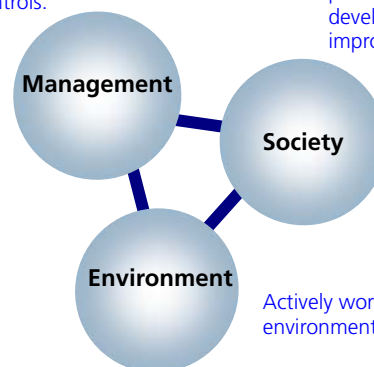
- Structure of this report  
"Management Activities", "Social Activities" and "Environmental Activities" are the pillars of the broad range of activities of the Kenwood Group derived from our corporate vision.

Detailed information on our financial status is available in our Annual Report.

- Special Feature  
We at Kenwood have developed a program entitled **Industry and Academic Collaborative Research** to educate the next generation of young people.

Development of a stable and socially conscience company through corporate governance and maintenance of internal controls.

Developing a corporate value in society by contributing to society through products and services, providing stable employment, developing employees, and local improvement activities.



Actively working to preserve the environment and reduce CO<sub>2</sub>.

# Message from the President

**Our corporate vision is  
"Reaching out to discover, inspire and enhance the enjoyment of life"**

## **More than just a company that makes products, our corporate values aim to improve customer satisfaction**

Since our founding in 1946, we have been active as a dedicated maker of audio and communication equipment, from the production of an FM tuner that won critical acclaim around the world during the period when Kenwood was called TRIO Electronics (1960 to 1986), to the development of the world's first audio transistor and our entrance into the car audio business in 1980. Our business area covers the entire world, from Japan, North America, Europe, Asia, China, Eastern Europe, Russia, Central and South America, and the Middle East.

With our corporate vision as "Reaching out to discover, inspire and enhance the enjoyment of life", we are dedicated to providing products and services that offer outstanding customer satisfaction by utilizing our strengths in product design, technology, global networking and our brand name as a unique company with car electronics, communications, and home electronics as our three core businesses.

We are constantly striving towards becoming a company with a brand presence by increasing our corporate value and gaining the long-term trust of our customers.

## **Fulfilling our responsibility as a corporate citizen through environmental activities**

Rather than just seeking profits, we believe that as a corporate citizen it is our duty to society to develop trust with our stake holders and to enhance corporate value by contributing to society through environmental activities.

At Kenwood, we are striving to realize our corporate vision by becoming a "Green Corporation" that lives symbiotically with the environment.

It is our firm belief that we must foster respect for the environment in people by playing a role in society through various environmental activities, self-realization of societal responsibility, and contributing to a sustainable society.

## **A path to tomorrow through the knowledge and innovation of individuals**

Kenwood's corporate mission is the strengthening of compliance and risk management. At the core of producing a Kenwood product is the idea of "listening to the market" by increasing the sensitivity of our proverbial antenna towards customer needs and new technologies. This process starts by actively developing an environment where employees work with enthusiasm.

With this in mind, we inaugurated two new business frameworks in 2007 called the "Product Development Center" and the "Human Resource Development Center".

It is our plan to help the individual employees who support this company to realize that they are professionals and that they are contributing to society through their work.

We aim to fulfill our corporate vision, forging a road ahead using our knowledge and innovation.



*K. Shiohata*

Kazuo Shiohata, President and CEO

# Business Overview

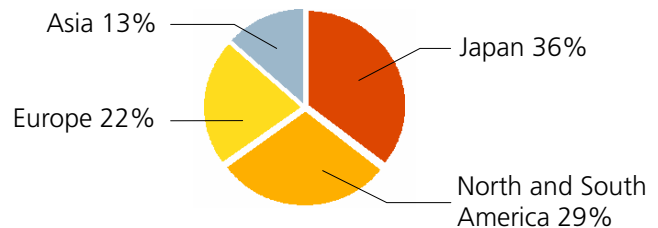
## Company Overview (March 2007)

- Founded December 21, 1946 (Showa 21)
- Capital ¥11,100,000,000
- Employees Consolidated 4,438
- Headquarters Tokyo (Hachioji)
- Factories Hachioji plant and Yokohama plant
- Core businesses Car electronics business  
Communications business  
Home electronics business
- Affiliated companies See page 46.
- Production network See page 46.

## Major Management Indicators (consolidated) (Millions of yen)

	2003/3	2004/3	2005/3	2006/3	2007/3
Sales	225,579	178,731	181,112	183,616	169,194
Operating profit	12,260	12,610	7,061	8,686	5,617
Net profits	4,221	7,318	4,836	6,104	1,586

Breakdown of consolidated sales by region (fiscal 2006)



## Audio Visual Products

Since the successful introduction of our FM tuner across the globe, Kenwood has expanded business based on the concept of "High Quality Sound". We have used our superior high frequency radio technology to increase our presence as an audio maker on the global scene.

The ongoing changes in media is opening up many business opportunities as new digital audio players and other new media become more popular. Kenwood is bringing to market the best sound quality in portable digital media products to provide a seamless "audio entertainment" experience that people can enjoy in their homes and cars.

In the automotive OEM (supplying products through other brands) field, we are leveraging our product planning, brand presence, and high technology recognized in various markets to expand our business supplying products and parts for car audio and navigation systems to the world's automakers.



Car audio



Home audio



Speakers



Digital audio player

Audio



In Japan



Overseas



Audio navigation



CD/DVD mechanisms

Navigation

Automotive OEM

## Communications (wireless transmitters)

Since its founding, Kenwood has developed a communications (wireless transmitters) business using high frequency technology to build a company with innovative technology and high-level know-how. Kenwood's main business operations in the wireless transmitter field holds the world's second largest share of the public safety market (police and fire department wireless communications). The same Kenwood performance and reliability has been proven for 17 years around the globe in Formula 1 (F1) racing through our support of the famous Vodafone McLaren Mercedes team. In the future we aim to dramatically raise the level of business in our largest US markets including emerging new businesses.



Industrial wireless communications

Project 25 (P25) is our line of digital industrial transmitter products for the United States police, fire and other public safety agency markets.



Digital transmitter for McLaren



Amateur radio



Short range transmitters

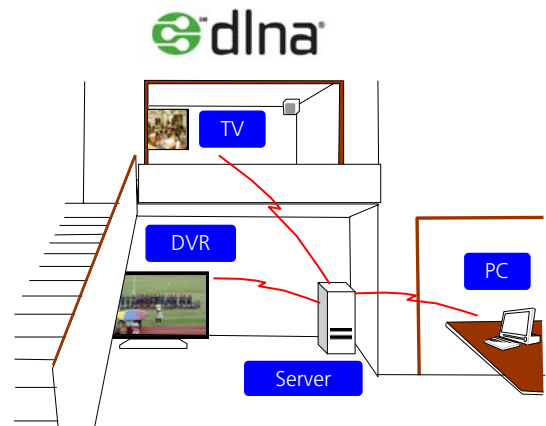
### Researching and developing the next breakthrough technology

As the digital network society of the future begins to take shape around us, we are developing the next generation of breakthrough technologies to bolster our three core businesses (car electronics, communications, and home electronics). Examples:

- DLNA\* technology to create a unique "seamless entertainment world" in which content, like car audio, home audio, and portable audio can be freely shared.
- Technology for receiving digital terrestrial broadcasts in Japan and overseas, and satellite broadcasts around the world
- High quality audio communication technology
- Technologies for audio compression
- CD/DVD mechanisms
- New materials for making speakers

\* DLNA (Digital Living Network Alliance)

DLNA is a group of leading companies in consumer electronics, computing and mobile devices that are working together to advance standardization to achieve interoperability and connectivity in the digital age.



How to use DLNA

# Special Feature

## Industry and Academic Collaborative Research

With the idea developing products that are integrated with society, Kenwood is collaborating with universities both in Japan and overseas to teach young people about the expertise and abilities they will need for the future by using the technology and people it has fostered over the years.

These collaborative research experiences teach more than just theory. The students work with professionals until the product hits the market, providing them with a creative and realistic experience.

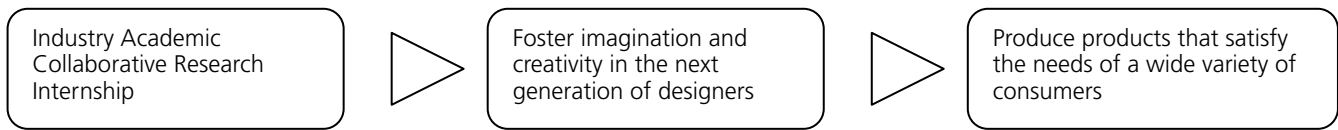
### Industry Collaborating with Academics at the ENSCI University in Paris France

Kenwood Design is our product design division. It started in 2005 with the establishment of the Product Design Research Group (38 people) at the Tama Art University to form a collaboration between industry and academia. In 2006 we established the same type of group with 34 people at the ENSCI university in Paris France to work and study together.

ENSCI is located among the old streets of Paris near the Bastille. The French flag can be seen flying from its entryway indicating it is a Public University



We are actively seeking candidates for internships. They will experience a wide variety of opportunities in a PDCA based product development process applying industrial design to bring products that shape our world to market.



### Overview of research

Basing their studies on the concept of "feeling happy", the researchers collaborated to study environmental problems and how systems and products could be provided 10 years into the future.

Their research pushed the envelope and was full of fresh ideas and feelings. They hypothesized, investigated, imagined and designed a new sense of values for an age where information technology is driving rapid advances in network systems with a demand for communications technology.

The results of their research are 36 works that were on display at the ENSCI open campus.



Near the entrance of the campus Students live an inventive lifestyle in the creative spaces provided by remodeling an old factory

## A look at the projects

### 1. Testing new ideas

We can see many of the students produced work with an eastern flair. In recognition of the collaboration with Japanese companies, the submissions featured kanji graphics, bamboo and carbon hybrid materials, patterns from old Japanese textiles and a bit of Zen. The goal of this collaborative research was to cultivate designers with an international outlook on life. To do this, our Kenwood design staff met with the students to discuss their projects twice a week for four months.



Researchers forecast the history of media from 1800 to 2020.

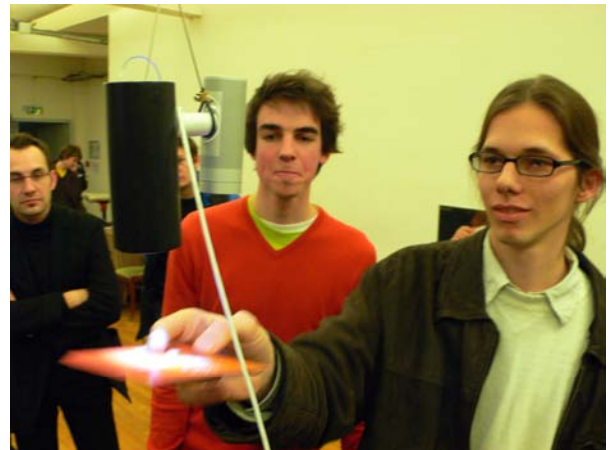


Interim check  
Presentation with conceptual models and panels



## 2. Presentations

The students gave 36 presentations and received evaluations and advice from Kenwood staff over the course of 2 days.



Students listening carefully to the advice of Kenwood staff and instructors

Students giving presentations using hand-made models



Overall review by president of Kenwood Design, Mr. Tanaka.

The presentations were done in a casual manner



### 3. Open campus

All 36 projects were displayed in the atelier. Hand-made models, panels, and images were used to give the presentations.

The projects garnered a lot of attention from outside the school, including students hoping to become designers and people working in the design business.

Visitors look at panels to understand the concepts and procedures. Participating designers were also available to field questions



### Overview of the Tama Art University Industry and Academic Collaboration in 2005

Basing their theme on "a Happy Feeling", thirty-eight people (in eight teams) worked together on products. They were able to experience the joy of creating things with their own hands.

Off-campus presentations were held as part of the "Tokyo Designer's Week" at the Axis Gallery Annex in Roppongi. Foreign media were present to bring the presentations and designs of the academic/industrial design teams to the world.

Event at the design campus. Everybody brought an instrument for a jam session

Sketches of a project idea



Right: Students giving presentations using a projector and costumes  
Left: Students having fun building models for their projects

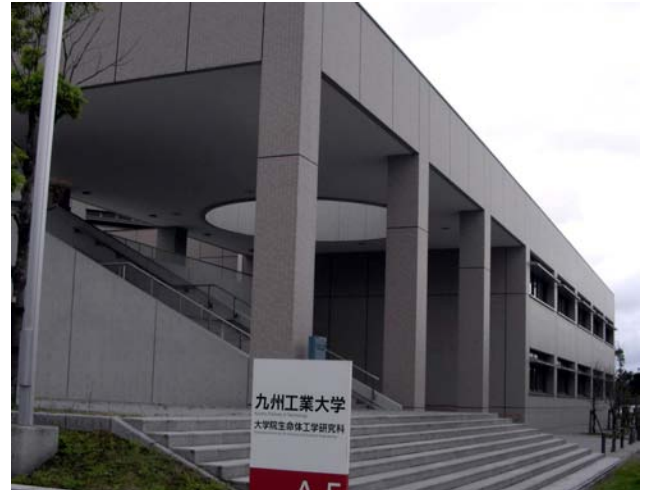
## Industry and Academic Collaboration with Kyushu Institute of Technology

Kenwood has formed an alliance with the Kyushu Institute of Technology (located in Kitakyushu, Fukuoka Prefecture) for industry and academic collaboration. Together we are working to advance the education of people by developing technology for automobile and audio equipment.

