

Basic corporate governance philosophies

We consider the enhancement of corporate governance in our corporate group to be a means to increase transparency and raise efficiency in the decision-making of the management. Therefore, we consider it one of the most crucial management issues relating to the improvement of corporate value. The entire group of companies is striving to substantiate and enhance corporate governance and is involved in the promotion of activities intended for the enhancement of compliance, while efforts are made to improve the management organization, operational execution organization, as well as the auditing and supervising organization for the entire consolidated business entity.

Status of implementation for corporate governance

The Board of Directors is a decision-making organization for management, while it is also positioned as the supervisory organization for the execution of operations. The Board meets once a month for scheduled meetings, while extraordinary meetings are held as needed, to deliberate and resolve basic policies of management and important matters, as well as to monitor and supervise the status of operational executions. In order to clarify the responsibilities of directors, and in order to make the management organization dynamic enough to respond in a speedy manner to the changing management environment, the term of office for directors was designated as one year in June 2000. As of the end of the term ended June 2005, eight directors, including three external directors, are fulfilling their roles as directors of the Board. A new management organization involving the executive officer system at the core was implemented in June 2002 as part of the management structure reform based on the "Revitalization Plan." Intellectuals with various values were invited to join the Board as external directors. Clarifications were made to distinguish between the responsibilities of management and the responsibilities of operational executions, while aiming for a high degree of transparency in decision-making and operational executions that are speedy and accurate.

Auditors participate in the meetings of the Board of Directors, hold meetings of Board of Corporate Auditors, supervise the execution of duties by Directors, and execute audit of operations at the company and affiliates both inside and outside Japan. Five auditors, including two external auditors, are performing these duties as of the end of June 2005. In March 2003 we established the Internal Auditing Division that is responsible for conducting internal audits on the overall execution of operations in the entire Kenwood Group and reporting to the Board of Directors.

There are two certified accountants who performed duties regarding the certification of an audit for the Kenwood Group, Hiroshi Kawamura and Yasunari Kunii. They are representative partners (continuous auditing for one year) of Deloitte Touche Tohmatsu and employees thereof (four years). The auxiliary members for auditing duties include certified accountants, assistant accountants and other assistants, who number 11 in total. Further, we will be promoting activities to enhance governance and compliance, by optimizing the use of resources of our group, mainly with our core business operations, as well as establishing a consolidated management organization intended to conduct efficient management of business operations. We established the "Kenwood Compliance Guidelines," intended to serve as activity guidelines to be shared by all personnel throughout the Kenwood Group, for the purpose of forming an enterprise organization that is trusted by and evolves with society. We are also working to ensure that these guidelines are thoroughly implemented.

Furthermore, we are aggressively promoting activities that emphasize the social responsibility of the corporation, or Corporate Social Responsibility (CSR). To this end, we established the "Kenwood Environmental Council," chaired by the CEO, in order to enhance the countermeasures for risks relating to product sales and environmental measures. The "Environmental Protection Promotion Council" and "Green Products Promotion Council" have both been created, and the "Company-wide PL Council" was established for the purpose of enhancing our undertakings relating to product liability.

We submitted, to the Tokyo Stock Exchange, an affidavit declaring that we will be performing our duties in seriously regarding the provision of corporate information in a timely and appropriate manner at the time the

regulations for the listing of securities were amended in January 2005. We also completed our preparation for submission of the "Confirmation Regarding the Appropriateness of the Financial Report" to the Tokyo Stock Exchange, to indicate that there is no falsified information in our financial report or semi-annual report. We formulated our regulation regarding the timely disclosure of corporate information in response to these developments and are working to ensure that the entire Kenwood Group understands these regulations. We established the "Information Disclosure Council," which is chaired by the CFO, while auditing is conducted by our auditors and the Internal Auditing Division to improve our organization and ensure that the disclosure of information is timely and appropriate.

Management Structure

After releasing the second mid-term business plan, the "Value Creation Plan" on May 20, 2005, the company has started renewed efforts to revamp its revenue base and full-scale growth strategy towards increasing its corporate value, with a new management team consisting of five internal and three external directors, including two new directors who have remarkable track records in their respective business segments.

To prepare in advance for stricter requirements vis-a-vis the qualifications for external auditors and the increase of the number of external auditors to "more than half" of all statutory auditors (to go into effect after the first general meeting of shareholders related to the closing of accounts for fiscal year after May 1, 2005), the Company has strengthened and enhanced the auditor system. The overhauled auditor system comprises three standing statutory auditors and two statutory auditors including a newly elected external (part-time) auditor.

President (Representative Director of the Board)	Haruo Kawahara (Reelected)
Director of the Board	Kazuo Shiohata (Reelected)
Director of the Board	Hiroshi Komatsuzaki (Newly elected)
Director of the Board	Shoichiro Eguchi (Reelected)
Director of the Board	Akira Seida (Newly elected)
Director of the Board (Part-time, External)	Nobuo Seo (Reelected)
Director of the Board (Part-time, External)	Takenori Kawafune (Reelected)
Director of the Board (Part-time, External)	Takeo Nagatomo (Reelected)
Standing Statutory Auditor	Hideaki Kato (Not eligible for reelection)
Standing Statutory Auditor	Kazuhiro Kitahara (Not eligible for reelection)
Standing Statutory Auditor	Osamu Hamada (Not eligible for reelection)
Statutory Auditor (Part-time)	Koichi Kurosaki (Not eligible for reelection)
Statutory Auditor (Part-time)	Shojiro Asai (Newly elected)
& CEO	Haruo Kawahara General Executive, Quality Innovation Division Chairman of Kenwood Environment Council
& Executive Vice President & Executive Officer	Kazuo Shiohata CFO, Assistant to CEO, Equity, IR & PR Affairs
Executive Vice President & Executive Officer	Hiroyasu Hata Assistant to CEO, Personnel & Employment
Executive Vice President & Executive Officer	Akio Ueda General Executive, Procurement Division
& Executive Vice President & Executive Officer	Hiroshi Komatsuzaki General Executive, Communications Equipment Division General Manager, Yokohama Business Center
Executive Vice President & Executive Officer	Yoshihiko Ueno Assistant to CEO, Engineering
& Senior Vice President & Executive Officer	Shoichiro Eguchi General Executive, Car Electronics Consumer Division
Senior Vice President & Executive Officer	Makoto Inukai President, Kenwood U.S.A. Corporation
Senior Vice President & Executive Officer	Hiroyuki Taki Deputy General Executive, Communications Equipment Division
& Senior Vice President & Executive Officer	Akira Seida General Executive, Car Electronics OEM Division

(As of 29, June, 2005)