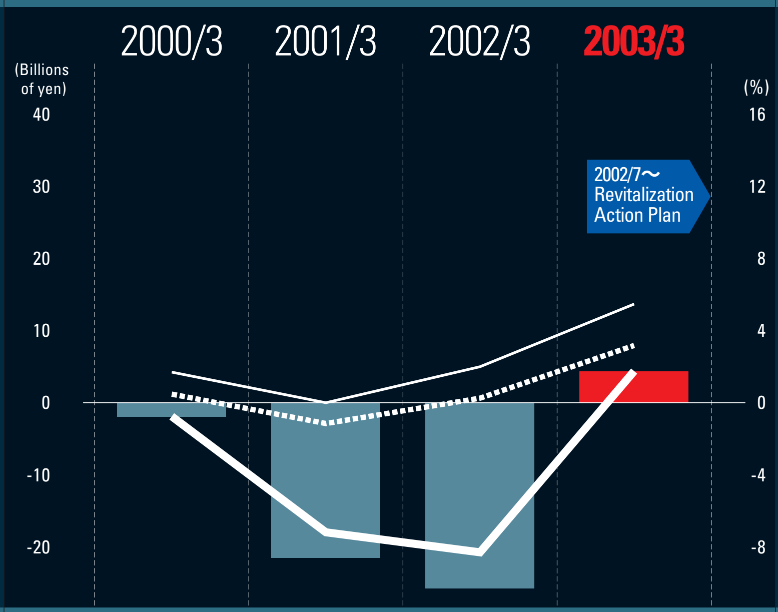
Kenwood posted a record net income mainly by concentrating resources on core businesses through a sweeping restructuring — Fiscal year through March 2003

In fiscal 2000 and 2001, the Company liquidated its CD-ROM drive and GSM businesses to concentrate on core businesses and reevaluated its assets under the market value accounting rules. As a result, consolidated negative net worth totaled about 17 billion yen at the end of March 2002, which made it urgently necessary for the Company to rebuild its operations.

Against this backdrop, the Company in May 2002 formulated its "Kenwood Drastic Revitalization Plan," the essence of restructuring measures, and two months later announced the "Revitalization Action Plan," which includes various restructuring measures, under the new corporate management structure. Under the action plan, we implemented restructuring across the company seeking to break free of the negative net worth specter, focusing on "business," "cost," "management" and "financial restructuring."

As a result, the Company could receive support from financial institutions and investors, which enabled it to increase capital and eventually eliminate the negative net worth by December 2002. On top of this, the various rebuilding measures produced better results than planned. Operating, ordinary and net income all increased sharply from the previous year on a consolidated as well as non-consolidated basis, despite negative external factors, such as the sluggishness of the economy and the stock market, the war in Iraq, and the outbreak of severe acute respiratory syndrome (SARS). In particular, the net balance moved back into the black, marking an all-time high income, swinging from the third consecutive year of substantial losses.



2003.3

Net income
Net income ratio
Operating income ratio
Ordinary income ratio

Elimination of money-losing businesses through "business restructuring"

In the Home Electronics Business, after reassessing product models and sales territories, the Company revised its marketing strategy and decided to sell home theater systems, pure audio equipment and portable radio devices mainly in the three major markets, Japan, North America and Europe. As for the Communications Business, the Company in November 2002 pulled out of the development and production of cellular telephones, while focusing on the radio equipment business, with the emphasis on: commercial radio systems, amateur radios and specially-designated small power transceivers.

Through these moves, the Company established a management framework that centers on the three core businesses, car electronics, home electronics and radio communication equipment, with "audio" and "radio communications," which are the core competence the Company has been engaged in for over five decades since its foundation.

Reduction in consolidated fixed and production costs through "cost restructuring"

Of the nine production bases worldwide, the Company sold plants in Mexico and Huizhou (China), closed a factory in Hungary as well as scaled down its operations at plants in Yamagata (Japan), France and Singapore, through "business restructuring" moves that enabled fixed and production costs to be reduced.

In an effort to overhaul the sales structure, the Company succeeded in reducing sales, general and administrative expenses at home by consolidating sales offices and introducing a sales agent system. Outside Japan, it consolidated sales firms in the Americas, while setting up regional supervisory offices in Europe and Asia.

Furthermore, to optimize resources in the group, the Company consolidated its 19 Japanese affiliates into 12, which resulted in staff reductions of about 45% throughout the group. It also cut employees' salaries and outsourcing fees paid to domestic affiliates. Consequently, it reduced fixed and production costs substantially, and its profitability was enhanced.

Enhancement of management framework and transparency through "management restructuring"

After the general shareholders meeting in June 2002, the Company adopted an executive officer system, streamlined the corporate organization and rejuvenated the management teams at affiliated firms in Japan and overseas. Under the integrated corporate management policy, the Company built a consolidated management structure for all functions from production to marketing, to ensure enhanced competitiveness and ability to respond to changing markets, and improvement of corporate governance organizational structure was revamped and additional measures for affiliated firms were implemented.

Elimination of negative net worth through "financial restructuring"

Thanks to full understanding and support by all stakeholders the Company could boost capital by some 2 billion yen in October 2002 through a third-party allocation of new shares. In December, after an extraordinary shareholders meeting, The Asahi Bank, Ltd. (present Resona Holdings, Inc.) undertook a debt-for-equity swap amounting to 25 billion yen through an issuance of preferred stock. As a result, the Company ultimately was able to eliminate negative net worth both on a consolidated and non-consolidated basis-the most important issue we had been facing.