Industry and academic collaborative research covers such technologies as machine/human interfaces, high-quality digital audio, and digital compression of audio signals. The best research results are considered for development into actual products, giving the students the full experience of product development.

The knowledge and abilities of the next generation of students has great meaning. Universities are able to contribute to the development of societies and financial growth. By using the academic results for early product development, businesses gain great advantages.

In the future we can expect great things from our collaborative research through the increasing give and take between engineers.



### Some products that feature the results of collaborative research



Car audio



Home audio



Digital audio player



Navigation

# Corporate Vision

The employees of the Kenwood Group all share the Kenwood Corporate Vision. Our employees are proud that Kenwood is a company that does business based on five core values. A company that is continuously working to develop together within the communities around it.

## ●Corporate Vision

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

## ●Guiding Principles

Cultivate original thinking and execute with pride, passion and precision.

## ●Core Values

### 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

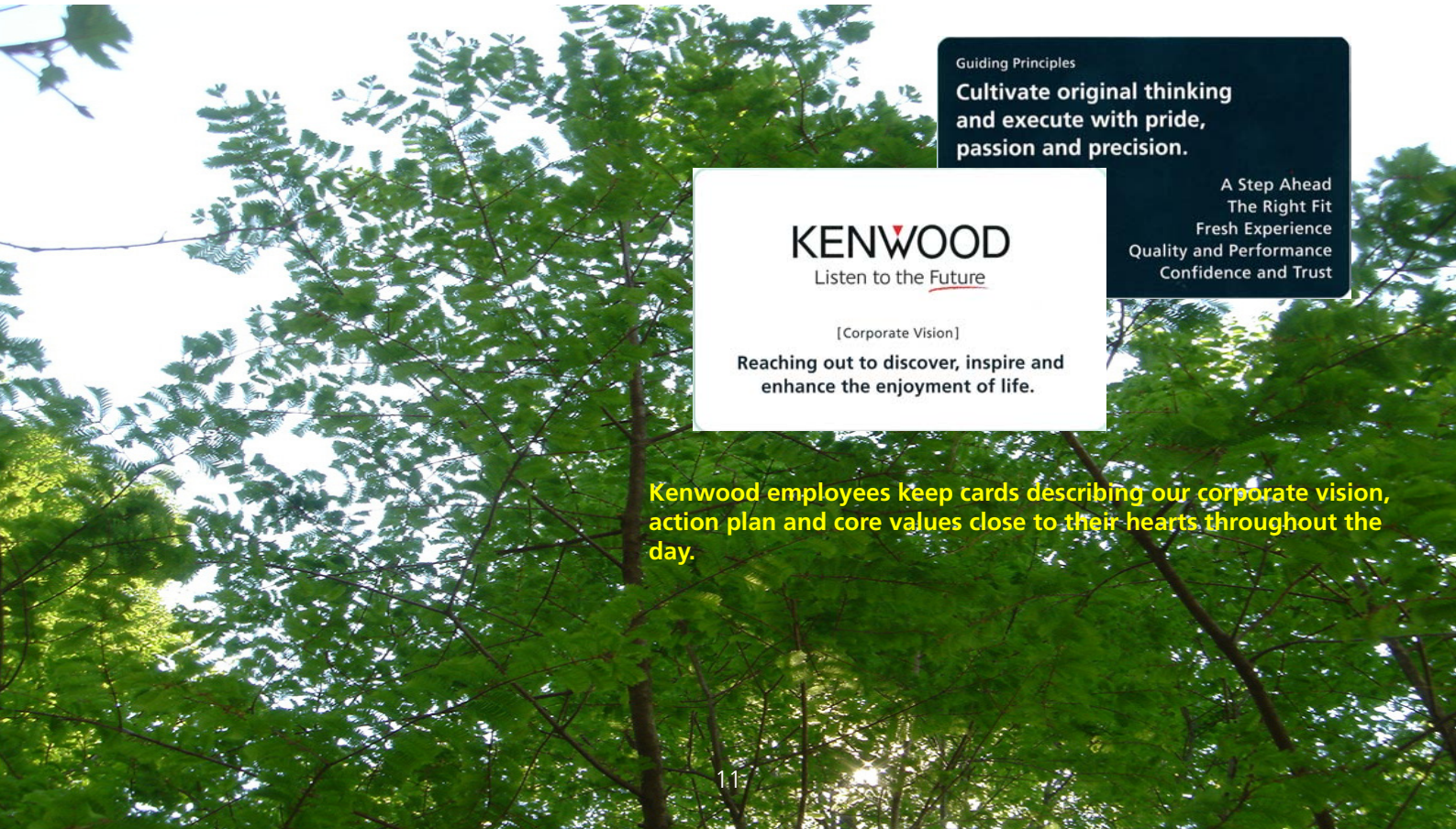
To foster the spirit of discovery at work and refreshing surprise in daily life.

### Quality and Performance

To insist upon 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.



Guiding Principles

**Cultivate original thinking and execute with pride, passion and precision.**

**KENWOOD**  
Listen to the Future

[Corporate Vision]

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

A Step Ahead  
The Right Fit  
Fresh Experience  
Quality and Performance  
Confidence and Trust

Kenwood employees keep cards describing our corporate vision, action plan and core values close to their hearts throughout the day.

# 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

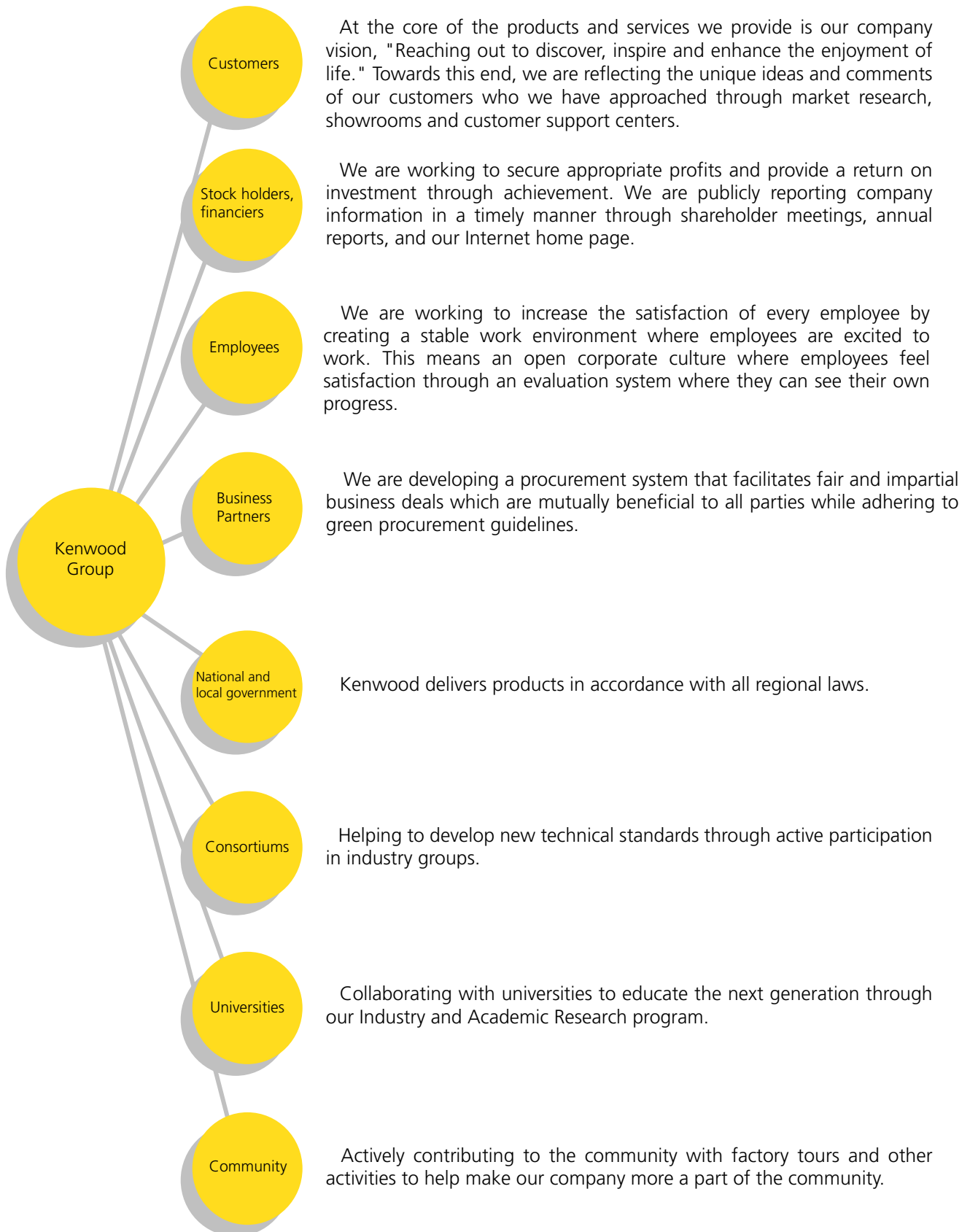
In order to enhance our environmental measures and the environmental risks inherent in the production and sale of products, we have implemented policies for each division as decided by our "Green Products Promotion Council" and the "Environmental Protection Promotion Council."



# Social Activities

The Kenwood Group employees are communicating with stakeholders to maintain high customer satisfaction and providing products and services as responsible members of society.

## The Relationship with Kenwood Stakeholders



# Working With Our Customers

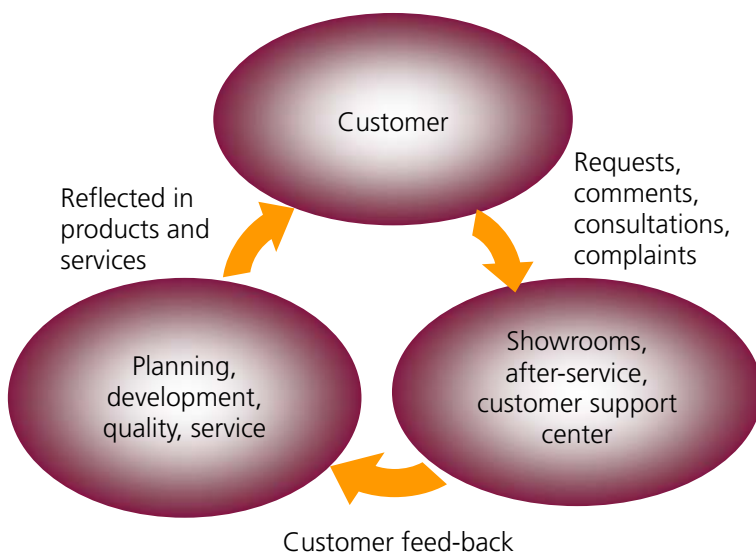
Stemming from our corporate vision of "reaching out to discover, inspire and enhance the enjoyment of life", we at Kenwood are striving to produce products and services that satisfy our customers by putting ourselves in their shoes. Our goal is continually boosting customer satisfaction by treating "customer comments" obtained at showrooms, customer service centers, and service locations as an important resource.



Customer support center

## ● Quality Products and Safety

The Kenwood Group is going the extra mile to improve the quality of products throughout their entire lifecycle, from design and development, to production, shipping, sales, use and disposal, all to provide products that people will love and can use worry-free for many years. To show the importance of product safety at Kenwood, the CEO established and is the chair of the Product Liability Committee. On the rare chance that there is a problem with one of our products, a plan is quickly developed to recall the product and take measures to prevent further risk. We also immediately inform the appropriate regulatory authorities and place important information on our home page (under a section entitled "Important Notices").



## ● Customer Support Center

Kenwood's Customer Support Center was created to build trust, satisfaction, and give peace of mind to our customers through pre-purchase consultations and product support. Kenwood has established a feed-back system, where customer comments, requests, and complaints, are quickly sent to the appropriate division, such as planning and development, and then put to use within our company and products.

## ● After Service

Kenwood's service division has a solder checking system and trains repair technicians to provide quick and precise service in an effort to gain customer satisfaction, trust and peace of mind.

We also provide environmentally conscious services based on ISO 14001 in tandem with our company's environmental policy.

For our older and physically challenged customers, we provide home service to help with moving, setup, and connection of our products.

## Opening of the Renovated Kenwood Square Marunouchi

The Kenwood Square Marunouchi has recently been completely overhauled and moved from the bland business district to the Marunouchi area, a hot-spot for information and trends.

Improving on the current concept of "try before you buy", the store has a listening room and corners for customers to try transferring audio to digital audio players and test car navigation systems using car mock-ups.

It is our hope that shareholders will discover something new by experiencing the products, technologies, and quality of Kenwood first-hand in this bright and open environment.



### ●Promenade Concert

The "Promenade Concert" is a popular showroom event held during the lunch hour on weekdays from 12 to 1pm, where customers can listen to popular CDs and DVDs in high-quality. Customers enjoy the chance to listen to these CDs and DVDs before purchasing them and it functions as an opportunity for customers to experience our equipment.

There is no entrance fee and customers are free to come and go. The monthly schedule of events is available on the Kenwood home page.

<http://www.kenwood.co.jp/j/square/index.html>

### ●The Sound Meister Lecture

The Kenwood Sound Meister\* plays an important role in the creation of our product's sound. At this lecture, the Sound Meister talks directly to customers about audio.

\*The Sound Meister is the person ultimately in charge of sound at Kenwood.

