

Implementation Status of Corporate Governance

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. We are striving to substantiate and enhance corporate governance, 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.

Our corporate group is promoting activities based on our "Kenwood Compliance Guidelines." These guidelines are to be shared by all personnel of the Kenwood Group in order to establish a corporation trusted by society and which also evolves with it. The purpose of these guidelines is to serve as a base to reinforce compliance with the law and internal regulations and so operate honest and precise business; all executives and employees of the group must mutually observe and denounce behaviors that might lead to illegal, corrupt and anti-social conduct.

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 June 2006, nine 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 operations at the company and affiliates both inside and outside Japan. Five auditors, including three external auditors, are performing these duties as of the end of June 2006.

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. Mr. Kawamura is a representative partner (continuous auditing for two years) of Deloitte Touche Tohmatsu and Mr. Kunii is an employee thereof (continuous auditing for five years). The auxiliary members for auditing duties include certified accountants, assistant accountants and other assistants, who number 16 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.

Promoting CSR activities

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 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 commenced to submit 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.

