

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

## Corporate Profile

Communications  
Equipment Business



Car Electronics Business

Car Electronics Consumer (Audio) Business  
Car Multimedia (Consumer) Business  
Car Electronics OEM Business



KENWOOD

Home Electronics Business



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

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

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

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

After Japan's bubble economy collapsed, its earnings slowed down for a while. This was because of a severe business environment and deteriorating profitability in the matured home electronics business, in addition to new businesses which unexpectedly turned out to be

unsuccessful. As a result of implementing a bold program to restructure its corporate structure after July 2002, however, it was able to post a record-high consolidated net income in fiscal 2002, achieving a “V”-shape recovery in net income.

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

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

## Business Bases



Head Office / Hachioji Business Center



Yokohama Business Center



Yamagata Factory



Nagano Factory



France Factory



Malaysia Factory



Singapore Factory



Shanghai Factory

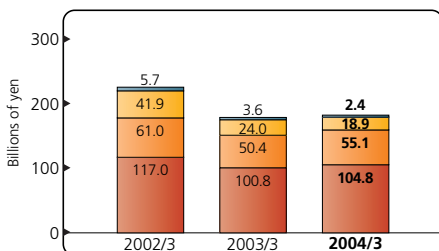


**“KENWOOD” brand is enhanced at 18 nations and 53 sites in the world**

- Offices
- Factories
- Sales

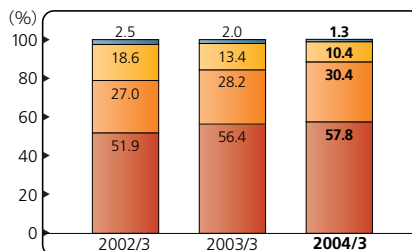
### Consolidated sales by business segment

- Car Electronics Business
- Communications Equipment Business
- Home Electronics Business
- Others



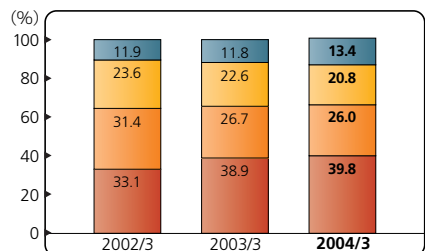
### Consolidated sales composition by business segment

- Car Electronics Business
- Communications Equipment Business
- Home Electronics Business
- Others



### Consolidated sales composition by geographic area

- Japan
- Americas
- Europe
- Asia, others



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

### Car Electronics Business



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



To solidify its global presence in the car electronics consumer (audio) business, the Company has expanded its product lineups by launching products such as; models which can be linked with PC applications through an advanced codec drive (AC Drive), the first such design in the industry; high sound-quality

models which the Sound Meister, the pride of the Company, developed by combining high fidelity technologies; and commercializing an item that promotes a new way of enjoying sound, namely, an iPod connection module that enables Kenwood's car electronics products to be connected to Apple Computer Inc.'s iPod. In addition, the Company has been focusing on developing new markets, mainly in the BRICs nations, to enhance the revenue base.

In the car multimedia (consumer) business, which is a growing field, the Company has been developing products with emphasis on the user interface design, adopting touch-sensitive panel and voice-recognition systems earlier than its rivals did. In recent years, we have been selling proposal-oriented



products, including an audio-visual hard disc navigation system that focuses on functionality and entertainment, radio tuners for digital satellite broadcasting and the first civilian use of tuners for terrestrial digital broadcasting as a product to North America. Car Multimedia Division, which became

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

As for the car electronics OEM business, which became independent in April 2004, the Company is rapidly expanding operations globally, by taking advantage of its advanced technologies, which are well-renowned in the consumer business, and its ability to plan and develop products, as well as its reliability and brand presence. In addition, the Company is increasing its presence in components for automotive electronics, as well as car multimedia



and audio systems and is working hard to boost business competitiveness and profitability, by enhancing development and production systems through proactive investment as well as vertically integrating plants at home and abroad.

### Communications Equipment Business



Since its foundation, the Company has operated the radio equipment business using the high-frequency technology, developing proprietary techniques and high know-how in the field of wireless communications, which is not included in the car electronics and home electronics businesses. The Company has increased its market share of commercial wireless radio equipment, becoming the world's second largest supplier. To achieve this, the Company has speedily complied not only with various countries' laws and regulations on radio waves but also with digitalization of radio equipment, which requires cutting-edge technologies. The Company has supplied radio systems that require extremely



high reliability, privacy and security, durability and operability. This can be proven by the fact that the Company has been providing equipment - to the Team McLaren Mercedes of formula one (F1) auto-racing as an official supplier for 15 years.

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

Kenwood is expanding its operations in Asia, particularly China, where spectacular growth is forecasted, and the regions in which growth is projected, including East Europe, particularly Russia, the Middle East, Latin America and Africa. Meanwhile, the Company is actively carrying out a growth strategy through strategic partnerships and M&As. As part of this strategy, the



Company acquired the wireless radio operations of Toyo Communication Equipment Co., Ltd. in June 2004. With this acquisition, the Company can now supply a large number of products to public agencies and power utilities, as well as utilize networks and huge resources or technologies relating to radio equipment operations. It is now expanding its radio equipment business in Japan.

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



research and development for wide-ranging digital wireless radio systems. In the future, Kenwood will further accelerate the digitalization of commercial wireless radio systems by leveraging its partnership with Icom Inc. to ensure the second greatest presence in the commercial wireless radio equipment market, worldwide.

## Home Electronics Business



The home electronics business is another of our longstanding operations along with the wireless radio equipment business. Since our commercialization of a high-class FM tuner using advanced high-frequency technology and honored as the world's best, Kenwood has steadily expanded the business under the concept of "high fidelity" and expanded its presence as an audio manufacturer around the world. At the same time, the Company has produced many proprietary sound technologies that significantly improve quality, and continued to offer fresh, attractive sound entertainment for the market, at a time when



media technology shifted from analog to digital. This concept has remained intact even after drastic restructuring measures were implemented in fiscal 2002 because profitability of the business deteriorated as the market matured and trends changed.

The Company now focuses on the development of digital amplifiers with

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



Taking advantage of the penetration of new digital media such as flash memories and hard discs as a new business opportunity, the Company launched a portable flash memory audio product, followed by a portable HDD audio product that adopted a digital amplifier for the first time in the industry, achieving

the highest fidelity in its class as well as proposing seamless "sound entertainment" through connections with home audio and car electronics products.

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



## Speaker System Business

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

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

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



## Consumer Business Development Center

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

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

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