### ●Salons For Spreading Music

#### "Twilight Live"

Live concerts held on selected weekday evenings featuring music from all genres.

#### "Pied Piper Days"

Here, FM radio hosts Nagato Yoshiro and Tobashi Kazuko play popular Western and Japanese music, and chat with famous guests. Held on the first Saturday of even numbered months.

#### "Music Masters: Talk & Music"

Music producer Iwata Yukio and the singer of "The Five Red Boats", Aoki Mariko, introduce songs according to a daily theme. You can also enjoy Aoki Mariko accompanying herself on guitar.

#### "Jazz Collectors Club Meeting"

Jazz lovers can enjoy talking about disks from their collections while listening to them in high-quality.

Kenwood Square Marunouchi event information is distributed to members through a monthly e-mail magazine and allows us to provide complete service to our 1,600 members.

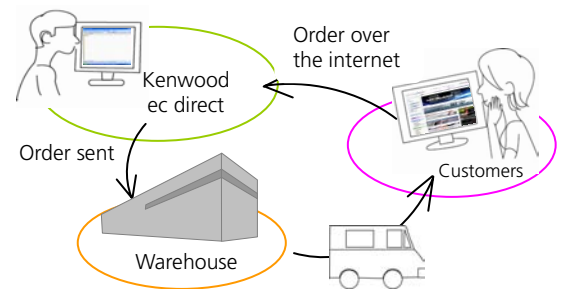
## "Kenwood ec direct" - A Direct Sales Site to Make Shopping More Convenient

Although local retailers may be out of stock, the "Kenwood ec direct" service has been developed as an online store to allow our customers to check the availability of products from their computer and have them delivered to the location of their choosing at any time.

For example, rather than going to the store time-and-again to purchase consumables like earphone caps, customers can order them from the comfort of their own home. Also available are a wide variety of other services and products including a service that allows customers to borrow a transceiver to run communications tests and "Kenwood ec direct" limited-time product offers based on market research.

"Kenwood ec direct" gives us direct communication with our customers and helps us to produce even better products to fit our customer's needs.

<http://www.ec-kenwood.com/>



Products can be delivered directly from the warehouse next-day.

● Extra time may be required depending on your location and the warehouse.

## Offering Products that are Integrated into Our Lives

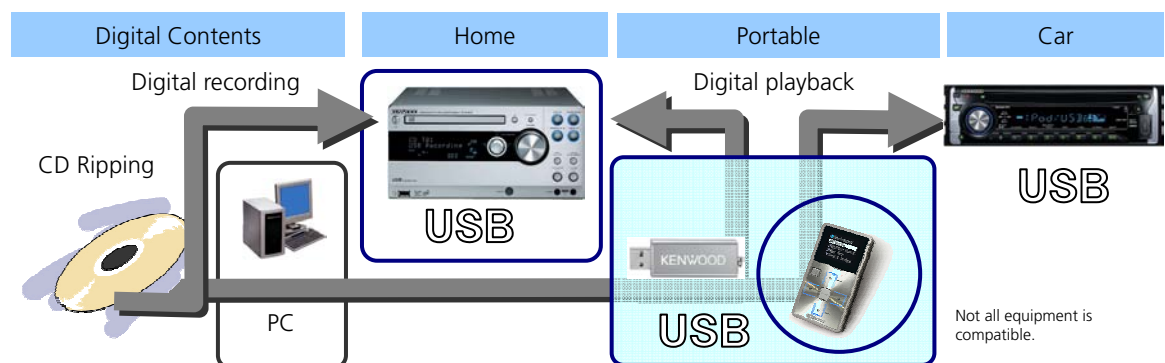
Music brings joy to our hearts in all aspects of our daily lives, either commuting to work and school, or simply driving. Kenwood audio equipment has cleared the radio safety and export regulations for every nation. Moreover, our equipment is produced using our unique high-quality technology and know-how combined with our Sound Meister's insatiable pursuit of perfect sound reproduction.

### ● The New World Proposed by Digital Media

Since the sale of the "Z919", the world's first car stereo with built-in MP3 decoder, in 2000, Kenwood has lead the market in car audio devices that support playback of MP3 and WMA disks. In 2006 we fused high-quality sound technology with cutting-edge digital and network technology to produce car and home audio devices equipped with USB ports. Through the popularization of new types of media, such as digital audio players and USB memory, we are involved in the realization of "seamless entertainment", where people can enjoy high quality music at any time and at any place.



Z919



### ● Popular Products

Models in collaboration with King Records and Chara-ani

Commemorating the 10 year anniversary since the broadcast of the animation "Neon Genesis Evangelion" is the "HD20GA7" portable HDD player (right) that produces high quality sound using the world's first digital amplifier and loaded with music from the series. Created in the image of the two heroines, the players each have their own body color, wallpaper and are preinstalled with all five of the "Eva" albums, encompassing 112 songs. Each is highly detailed and original, from the start-up screen, to the icons and GIF animations. The unit as been extremely well received and since selling-out in 2005, we increased production in 2006 in response to market demand.



Ayanami Rei Model  
REI-WHITE

Soryu Asuka Langley Model  
ASUKA-RED

## Cooperation on Components and Advances in Sound Quality

Kenwood, with the help of our Sound Meister, has provided equipment and acoustical support during two events: The special program for the opening of "21\_21 DESIGN SIGHT" facility housed in Tokyo Midtown and designed by Ando Tadao called "Ando Tadao Construction Site 2006 - A Hard-fought Process" and the installation "Additive Inverse" by renown choreographer William Forsythe (April 7 through April 18, 2007).

Sound was set up in line with Kenwood's ideal of "reproduction of original sound" and then combined with projected images to envelop the room and faithfully reproduce the artistic sound and images.

21\_21



PHOTO:MASAYA YOSHIMURA / NACASA&PARTNERS, Inc.



Sound Meister setting up equipment

## Providing High Quality Sound Technology to Various Industries

### Entertainment audio for adults from Bandai Providing high quality sound technology for the "LITTLE JAMMER PRO. tuned by KENWOOD"

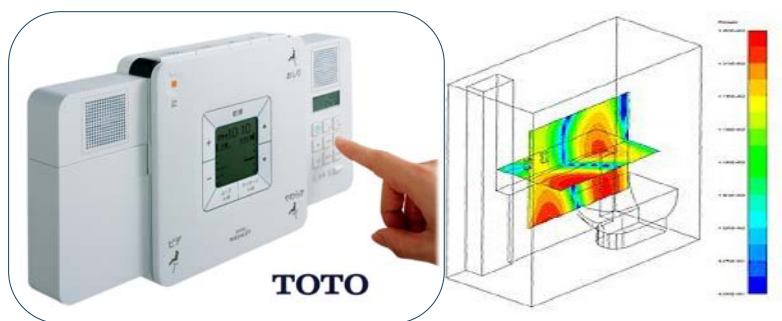
Since Bandai's 2004 release of the "LITTLE JAMMER meets KENWOOD", we have invested technology to produce pure audio and have helped bring high quality sound to entertainment audio, a business that has evolved beyond toys.



### Audio Support for TOTO's "Auto Sound Remote Control"

The sensor within the remote control detects when people enter and leave the restroom and then plays a selected song to create a more comfortable environment. The high quality sound required by the Washlet \* remote and the multi-purpose "Auto Sound Remote Control" meant analyzing the sound field of the restroom. The result was a refreshing world of deep sound created using Kenwood's high quality sound technology.

\*Washlet is a registered trademark of TOTO.



Analyzing sound fields in restrooms using technology developed for car audio.

### Provided High Quality Sound Technology for "miuro", the World's First Autonomous Motion Technology Network Music Player from ZMP Inc.

The "miuro" is a network music player that allows you to enjoy music at any place and any time in your house using cutting-edge robot technology known as autonomous motion.

Without compromising the progressive design of the "miuro", Kenwood provided its sound quality technology from the same viewpoint as with pure audio systems, aiming for high-quality sound based on the concept of "reproduction of original sound" for this music player.



Black



Yellow



White

(C)2007 ZMP INC.

## Famous Business Radios with High Reliability Used Around the Globe

There are many people working to maintain the safe living environment we take for granted everyday. Police, fire, and emergency services are ready to respond 24-hours a day. These services choose business radios over regular cell phones for the following reasons.

### Benefits of Business Radios

1. Communication with the press of single button. There is no need to wait for the other person as with a cell phone.
2. While cell phones are limited to one-to-one communication, the zone programming option on business radios allows calling of groups or all parties.
3. A direct mode of communication, rather than through a base station, guarantees reliable communication in an emergency.
4. The heavy-duty design gives it strong impact-resistance against drops on even the hardest surfaces.
5. Explosion proof business radios are available for use at chemical and oil plants.
6. Water resistant business radios are available for fire fighting and use in other severe environments.

Because Kenwood business radios provide analog and digital communication under these severe environmental conditions, they are used around the globe to support activities guaranteeing the safety of assets and human life.

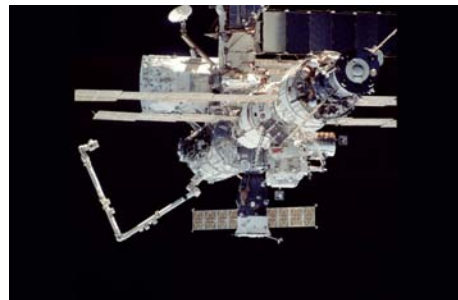
Moreover, the famed high reliability of our radios has lead to their use by police, fire, at large-scale retail stores, events, hotels, schools, factories and for shipping. As the world's second largest manufacturer of business radios, we are contributing to a multitude of social and business activities.



Our radios are built in accordance with the wireless radio laws for every country, allowing these save and convenient communication tools to be used for communication in developing countries, schools, and a wide variety of other daily situations.

### Amateur Radios are Loved Even in Space

You can find Kenwood amateur radios even on the International Space Station. Products for use on the space station must pass a number of strict tests. Kenwood radios were selected because of their high reliability, multitude of functions and superior operability. Amateur radios are recognized as a way to facilitate communication to help maintain the mental stability of astronauts working in such a unique environment and to stimulate education about both radios and space.



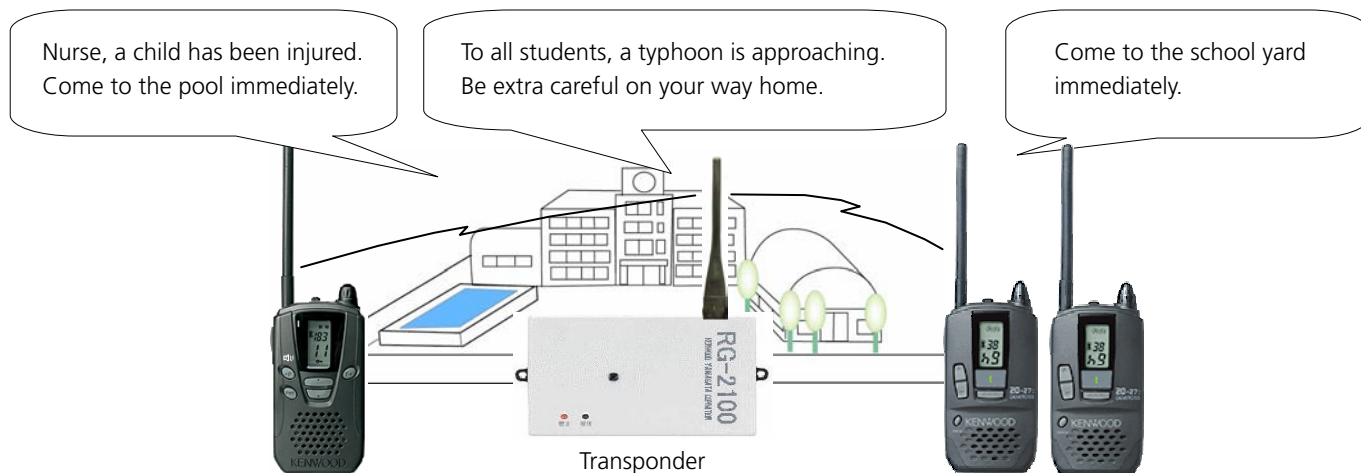
### Digital Communication Supports F1 Racers

In the world of Formula One racing at speeds in excess of 300 km/h where g-forces and vibrations are extreme, maintaining stable communication is difficult and radio makers who can meet this challenge are few. For a long time, Kenwood has been the official supplier for the famous Vodafone McLaren Mercedes team, contributing to this winning team by developing and supplying a digital radio system for their exclusive use under these extreme conditions.



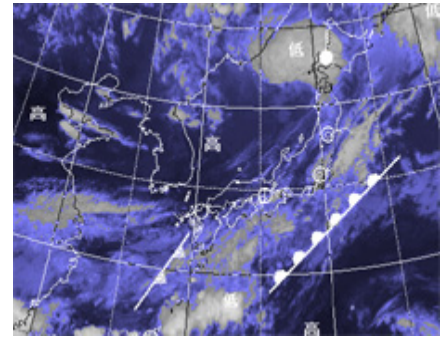
### Emergency Broadcast Systems for Schools

Recently society has witnessed a number of incidents where intruders have entered schools and caused harm to the children. In response, Kenwood developed an emergency broadcast system utilizing a special low power transceiver. It has been introduced in "Activities for Managing School Safety" published by the Japanese Ministry of Education and is now used by many schools across Japan. In event of an emergency, evacuation instructions can be broadcast to every room. It facilitates communication on a daily basis between the pool, the gym, the school yard, and the teacher's room and can be used on a wide variety of other occasions such as school sports and culture festivals, and even on off-campus excursions.



## Weather Imaging System Prevents Disasters

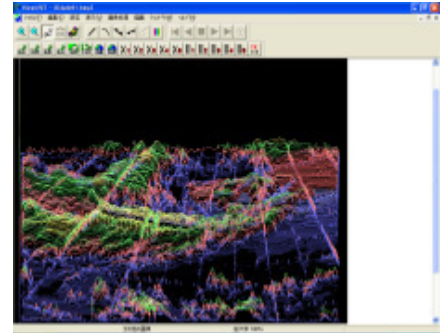
In today's world, weather information is something we cannot live without. The WeatherSat 500, developed by the Kenwood Group, is a system that directly receives weather images observed by the "Himawari 6 (MTSAT)" multi-functional transport satellite orbiting over the equator. It is used by government agencies, schools, and museums. The system helps prevent disasters by allowing users to playback video and images of the constantly changing weather to observe phenomenon such as large typhoons.



Weather map symbols, weather front



WeatherSat 500



Overhead view

---

## Short Wave Radio Enables Long-distance Communication

Although cellular phones are quickly becoming popular in developing countries, other methods of communication are necessary, both in emergencies and on a daily basis as cellular phone coverage is limited to the industrial areas. Regular short wave radios are widely used for communication for middle to long distances. At Kenwood, we are applying our short wave radio know-how, honed since our founding, to produce highly reliable short wave radio devices that support life in places like Asia, Africa, and Central and South America.



# Working with Our Employees

By incorporating various programs and building an excellent work environment, Kenwood strives to enable each employee to attain their full potential. We want them to grow as individuals and as a whole, making the work place full of vitality.

## Personnel Evaluations to Attain a Sense of Purpose

Kenwood's personnel evaluation system seeks to develop, train, and use employees whose salary is based on the person's ability to think and act on their own and resolve problems.

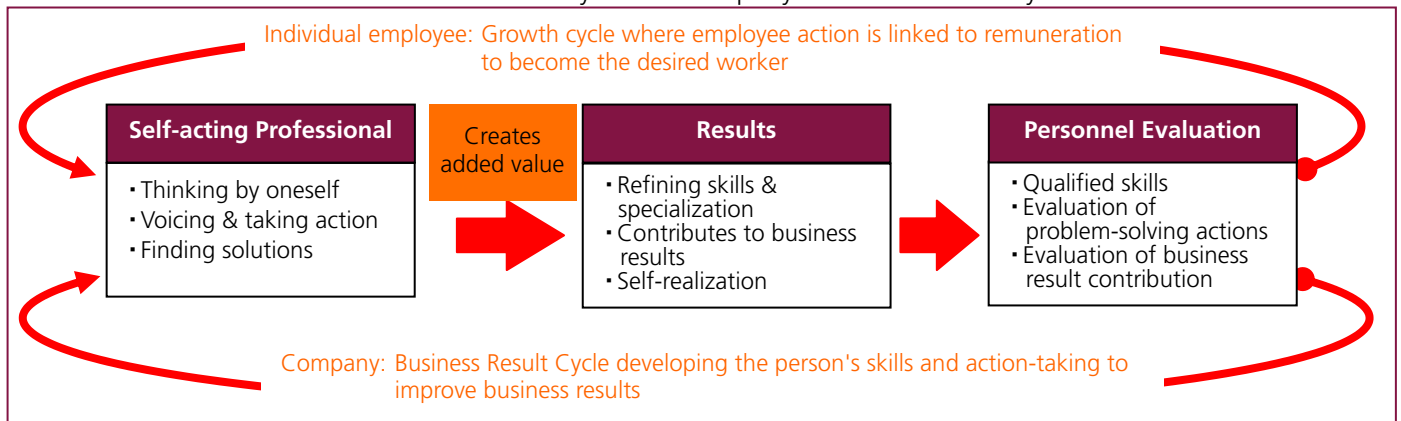
The evaluation system aims to reflect the individual employee's contribution to the company in their pay. Also, the individual's goals and evaluations are determined by consulting the person's superior. This is to make the evaluation fair to the employee and transparent.

During the annual evaluation, the employee can apply to work at the desired department or work location based on the person's career plans. This Self-recruiting Application System and the company's Internal Recruiting System to recruit employees to fill required company-wide positions are incorporated to support

motivated employees and provide more job opportunities.

In these ways, we aim to provide an environment where each employee can become a self-motivated professional who can act autonomously with confidence. By highly evaluating the employee's subsequent contributions, the person's skills and actions will in turn contribute to the company's business (business result cycle). At the same time, the individual employee will gain a sense of accomplishment and become even more motivated. This contributes to the personal growth of the employee (personal growth cycle). By continuing these two cycles, the organization and personnel are vitalized.

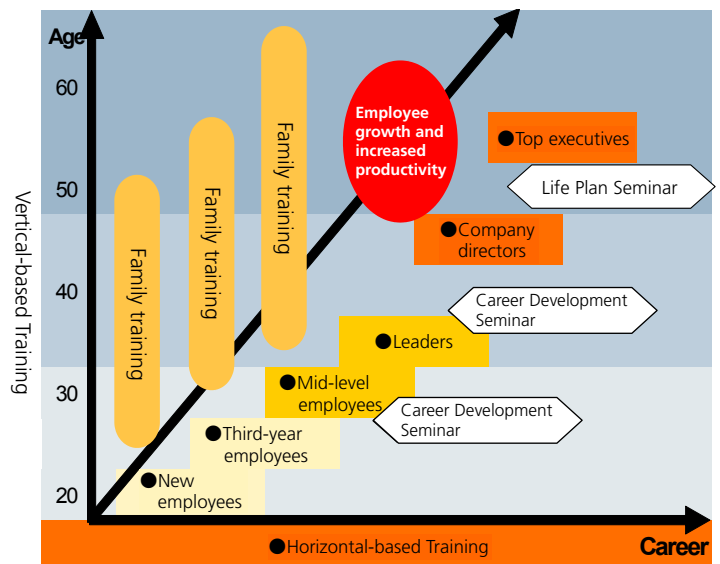
### Correlation between the Personal Growth Cycle and company's Business Result Cycle



### Unique Education & Training Programs

Kenwood's education and training programs aim to strengthen the employee's ability to handle on-the-job situations. While the employees study on their own, they improve their ability to resolve problems.

To attain this goal, Kenwood's education and training programs are provided according to the employee's company position (vertical-based training) and job responsibility (horizontal-based training). This is a unique system.



## **Vertical-based Training: Family Training**

(Training of Workplace Teams)

Family training has the boss and subordinates at the same workplace staying at the training facility where they cook, prepare the bath, clean, etc., together while discussing predetermined work-related topics and finding solutions. The objective is for them to find solutions themselves and learn from each other.

During this training period, everyone does the household chores fairly, regardless of job title, whether the employee is the department/section head or a new employee. In the work-related discussions, everyone is free to air his or her own opinions regardless of one's position in the company.

Current work-related topics are discussed, and by working together as a team and fostering open communication, they can find solutions and strengthen their workplace teamwork.

## **Horizontal-based Training: Hierarchy-based Training**

Hierarchy-based training trains people with the same company position. They can be new employees, third-year employees, mid-level employees, leaders, company directors, or top executives.

The training aims to instill the Kenwood way of thinking and mental attitude within the group. It conducts "Basic Ability Development Training" to develop and expand the basic abilities required by that group. Also, "Practical Training" focuses on business skills, compliance, and essential knowledge and skills for daily work. The planned "Career Development Seminar" will help formulate the employee's career plan and life plan. A "Life Plan Seminar" is also held.

■ Asumi training facility and a training session.



**"To create a tight-knit, highly active workplace full of vitality."**

**~Human Resource Development Center~**

Established on April 1, 2007, the Human Resource Development Center strives to enhance a person's inner strength, communication skills, and organizational activity. The end goal is to create a workplace that is tight-knit, highly active, and full of vitality.

The Human Resource Development Center provides not only educational training, but also conducts activities to improve the work environment and atmosphere. Its mission is to develop a strong organization and strong company by developing the human side of employees.

Besides educational training, the Human Development Network instills the training concepts throughout Kenwood. The Internal Company Communication Reform and Workplace Consultation Room was also set up to discover workplace problems early on and give advice and assistance on resolving these problems. The Center works to help employees resolve workplace problems on their own and conducts follow-ups.

# "To improve new-product development strength, development speed, and quality"

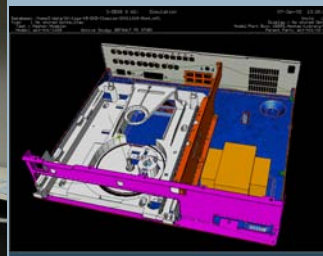
## -Product Development Center-

The Product Development Center selects design tools and conducts training to improve product design quality to better satisfy customers and reduce cost. It understands the needs of the product design department and monitors industry trends.

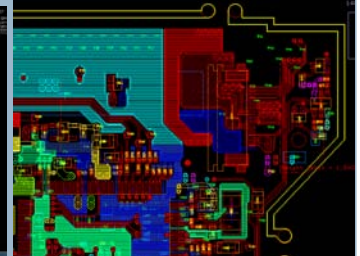


■ CAD with 3D function

■ CAD for printed board



With animation, the data can be effectively used and analyzed to enable high-precision product design.



A parts information database helps to make printed circuit boards smaller and more highly integrated. The distribution of the current flowing through the board is analyzed to improve product quality.

## Balancing Work and the Home

### ● Off-hours Development to Support Child Rearing and Nursing Care

To cope with changes in the work environment due to fewer children and the aging population, Kenwood has developed a Balanced Work and Life Program.

Various programs are provided to support employees who are raising children or nursing a family member (elderly parent, etc.) so they can pursue both work and home life. (See table on the right.)

These programs apply to both male and female employees.



### ■ Kenwood's Child Rearing & Nursing Care Support Systems

Child care leave	Leave of absence is allowed up to the end of March following the child's first birthday.
Shorter work hours during child care	Until the child enters primary school, the daily working hours can be shortened by up to 2 hours, in addition to the child-rearing hours set by law.
Childbirth leave	A five-day leave is allowed for an employee whose spouse gave birth.
Rehiring of an employee who resigned due to childbirth or child care	An employee who left the company due to childbirth or child care can be rehired upon applying.
Nursing care leave	Up to 1 year of absence is allowed for nursing care.
Shorter work hours during nursing care	Together with nursing care leave, the daily working hours may be shortened by up to 3 hours for up to 1 year.

### ● Flexible working hours and vacation time

To enable employees to make good use of their off-hours, flexible working hours and vacation time are provided to support diverse working schedules. The flextime system enables employees to flexibly adjust their working hours to suit their current workload, based on the number of hours in a standard working day. Also, the half-day off system enables employees to tend school activities or run errands at the local city hall. These systems have been in place for 15 years, and are well established amongst employees.

### ● Re-employment of Senior Workers

To provide more choices for life after retirement and to pass on the senior employee's valuable skills and experience, Kenwood has a re-employment program for senior workers. As long as the person is healthy and motivated, he or she can continue working in the same group after reaching the retirement age of 60.

## Safety and Health for Healthy Workers

Our employees are a valuable business asset. To ensure their safety and health, we have committees tending to such needs.

### ● Safety and Health Committee

A Safety and Health Committee is at all Kenwood offices to stipulate basic company policies for safety and health, and to deliberate on important related proposals.

Also, the committee patrols the workplace regularly to ensure a safe and healthy working environment.

### ● 5S Committee

The 5S Committee undertakes five types of activities: Getting things organized, putting things in order, cleaning, keeping neat, and good manners. These activities originated in the manufacturing department to ensure safety and improved product quality.

At Kenwood's head office, the 5S Committee implements a monthly theme focusing on a related activity such as greeting people and keeping your things organized.

Also, every Wednesday, 10 minutes before the end of the working day is called the "5S Period" when all employees organize and clean their workplace.

5S poster



### ● Health Promotion Coordinating Committee

At the Kenwood head office, the Health Promotion Coordinating Committee, consisting of the personnel department, employee union directors, health insurance association, and medical staff, meets regularly to exchange information and review current activities concerning the health and safety of employees.

This committee conducts various activities such as establishing a system to maintain good mental health (which is becoming more important lately) and health seminars (about nutrition, exercise, etc.) to prevent lifestyle-related diseases.

One related activity is equipping our head office and Yokohama office with an AED (Automated External Defibrillator), common in many public facilities. Employees are also being trained by the fire department for life-saving techniques so they can be prepared for medical emergencies.

#### Health Seminar (Exercise session)



#### Maintaining good mental health



Our employees having sound minds and bodies is very important for the company. Kenwood is reinforcing measures for mental health care. Based on the employee mental health care policies set by the Ministry of Health, Labour and Welfare, the Health Promotion Coordinating Committee, Safety & Health Committee, and industrial insurance staff are working together for mental health care.

#### ■ Sample activities:

- Mental health seminars conducted by specialists (For all employees. See above photo.)
- In-house counseling
- Free counseling outside the company
- Support for returning employees in their workplace (rehabilitation work)
- Counseling by medical doctors for overworked employees
- Stress check provided by Web site

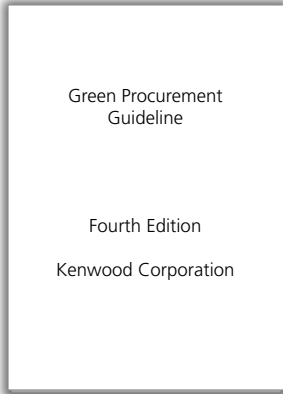


AED (Automated External Defibrillator)

# Working with Our Suppliers

## "Green Procurement" for Products and Materials

To offer products which customers can use safely, the Kenwood Group has implemented a program to make products free of toxic substances. This "green" policy is incorporated from the product planning stage when the product materials are selected. Based on the *Green Procurement Guideline* issued by Kenwood, we work with our suppliers to help protect the environment and manage toxic materials while following legal regulations and taking product quality and cost into account. We give business priority to suppliers who agree to our Green Procurement Guideline.



Our Green Procurement Guideline (Fourth Edition, as of Sept. 2007) specifies 16 prohibited substances and 25 controlled substances including those to be eliminated.

25 controlled substances including those to be eliminated.

Green Procurement Guideline

## Communication with Suppliers

Kenwood's Procurement Department visits suppliers to advance the green procurement of parts by establishing an environmental management and parts inspection system.

KENWOOD		Listen to the Future	
ケンウッド環境監査報告書 / KENWOOD Environmental ASSESSMENT REPORT			
REF NO	(571)	AUDIT TEAM	T. A.
COMPANY NAME	株式会社ケンウッド	LEAD AUDITOR	T. A.
ADDRESS	〒210-8501 神奈川県横浜市中区	AUDITEE	T. A.
		AUDIT DATE	2007-07-10
評価 / EVALUATION SCORE	コメント / COMMENT		
1. 全項目 100%	1. 環境にやさしい材料を使用している。		
2. 全項目 100%	2. 環境にやさしい材料を使用している。		
3. 全項目 100%	3. 製品の梱包に環境にやさしい材料を使用している。		
4. 全項目 100%	4. 製品の梱包に環境にやさしい材料を使用している。		
5. 全項目 100%	5. 製品の梱包に環境にやさしい材料を使用している。		
AUDITOR	VERIFIED BY	APPROVED BY	ポイント / POINT SCORES
T. A.	T. A.	T. A.	100% (100%) GOOD
			75% (80%) SATISFACTORY
			BELOW 50% NOT SATISFACTORY



Supplier visitation report

Inspection of supplier premises

## Green Procurement of Office Supplies

The Kenwood Group's four bases in Japan (Head office, Yokohama office, Nagano Plant, and Yamagata Plant) strive to use more environment-friendly office supplies. Staff in charge of procurement use the office supply purchasing system on the Internet and order products designated as ecologically or environmentally friendly.

During the period of April 2006 to March 2007, 62.6 percent of office supply purchases by Kenwood's four bases in Japan were environmentally friendly or green products.

## Acting Locally

Aiming to be a good corporate citizen in local areas, we hold various activities to deepen our relationship with the local community.

### In Japan

#### **Clean-up campaign for the Akagawa River mouth and Tobishima, designated as a model area by the Ministry of the Environment**

As we see in the news, the coast along the Sea of Japan accumulates all kinds of trash which drift ashore. In November 2006, the Yamagata Plant undertook clean-up of the mouth of the Akagawa River. Under the guidance of an NPO, we sorted the trash according to type and measured the amount. Through the offices of the Japan Environmental Action Network (JEAN), the data was forwarded to the Ocean Conservancy, an environmental NGO in the U.S. which organized the International Coastal Clean-up Campaign (ICC). The data is being used for promoting trash reduction and awareness.

Also, in May 2006, we helped to clean up Tobishima Island.



Trash at Akagawa River mouth and gathering data.



Clean up at Tobishima and gathering data on the trash.

#### **Kenwood Group Union (Hachioji, Tokyo) Summer Science Classes for Kids by North 8 Volunteers**

With the aim of getting kids interested in science, the labor unions of companies near Kita-Hachioji train station have been jointly holding science classes for children since 2005. This has also helped the companies build a network with local residents.

The program is called North 8, taken from the name Kita-Hachioji ("Kita" means north, "Hachi" means eight) where the companies' labor unions reside.

##### North 8 Labor Unions

KENWOOD GROUP UNION, AGILENT WORKERS' UNION, UORIKI WORKERS' UNION, OLYMPUS LABOR UNION, CASIO WORKERS' UNION, KONICA MINOLTA UNION, TOKYO SEIMITSU WORKERS' UNION, JASCO UNION



Company employees coach the kids.

#### **Tenryu River Environment Picnic with 242 participants**

The Nagano Plant held a Tenryu River Environment Picnic in May 2006. At three locations along the river, a total of 242 employees and their families took part. The children used a science kit to test the river's water quality (which turned out to be clean). Nagano Kenwood holds local cleaning and beautification activities five times a year.



## In Asia

### ●Malaysia Plant

#### Organizing and supporting a youth soccer tournament

The Johor youth soccer tournament planned by the Kenwood Group Union was managed by employee volunteers.

The mayor of Johor attended and numerous soccer teams from junior high schools in the province participated. The tournament helped the children to gain sound minds and bodies and was run by volunteer staff from the labor union in Japan with the cooperation of the Malaysian government's Youth and Sports Agency.



Kenwood Group Union committee leader (center) and staff



With the Mayor of Johor (second from right).



Opening Ceremony in Sept. 2006

### ●Shanghai Plant

#### Volunteer clean-up of roads around the plant

The plant is at Shanghai's new industrial zone where rapid development has created environmental problems. This has become a major issue among the companies, and about 300 employees voluntarily cleaned up the roads around the plant. Everyone picked up a lot of trash (cigarette butts, drink cans, plastic, etc.)

These employees will keep volunteering to beautify the local area, aiming to make Kenwood a "green" company.



## In Europe

### ● France Plant

#### Local beautification activities

A row of poplar trees within the plant's property had roots extending into the adjacent road. The roots were becoming a hazard to the road and water pipes. As requested by the city, the poplar trees were taken care of during July to August 2006.



The France Plant participates in the "Bretagne qualiparc" program to prevent the plant from spoiling the local scenery. It undertakes local beautification activities and conducts plant tours for volunteers, local residents, and schools. The plant also keeps roads in good condition, prevents water contamination, recycles waste materials, and reduces noise.



Before: Row of poplar trees

And after

### ● Netherlands Sales Co.

#### Organized a marathon for city citizens

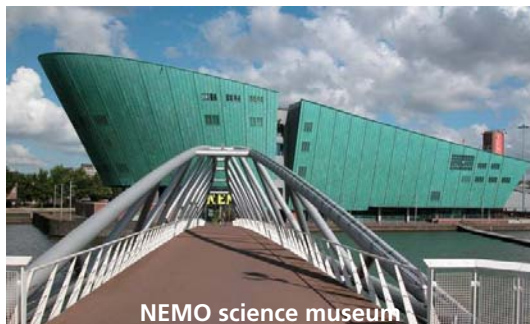
Since 2002, the annual Kenwood Run marathon has been held to promote local sports. In 2007, it was held in January. The runners were cheered on by roadside spectators.



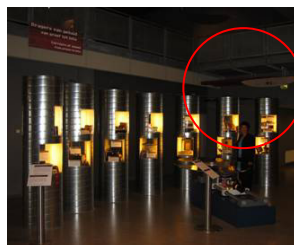
Kenwood Run start line and Netherlands Sales office

#### Exhibit items donated to NEMO science museum

NEMO is a science museum visited by many junior high school students on study or group tours. An exhibit showing how sound is output was donated to the museum.



NEMO science museum



Cross section showing how sound is output

### ● Italian Sales Company

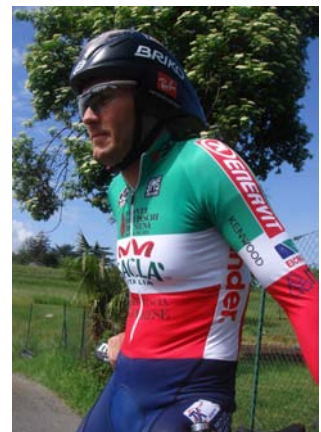
#### Sponsor of the Kenwood corre con Macchi bicycle race

In a country famous for bicycle races, the Kenwood corre con Macchi race is held to promote local sports.

In 2005, Kenwood showed its support for beach volleyball by holding the Kenwood Cup beach volleyball tournament.



2005 Kenwood Cup



2006 Kenwood corre con Macchi

## In the U.S.

### ● U.S. Sales Company

#### Kenwood's wireless system installed at Georgia Aquarium in Atlanta

One public facility revitalizing Atlanta is this aquarium where Kenwood's wireless radio system is used for smooth operations and guiding visitors for safety.



### ● Canadian Sales Company

#### Supporting future innovators

As a sponsor, Kenwood lends wireless equipment to the Solar Vehicle Teams belonging to the engineering department at Queens University and McGill University. Both universities participate in solar car races in North America. The wireless system is lent for free to enable wireless communication during races.



#### Donation of prizes to Canadian winter sports meets

For the Whitehorse 2007 Canada Winter Games held in Whitehorse (Yukon) during February to March 2007, Kenwood donated a home theater and wireless products.



# Environmental Activities

While we live in a convenient society with electricity and automobiles, CO<sub>2</sub> emissions are increasing, the Earth is being polluted, and the ecosystem is being destroyed. The global environment is thereby worsening.

In corporate management, the Kenwood Group places top priority on "sustainable economic growth" and "global environmental protection." It pursues environmental management to meet its social responsibility as a "green company."

## Environmental Principles

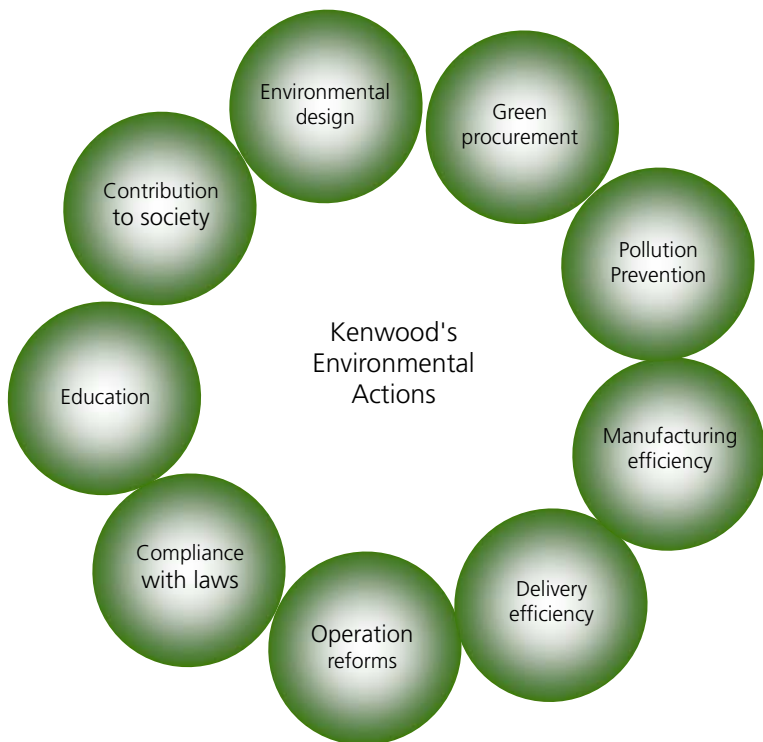
The Kenwood Group's corporate vision is to create happiness in people with fresh surprises and stirring emotions. As we aim to expand our business around the world, we will help create a society with sustainable growth while acting responsibly to preserve and improve the Earth's environment.

## Environmental Policies

The Kenwood Group has three core businesses: car electronics, communications, and home electronics. The environmental impact of the products and services produced by these businesses is well taken into account to protect the global environment and resources. The following environmental measures are incorporated into our products:

1. To minimize greenhouse gas emissions, efficiency of our industrial activities is to be improved, and the product's life cycle (product planning, development, manufacturing, distribution, use, and disposal) shall be taken into account for better energy conservation.
2. Due to limited global resources, a minimum of materials and recycling are to be implemented for products and business activities, aiming for a recycling society.
3. To prevent pollution, we will form a partnership with suppliers to continue eliminating substances polluting the environment.
4. We will abide by environmental laws and regulations and other related agreements.

Environmental Action Plan's Nine Categories



The Environmental Action Plan is a guideline for individual employees to take environmental actions in their jobs. The employees carry a card specifying environmental actions to be taken.



Employee ID and Environmental Action card are carried at all times.

# Environmental Management

## Kenwood Helps Protect the Global Environment and Provide Green Products

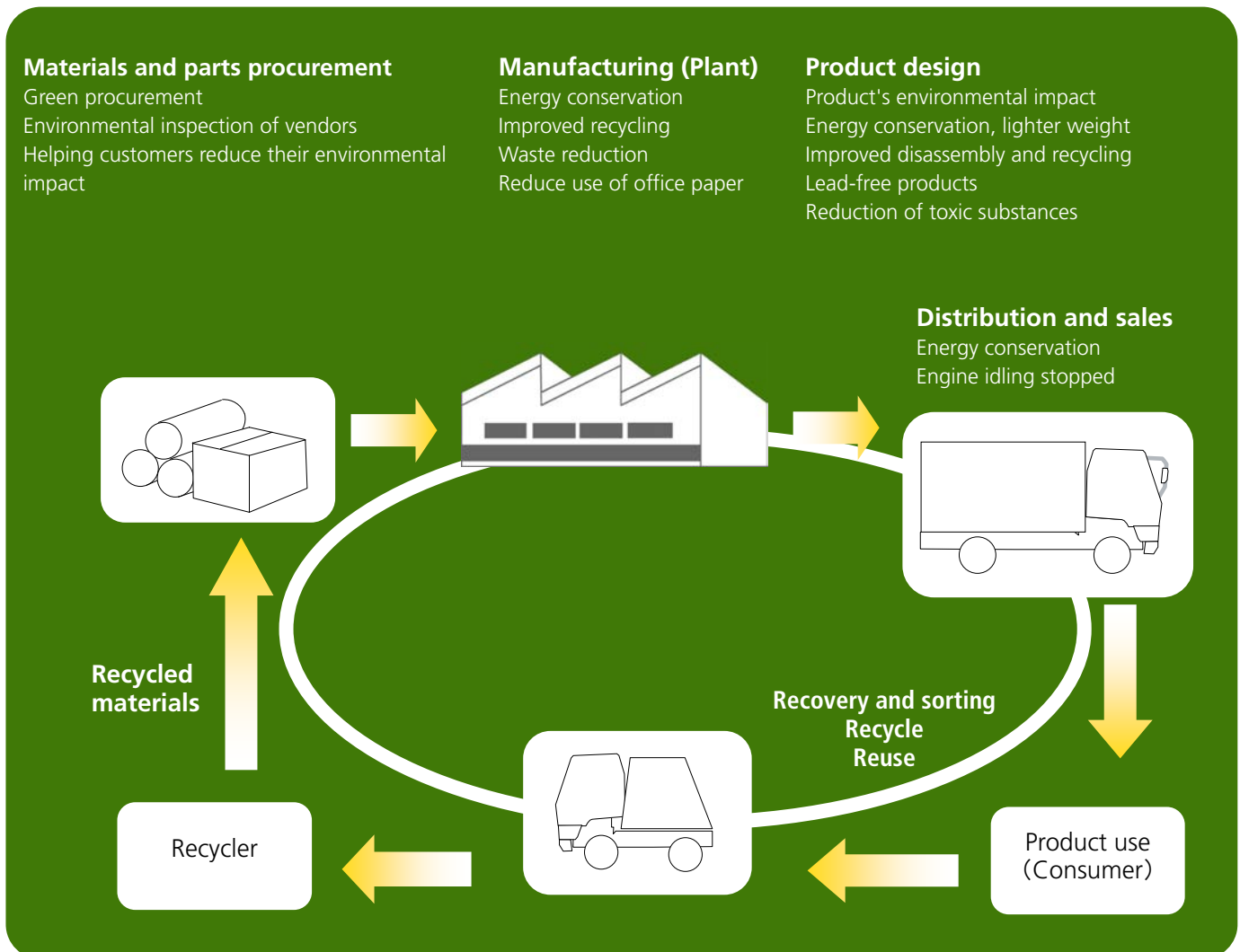
We have a duty to pass on our precious global environment to future generations.

Each of us must become aware of global warming and other environmental problems, and strive to make our workplace and products environmentally friendly. As a manufacturer, Kenwood puts great importance on making "green" products. To attain this goal, we incorporate measures from the beginning to the end of the product cycle, from the product planning, development, and design stages to mass production.

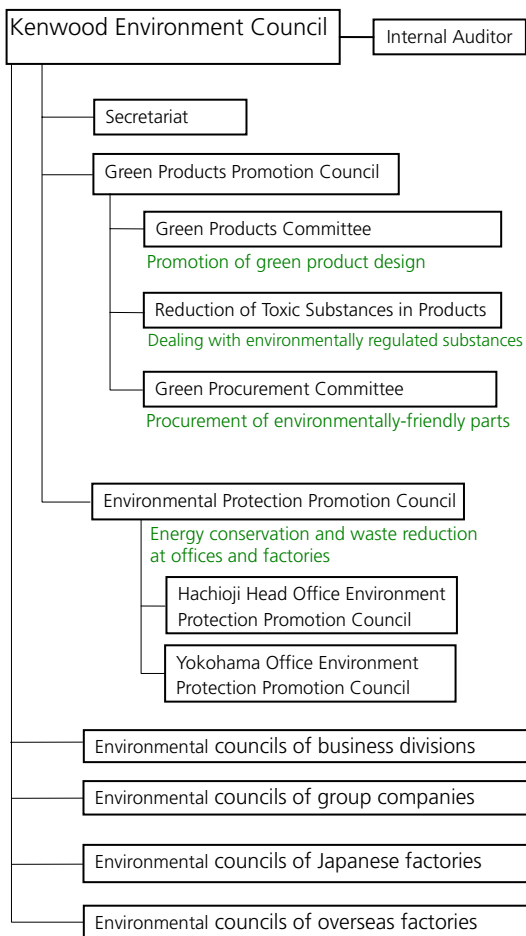
As a manufacturer, we are aware of our social responsibility. Our mission is to provide green products to customers. We continue to find ways to save energy, reduce waste and reduce paper in the office as part of our environmental activities. We believe that such efforts will help improve the global environmental.

Tamio Takeda,  
Kenwood Environmental Management Director

### ■ Kenwood's Industrial Operations



## Environmental Promotion Organization



### ISO 14001 Certification 【Japan】

Hachioji, Yokohama offices	Certified July 1998
Nagano Kenwood (Nagano Plant)	Certified December 1998
Yamagata Kenwood (Yamagata Plant)	Certified December 1999

### 【Outside Japan】

Kenwood Electronics Technologies (M) Sdn. Bhd. (Malaysia Plant)	Certified January 1999
Kenwood Electronics Technologies (S) Pte. Ltd. (Singapore Plant)	Certified September 1999
Shanghai Kenwood Electronics Co. Ltd. (Shanghai Plant)	Certified August 2001
Kenwood Electronics Bretagne S.A. (France Plant)	Certified June 2005



Kenwood Environment Council



ISO 14001 certificate

## Environmental Education

Every year, based on our Environmental Education and Training Plan, we hold classes for general education, specialist education, internal auditing, and emergency training.

### ●General Education

Based on laws for increasing the desire for environmental protection and for conducting environmental education, all Kenwood employees (including new employees, temps, and part-timers) receive environmental education every year. They learn about the importance of the environment, the current condition of the global environment, and how the environment affects our daily lives and the world. We also educate them about management system tools (ISO 14001) to implement improvements, and the importance of preserving the global environment.



General education of new employees

### ●Specialist Education

Specialized education is given to employees who work in fields (legal regulations, measurements, equipment, and environmental design) which can adversely affect the environment if they do not have adequate knowledge and ability.

### ●Internal Auditing Education

Education is given to internal auditors so they can acquire better knowledge and ability to properly execute the management system (ISO 14001). They start with studying JIS standards (JIS Q 14001:2004) and undergo simulated auditing. Those who attain a score of 80 or above on the exam are certified to be internal auditors.

Certified auditors inspect company facilities and monitor from various viewpoints.

### ●Emergency Training

Every year, emergency training is held for handling various emergencies related to the boiler and oil tank, hazardous materials, abnormal equipment noise or vibrations.

The results of the training are used to revise the equipment operation manual to help prevent accidents.

### ●Other Educational Programs

We offer factory tours to children during which we explain about Kenwood's environmental activities.



Factory visit by school children & environmental education.








## Compliance with Environmental Laws & Regulations

Every year, we monitor our compliance with basic environmental laws and regulations, prefectural and local municipal regulations, and anti-pollution conventions. A report is then submitted to the director of environmental management.





## Goals & Achievements for Fiscal 2006

The Kenwood Group's environmental goals and results for fiscal 2006 are summarized in the table below.

### ● Green Product Promotion Activities

Activity	Kenwood's Environmental Goals for 2006	Fiscal 2006 Results	Goals for Fiscal 2007
Energy saving and lighter product weight	• Car Electronics 3: Lighter weight of newly-designed models	Lighter weight unattained by a few models	 Lighter weight of newly-designed models
	• Home Electronics: Reduction of standby mode power consumption of certain newly-designed products	Standby mode power consumption goal attained	 Reduction of standby mode power consumption and operation power consumption of newly-designed products
	• Communications: Reduction of standby current consumption during reception for newly-designed models	Standby power current goal attained	 Reduction of standby current consumption of certain newly-designed products
Life Cycle Assessment introduced	Trial of Life Cycle Assessment (LCA) method	Goal attained	 Trial by all departments
Formulation of design standards	Trial introduction of environmental design evaluation method	Goal attained	 Implement environmental design evaluation method to all product types
Reduction of toxic substances in products	• Compliance with European RoHS confirmed • Advancement of lead-free soldering in OEM car products • Advancement of compliance with environmental laws in various countries	Goals attained	 Advancement of compliance with environmental laws in various countries
Green procurement	Monitoring of toxic substance management by suppliers	Goal attained	 Monitoring of suppliers

### ● Environmental Protection Activities

Energy conservation	Advancement of energy conservation at company offices CO <sub>2</sub> emissions no more than 6,605 tons	CO <sub>2</sub> emissions of 6,447 tons	 CO <sub>2</sub> emissions of 6,312 tons of less (29.6% reduction compared to fiscal 1997)
Improvement of recycling ratio	Advancement of recycling at company offices Recycling ratio: 99.55% or higher	Recycling ratio: 99.74%	 Waste recycling ratio 99.75% or higher (58.30 point improvement compared to fiscal 1997)
Waste reduction	Advancement of final waste amount reduction Final waste amount: No more than 2,440 kg	Final amount: 1,454kg	 Final waste amount 1,447 kg or less (99.9% reduction compared to fiscal 1997)
Office paper reduction	Advancement of office paper reduction Amount used no more than 4 million sheets	Amount used: 4.68 million sheets	 3.13 million sheets or less (82.1% reduction compared to fiscal 1997)

# Making Products Environmentally Friendly

## Less energy, lighter weight

To cut back on CO<sub>2</sub> emissions, Kenwood strives to make car electronics lighter so the car saves gasoline and to make wireless and home electronics consume less power in standby.

### ●Car Electronics

Since lighter car electronics products can save gasoline and consume less resources, we have pursued this goal since 2002.

Products developed in fiscal 2006 are now lighter. The KAC-X10D car audio amplifier is 14.6% lighter than the previous year's model, and the DDX7019 AV unit is 7.7% lighter than the previous year's model.

This lighter weight helps to save about 33 tons of CO<sub>2</sub> emissions per year.

We will continue to make new products lighter to help stop global warming.



DDX7019



KAC-X10D

### ●Communications

From fiscal 2003, we started reducing the standby current consumption of wireless devices.

The industrial-use, wireless device (TK-5310) developed in fiscal 2006 and compatible with the U.S.'s digital wireless system (Project 25) for public safety personnel (fire and police, etc.) consumes 29% less current during standby than the 2002 model.

This translates to saving about 1.6 tons of CO<sub>2</sub> emissions per year and helps to stop global warming.

We will continue to help protect the environment.



TK-5310

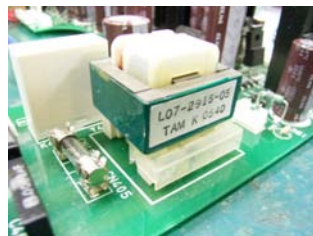


### ●Home Electronics

In 1998, we started reducing the standby current consumption of products. By using a sub-transformer and devices consuming low current, the power consumption has been greatly reduced.

The standby power consumption (actual value) of the Mini-component (UD-A77) has been reduced to 0.135 W, and the K-series (R-K1) reduced to 0.088 W. Both were developed in fiscal 2006. Compared to the average standby power consumption of 0.23 W in 2005, we saved about 22 tons of CO<sub>2</sub> emissions per year.

We plan to continue making circuits and selecting parts having lower current consumption.



Sub-transformer



R-K1

# Product Recycling

**From the product and parts development stage, Kenwood strives to reduce the number of parts and screws to make recycling easier.**

## ● Designed for easy disassembly

To make recycling easier, the Green Products Committee has standardized the design method for assessing the ease of disassembly for product disposal. This is incorporated in the product design process.



Disassembled parts

Tools for evaluating ease of disassembly

## ● Designed for recycling

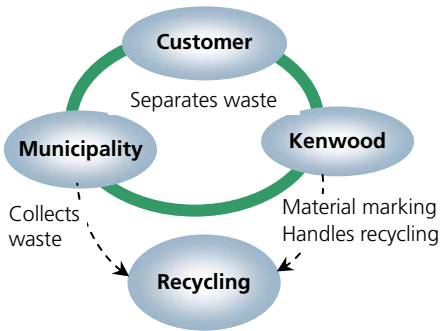
To make efficient use of limited natural resources, Kenwood is further optimizing the product design for recycling with product recycling markings.

### Material markings on packaging (in Japan)

Paper and plastic packaging materials are sorted and recycled for reuse.

Kenwood entrusts the Japan Containers and Packaging Recycling Association to recycle our paper and plastic containers for reuse.

Boxes, cushioning materials, and packages are marked for proper sorting.

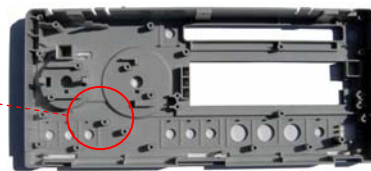


### Resin material markings

To make it easier to sort waste materials during product disposal, resin parts are marked with the material name.



PS is polystyrene.



Marking on back of operation panel of Home Stereo R-K711.



## ● Eco-mark



Products with this mark indicate that Kenwood has designed the product to be environmentally friendly. This is indicated in the instruction manual and catalog.

### Design Concept

This fresh design depicts a green Earth with a lively plant and circulating natural resources. The curve below is Earth, and the plant sprouting on it has twin leaves which circulate like natural resources.

## Chemical Substance Management

While complying with the environmental regulations of each country, Kenwood restricts the use of substances toxic to the environment and humans, to provide safe products.

### ●Reduction of toxic substances in products

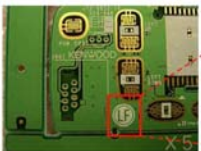
On July 1, 2006, the Restriction of Hazardous Substances Directive (RoHS) took effect in Europe banning the sale of products within the EU which contain any of the following six banned substances: Lead, cadmium, mercury, chromium (VI), Polybrominated Biphenyls (PBB), and Polybrominated Diphenyl Ethers (PBDE).

To comply with the RoHS Directive, Kenwood formed a Lead-free Solder Promotion Committee to switch to using lead-free solder. Except for products with custom specifications, almost all products now use lead-free soldering.

We also established a chemical substance compliance evaluation system to ensure that the product complies with the RoHS Directive.



Lead-free soldering tank



The Lead Free (LF) logo indicates a printed circuit board with lead-free soldering.



### ●Compliance to Chinese RoHS

On March 1, 2007, the Chinese RoHS (Administrative Measures on the Control of Pollution Caused by Electronic Information Products) took effect. On the product and in the instruction manual, we have to indicate whether the product contains any restricted substances.



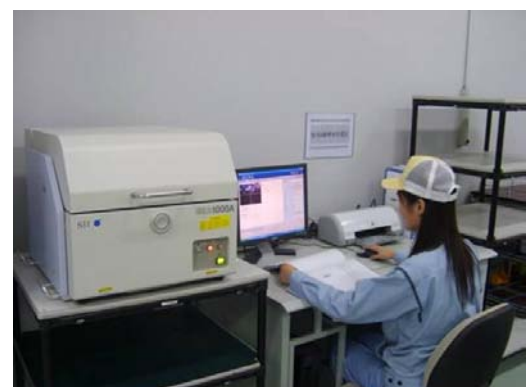
Sample marking on product



Bottom of car audio equipment.

### ●Internal analysis for non-use of toxic substances

In accordance with the Green Procurement Guideline, the Kenwood Group requires its suppliers to certify that the material or part does not contain any toxic substances. They are required to submit the Declaration of Non-use of Banned Substances and the Ingredients of Materials. In addition, all Kenwood factories in Japan and overseas have an X-ray fluorescence spectrometer operated by a certified analysis engineer to inspect and evaluate materials and parts from suppliers for toxic substances to ensure compliance.

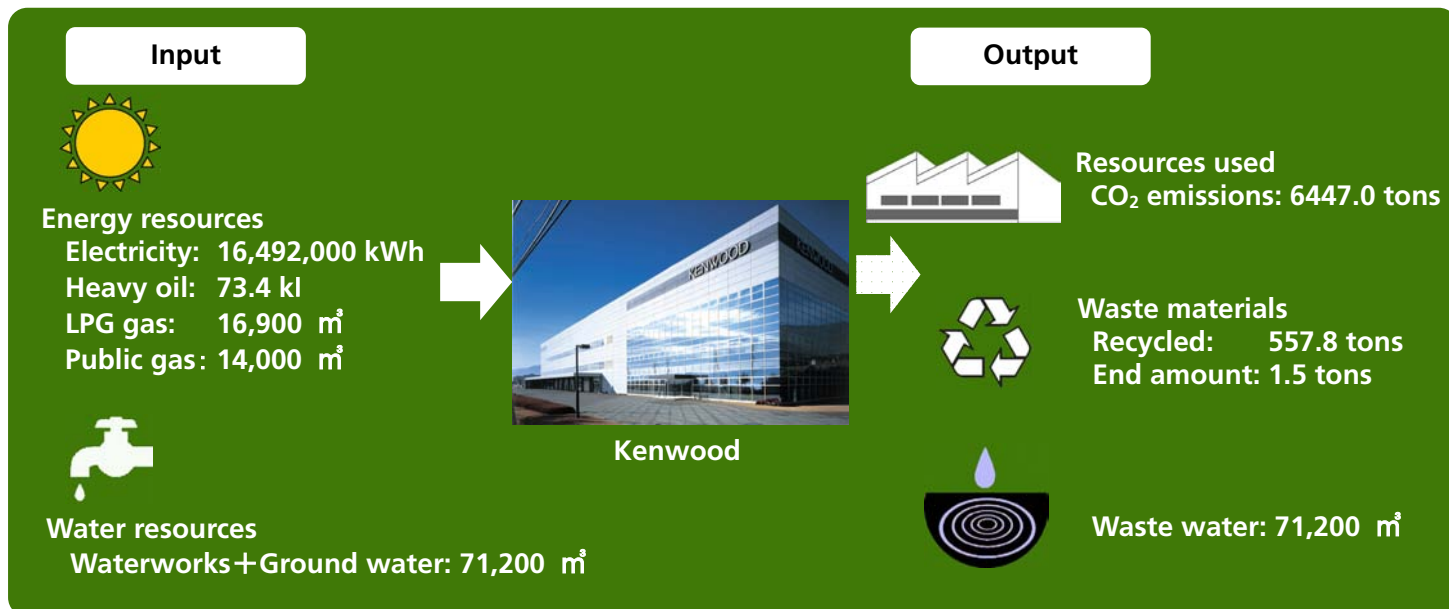


Using an X-ray fluorescence spectrometer to analyze a part's material composition.

# Conservation in Our Company Operations

## Environmental Impact During Fiscal 2006

While products are planned, designed, and manufactured, we try to save natural resources as much as possible. We all turn off the lights when we can, control the temperature of air conditioners and heaters, and save water. By reducing what we use, Kenwood strives to reduce the amount of CO<sub>2</sub> emissions, waste material, and waste water as much as possible.



Statistics gathered from Head Office, Yokohama Office, Nagano Plant, and Yamagata Plant.  
 Period: April 1, 2006 - March 31, 2007

## Reducing Chemical Waste

### ● Status of PRTR Compliance

To comply with PRTR (Pollutant Release and Transfer Register), the Kenwood Group started to control the amount of chemical waste discarded and transported from 2001. Although the amount of the applicable substances is small, we continue to work to reduce the amount.

Discarded & Transported Amount of Chemical Substances in Japan

【In tons】

Substance	PRTR Specified Substances	Amount Used	Atmospheric Emissions	Transported Amount as Waste Material	Recycled Amount (Note 1)	Amount Consumed (Note 2) (Contained in or attached to product)
Ethanol	—	1.20	0.80	0.00	0.40	0.00
Isopropyl alcohol	—	5.50	3.00	0.00	2.50	0.00
Lead and lead compounds	Applicable	14.20	0.00	0.00	7.70	6.50
n-hexane	—	0.20	0.20	0.00	0.00	0.00
CO <sub>2</sub> (Liquefied carbon dioxide)	—	0.40	0.40	0.00	0.00	0.00

Note 1: The recycled amount includes paid, free, and inverted paid amounts.

Note 2: Amount consumed is the amount used in or attached to the products.

### ● Status of Discarding Volatile Organic Compounds (VOC)

In accordance with the guidelines stipulated by Japan's four electronics industry associations, the Kenwood Group strives to monitor and reduce the amount of 20 controlled substances used and discarded.

In fiscal 2006, among the 20 substances, isopropyl alcohol and ethanol were used the most at 3.0 tons and 0.8 ton respectively. They are mainly used in the factory for flux washing after the electronic components are installed on the printed board and for equipment maintenance.

Being a global citizen, the Kenwood Group has joined Team Minus 6% to help stop global warming and reduce CO<sub>2</sub>.

### ● "Light-Down Campaign 2006"

The Kenwood Group participated in the Team -6% and the Light-Down Campaign.

Effective period: June 17 - 21 (5 days)

Neon billboards in Tokyo and Sapporo were turned off.

During the effective period, 924 kWh of power was saved.

(CO<sub>2</sub> equivalent: Reduced emissions by 0.34 tons)



Billboard in Kanda, Tokyo

### ● "CoolBiz" and "WarmBiz" in Japan

To reduce total energy consumption, all of Kenwood's offices and plants in Japan implement "CoolBiz" in summer and also "WarmBiz" in winter. Electric power accounts for 95% of CO<sub>2</sub> emissions, and we want to reduce this.

#### CoolBiz and WarmBiz Implementation

Effective Period

Coolbiz: June 1 - Sept. 30 (4 months)

Warmbiz: Dec. 1 - Mar. 30 (4 months)

Measures Incorporated

- In summer, the air conditioner is set to 28°C (20°C in winter). The temperature is controlled by a designated temperature manager.
- No neckties and encouragement of natural ventilation in summer.
- Suitable amount of clothing for less dependence on heating in winter.
- Promoted awareness with Intranet and posters.



In-company CoolBiz poster

### ● Other Ways We Reduce CO<sub>2</sub>

By switching to more energy-efficient air conditioners, vending machines, and personal computers, we further reduced CO<sub>2</sub> emissions.

### ● Efficient Overseas Distribution

Kenwood is improving its distribution efficiency. One example is the cross-dock distribution system started in August 2006 for supplying products in Europe. Before, each plant supplied products to major sales companies. Now, the products are sent to a distribution center where they are consolidated for efficient delivery to the sales companies. As a result, while reducing distribution costs, we also reduced CO<sub>2</sub> by about 15%.

\* Cross-dock distribution: Freight from various factories are delivered and consolidated at a distribution center from where the products are supplied in bulk to retail outlets.

## ●Energy Conservation Patrols with Local Businesses

Together with other local businesses, the Yamagata Plant is a participating member of the Shonai Management Seminar. Since June 2006, when we started the energy conservation overcoming business barriers, we were able to continue reducing CO<sub>2</sub>.

Also, twice a year, we take part in the "Waste-not Yamagata Eco-style Campaign" where we make public our energy-saving improvements.

Yamagata Plant's CO<sub>2</sub> Emissions and Electric Power Bills

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
CO <sub>2</sub> [tons]	1,152	1,130	1,049	<b>967</b>
Power Costs [yen]	Approx. 37 million	Approx. 35 million (-5.4% from preceding year)	Approx. 33 million (-5.7% from preceding year)	<b>Approx. 32 million (-3.0% from preceding year)</b>



Energy conservation patrol  
(They even discovered things which we did not think of.)

### Column

## Test Course Helps Cut CO<sub>2</sub>

In late 2005 at the Nagano Plant, a test course was built to test and improve the performance of car audio products against road vibrations. We started using the test course in 2006.

Previously, prototypes of CD and DVD players were shipped by air to Europe several times for local testing against road vibrations. Ever since the test course was opened, products have been shipped by air fewer times and testing has become more efficient. Besides improving product quality, we save on air freight costs and reduce CO<sub>2</sub> emissions.



Cobblestone road in Europe

Test course

## Conservation & Efficient Use of Resources

### ●Kenwood in Japan Attains "Waste Material Zero Emission"

As a global citizen, the Kenwood Group is working to save and improve efficient use of resources. The effort has paid off with the Nagano Plant attaining zero emissions in August 2002, and the head office, Yokohama office, and Yamagata Plant attaining zero emissions in September 2006.

#### 5R Promotion

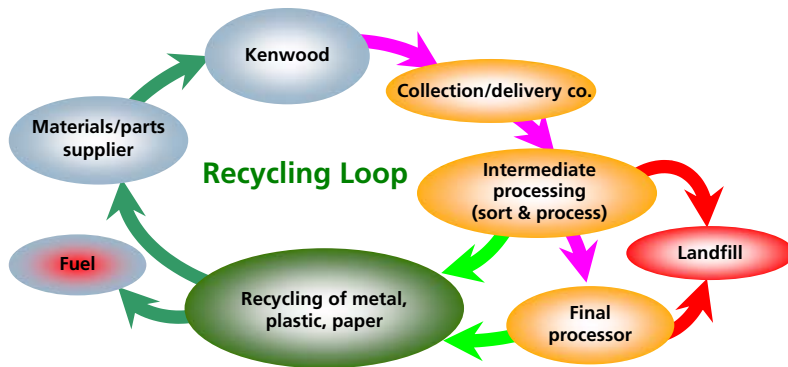
Repair•••Instead of discarding, repair to use again.  
 Refuse••Not purchase or accept any excess.

Reduce•••Use less.  
 Reuse•••••Use again.  
 Recycle••Collect and recycle as a resource.

#### Waste Material Zero Emissions attained!

All of Kenwood's offices and plants in Japan were required to attain a minimum recycling ratio of 99.5% and waste material zero emissions for three consecutive months.

This objective was attained during July to Sept. 2006, and "Waste Material Zero Emissions" was reported on Nov. 1 in the corporate newsletter.



#### Action by Kenwood

At the head office and Yokohama office, inspection of trash sorting is conducted regularly. Guidance is also given to make trash-sorting labels more readable and to improve trash sorting. Every month through the company Intranet, the recycling ratio is reported to all employees.

Also, we reevaluated our waste disposal company and started to recycle food waste from the company cafeteria.

Monthly Recycling Ratio

	July	August	September
Total	99.68%	99.73%	99.79%
Head Office	99.52%	99.52%	99.68%
Yokohama	99.50%	99.76%	99.67%
Nagano	99.80%	99.83%	99.88%
Yamagata	99.84%	99.79%	99.86%

Container sorting



Paper box types (cigarette pack, candy, tissues, etc.)



Magazines, pamphlets, calendars, etc.



Clearly labeled trash bins for trash sorting

The Nagano Plant attained zero emissions in August 2002, and its current recycling ratio is 99.8% or higher. To reduce waste, it follows the policy of "Don't produce waste and recycle waste as much as possible." Their activities are as follows.

• Reusing food waste

With a contracted farm, food waste from the company cafeteria is converted to fertilizer to make good farming soil.



Food waste (an organic resource) from the cafeteria is delivered in containers specified by the farm. After sorting, the waste is converted into fertilizer.



Food waste turned into fertilizer to grow broccoli.

• Reusing photocopy paper

With 21 local companies in the Recycle System Research Group, we started a mini-recycling society for waste paper while contracting a paper company. We want to save trees and help protect the environment.

During fiscal 2006, 44 tons of waste paper were collected and recycled. This translates to 880 trees, each 4 m tall and 14 cm thick.



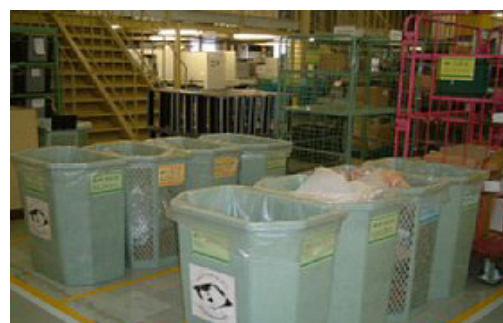
• Reducing packaging waste

For product delivery, disposable cardboard boxes have been replaced with returnable boxes, and wooden pallets have been replaced by plastic ones to reduce waste.

The Yamagata Plant's slogan is "Trash when discarded, but resource when sorted." Waste is thoroughly sorted and information is exchanged with other local companies for selecting waste-processing companies. Recycling is done in cooperation with the waste-processing company, and waste is turned into a resource. As a result, in fiscal 2006, the final amount of waste was 40% less than the year before and the waste-processing costs were reduced by 30%.

Yamagata Plant's Waste Disposal Data

	Fiscal 2005	Fiscal 2006
Final waste amount (landfill)	300 kg	181 kg
Waste resource sales	801,000 yen	1,199,000 yen
Waste processing cost	1,381,000 yen	952,000 yen



Waste disposal sorting bins

## Conservation of Resources by Overseas Plants

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

During 2004 to 2006, the Singapore Plant made great strides in saving resources.

#### Conservation of Resources

- Reduction of office paper consumption •• (1 pack = 500 A4-size sheets)

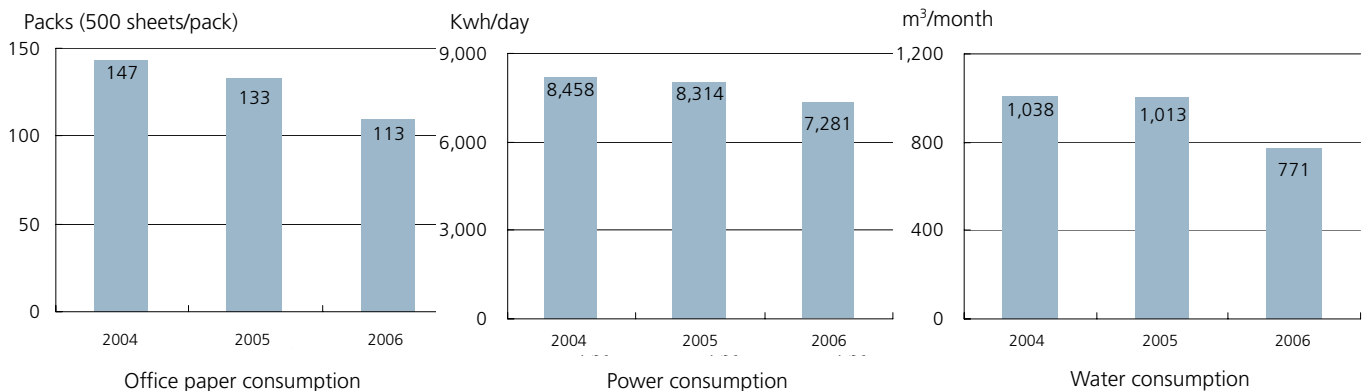
2004: 147 packs	2006: 113 packs	23% reduction in 3 years
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- Reduction of power consumption •• (Power consumption for 1 day)

2004: 8,458 Kwh	2006: 7,281 Kwh	14% reduction in 3 years
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- Reduction of water consumption •• (Water consumption for 1 month)

2004: 1,038 m <sup>3</sup>	2006: 771 m <sup>3</sup>	26% reduction in 3 years
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### ● Kenwood Electronics Bretagne S.A. (France Plant)

#### Consolidation of Management System

In 2005, the France Plant upgraded its ISO 14001 certification to the 2004 version. To improve operation management efficiency, first it acquired joint ISO14001 and ISO9001 certification in June 2007. Then the same management systems for product quality (ISO 9001) and work safety (ILO-OSH2001) were consolidated into one system. The plant will aim for the consolidation of three systems: ISO 14001, ISO9001, and ILO-OSH200 in June 2008.

#### Conservation of Resources

- Reduction of office paper consumption

Fiscal 2006 saw a 3% reduction per person compared to 2005.

- Reduction of power consumption

The 3% target reduction for 2006 ended up as a 27% reduction.

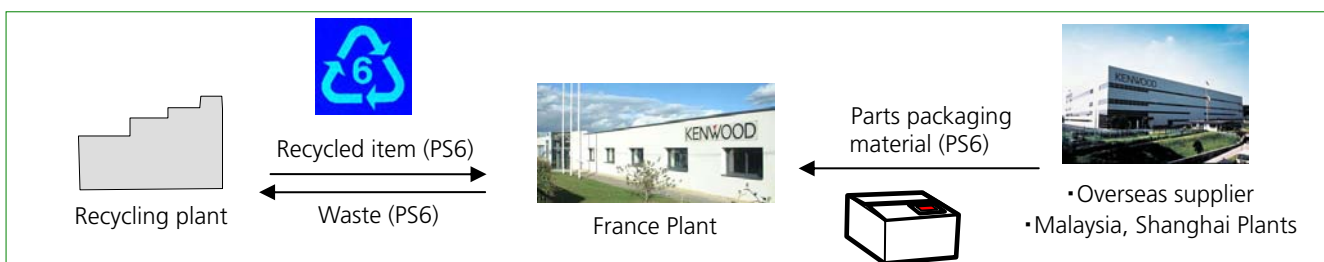
- Waste material zero emissions

In 2003, 42% was discarded waste. In 2006, this was greatly reduced to 14%. The recycling ratio also attained 86%.



France Plant

Recycling sample: Recycling process for PS6 (polystyrene)



## History of Environmental Activities

1992	January	Environmental Task Committee created (forerunner of current committee).
1992	November	Kenwood is the first in the industry to use environmentally friendly "pulp mold" packaging for portable CD players.
1997	April	Environmental Management System Promotion Office established at the head office's management headquarters.
1998	July	Kenwood's Hachioji and Yokohama Offices acquire ISO 14001 certification.
1998	December	The Nagano Plant, Kenwood's audio factory in Japan, acquires ISO 14001 certification.
1999	January	Kenwood Electronics Technologies (M) Sdn. Bhd (Kenwood Malaysia Plant:KETM) acquires ISO 14001 certification (Certified Jan. 8).
1999	September	Kenwood Electronics Technologies (S) Pte. Ltd. (Kenwood•Singapore Plant:KETS) acquires ISO 14001 certification.
1999	December	The Yamagata Plant, Kenwood's communications equipment factory in Japan, acquires ISO 14001 certification.
2000	April	Registered with the Japan Containers and Packaging Recycling Association as a business entity.
2000	October	The environmental activities report "Environmental Report 2000" is issued.
2001	August	Shanghai Kenwood Electronics Co., Ltd. (Kenwood Shanghai Plant:SKE) acquires ISO 14001 certification.
2001	September	Registered with the Japan Portable Rechargeable Battery Recycling Center as a business entity.
2002	October	Nagano Plant reports attainment of "Zero emissions."
2003	April	Environmental Promotion Dept. established within the Corporate Administration Division. The Kenwood Environment Board, Green Product Promotion Conference, and Environment Protection Promotion Conference also established.
2003	May	Study begins for compliance with European environmental regulations (WEEE & RoHS).
2004	September	From the "Environmental Report 2004" onward, paper publishing switched to the Web.
2005	June	Kenwood Electronics Bretagne S.A. (Kenwood France Plant: KEB) acquires ISO 14001 certification.
2005	October	Product collection and recycling contracted to Matsushita Electric Industrial Co. subsidiary ENE Co. to comply with Europe's WEEE Directive. Registration completed (application preparation completed) with the German National Register for WEEE. Infrastructure preparations for product recycling in accordance with the WEEE Directive.
2005	October	By the end of October, lead-free solder is incorporated at all plants.
2006	April	Preparation completed for compliance with European RoHS directive.
2006	June	Registered with the Team -6% project to stop global warming and engaged in related activities. "CoolBiz" adopted by Kenwood in Japan and an in-house PR poster was created to promote CoolBiz.
2006	November	All four Kenwood offices and plants in Japan attain "Waste Material Zero Emissions." This is reported in and outside the company.
2007	April	Name changed from the Environmental Promotion Dept. to the Environmental & Social Contribution Dept.
2007	April	Revised Environmental Principles and Policies. Issued Environmental Guidelines, 1st edition.
2007	July	Successfully renewed ISO 14001 certification for the third time.

# Kenwood Group

Plants	Sales & Other Offices	
<ul style="list-style-type: none"> <li>•Kenwood Yamagata Corporation (Yamagata Plant)</li> <li>•Kenwood Nagano Corporation (Nagano Plant)</li> <li>•Kenwood Devices Corporation</li> <li>•Kenwood Electronics Bretagne S.A. (France Plant)</li> <li>•Kenwood Electronics Technologies (S) Pte. Ltd. (Singapore Plant)</li> <li>•Kenwood Electronics Technologies (M) Sdn. Bhd. (Malaysia Plant)</li> <li>•Shanghai Kenwood Electronics Co. Ltd. (Shanghai Plant)</li> </ul>	<p><b>North America</b></p> <ul style="list-style-type: none"> <li>•Kenwood U.S.A. Corporation               <ul style="list-style-type: none"> <li>•California Headquarters</li> <li>•Communications Sector</li> </ul> </li> <li>•Zetron, Inc.</li> <li>•Kenwood Electronics Canada Inc.</li> </ul> <p><b>Central America/South America</b></p> <ul style="list-style-type: none"> <li>•Kenwood Electronics Latin America S.A.</li> <li>•Kenwood Electronics Brasil Ltda.</li> </ul> <p><b>Europe</b></p> <p>Holland</p> <ul style="list-style-type: none"> <li>•Kenwood Electronics Europe B.V.</li> </ul> <p>Belgium</p> <ul style="list-style-type: none"> <li>•Kenwood Electronics Belgium N.V.</li> </ul> <p>United Kingdom</p> <ul style="list-style-type: none"> <li>•Kenwood Electronics UK Limited</li> <li>•Zetron, Inc.</li> </ul> <p>Germany</p> <ul style="list-style-type: none"> <li>•Kenwood Electronics Deutschland GmbH</li> </ul> <p>France</p> <ul style="list-style-type: none"> <li>•Kenwood Electronics France S.A.</li> </ul> <p>Italy</p> <ul style="list-style-type: none"> <li>•Kenwood Electronics Italia S.p.A.</li> </ul> <p>Spain</p> <ul style="list-style-type: none"> <li>•Kenwood Ibérica, S.A.</li> </ul>	<p><b>Asia/Oceania</b></p> <p>Australia</p> <ul style="list-style-type: none"> <li>•Kenwood Electronics Australia Pty. Ltd.</li> </ul> <p>•Zetron Australasia Pty Ltd., Singapore</p> <ul style="list-style-type: none"> <li>•Kenwood Electronics Singapore Pte Ltd Malaysia</li> <li>•Kenwood Electronics (Malaysia) Sdn. Bhd. Thailand</li> <li>•Kenwood Electronics (Thailand) Co., Ltd.</li> </ul> <p><b>China</b></p> <p>Hong Kong</p> <ul style="list-style-type: none"> <li>•Kenwood Electronics (Hong Kong) Ltd.</li> </ul> <p>Shanghai</p> <ul style="list-style-type: none"> <li>•Kenwood Electronics Trading (Shanghai) Co. Ltd.</li> </ul> <p>Beijing</p> <ul style="list-style-type: none"> <li>•Kenwood Electronics Trading (Shanghai) Co. Ltd. Beijing Office</li> </ul> <p>Guangzhou</p> <ul style="list-style-type: none"> <li>•Kenwood Electronics Trading (Shanghai) Co. Ltd. Guangzhou Office</li> </ul> <p><b>Middle East/Africa</b></p> <ul style="list-style-type: none"> <li>•Kenwood Electronics Gulf Fze</li> </ul>
Affiliates		
Kenwood Core Corporation Kenwood Kenex Corporation Kenwood Geobit Corporation Kenwood Service (Japan) Corporation Kenwood Design Corporation Kenwood Admi Corporation Kenwood Personnel Corporation Kenwood Engineering Corporation		

# Kenwood Corporation

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Kenwood supplies digital wireless systems to Vodafone McLaren Mercedes.