



## **Announcement of Completion of Acquisition of the U.S. Systems-Based Communications Company (Conversion to Subsidiary)**

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On April 4, 2007 (at JST), Kenwood Corporation (President and CEO: Haruo Kawahara; Head Office: Hachioji, Tokyo; hereinafter referred to as "Kenwood") announced that it had agreed to acquire Zetron, Inc. (hereinafter referred to as "Zetron"), the U.S. systems-based communication company. Kenwood is pleased to announce that it has now completed all the procedures to acquire 100% of the issued and outstanding capital stock of Zetron.

### **1. Acquisition of Zetron**

Since the fiscal year ended March 31, 2006, Kenwood has worked on the "Value Creation Plan," the second mid-term business plan aimed at enhancing its corporate value, and has actively pursued M&A opportunities to accelerate its growth. In the Communications Equipment business, Kenwood is striving to expand its business scope from supplying radio terminals to offering turn-key system\* solutions that address the evolving demands of Kenwood's customers and further enhance its presence in the global market.

The acquisition of Zetron, known for its considerable track record in the field of mission-critical command and control and private mobile network communications for both the governmental and commercial markets such as airlines and various other facilities around the world, will enable Kenwood to place the highly reliable communication systems business as Zetron's main business under its control; cause the existing radio terminal-based business to progress rapidly into a turn-key systems business; win new sales opportunities by capturing demand for communication systems in the government, traffic, aviation, and security sectors; and win new customers through such new businesses.

Kenwood will initially focus development of this new business on the U.S., which is the largest market for both Kenwood and Zetron, but plans in the future to expand it worldwide by taking advantage of both companies' global network.

**TRANSLATION - FOR REFERENCE ONLY -**

At the same time, combining Kenwood’s radio terminal technology with Zetron’s mission-critical communication system technology will improve Kenwood’s positioning for future business in the field of Digital Land Mobile Radio that Kenwood is seeking to bolster along with the field of system solutions.

Thus, by combining its radio terminal-based technologies and resources with Zetron’s highly reliable mission-critical communication system technologies and resources, Kenwood believes that it can accelerate the company-wide growth strategy through expansion and reinforcement of its earning base. Specifically, this will acquire Zetron’s sales, which will represent approximately 10% of the sales of its Communications Equipment business (based on actual results for the fiscal year ended March 31, 2006), and furthermore, this will also realize substantial synergetic effects from the expansion of its own sales in the current Land Mobile Radio field by incorporating Kenwood’s radio terminals, radio systems, and radio repeater systems into Zetron’s turn-key systems\*.

\*Turnkey systems: A comprehensive radio communication system that provides a complete and ready-to-use system from base station equipment to radio terminals already set up for clients.

**2. Corporate Outline of Newly Acquired Subsidiary (Zetron)**

- (1) Corporate name: Zetron, Inc.
- (2) Representative: John Reece (President and CEO)
- (3) Location: Redmond, Washington, U.S.A.
- (4) Year established: 1980
- (5) Main business: Development, production and sales of products and systems used in mission-critical command and control and private mobile network communications for both the governmental and commercial markets
- (6) Fiscal year ended: December 31
- (7) Number of employees: 290 (as of December 31, 2006)
- (8) Main business offices: U.S.A., U.K., Australia
- (9) Last Shareholder (%): Zetron Holdings, Inc. (Zetron’s 100% holding company)
- (10) Recent business results:

(In thousand US dollars)

|                  | Fiscal Year ended<br>December 2005 | Fiscal Year ended<br>December 2006 |
|------------------|------------------------------------|------------------------------------|
| Net Sales        | 43,065                             | 44,365                             |
| Operating Profit | 3,368                              | 4,284                              |

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**3. Assignor of Capital Stock Acquired, Acquisition Price, and Status of Shareholding before and after Acquisition**

On May 10, 2007 (at JST), Kenwood acquired 100% of the issued and outstanding capital stock of Zetron from Zetron Holdings, Inc. thereby converting Zetron into its wholly-owned subsidiary.

The acquisition price, including transaction-related costs, was approximately JPY8 billion.

# An example of radio communication system (communication management system for public safety)

Zetron's Console system



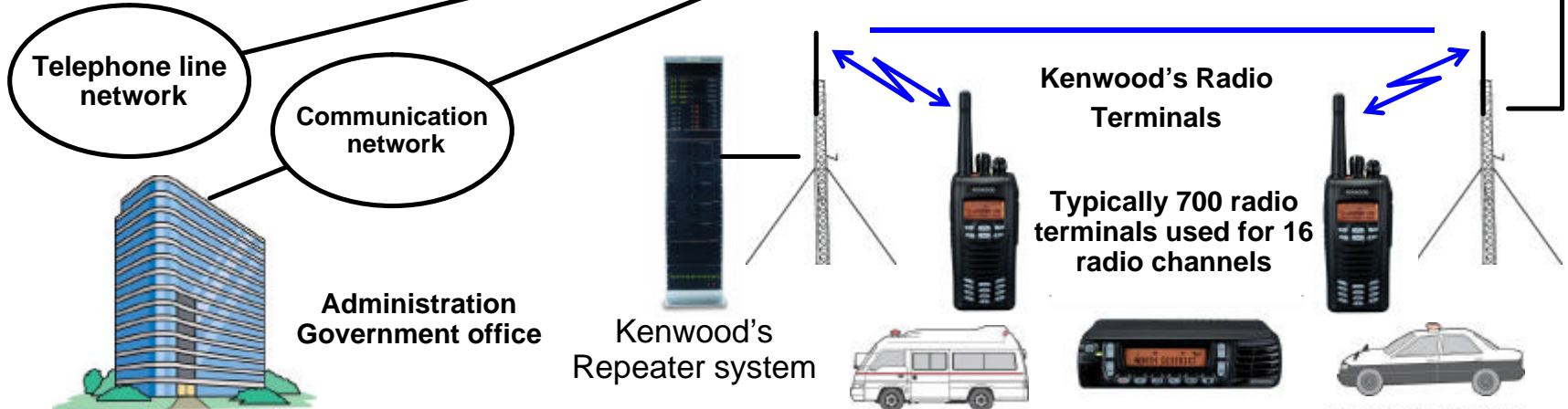
Zetron's  
Radio Controller



Kenwood's  
Radio System

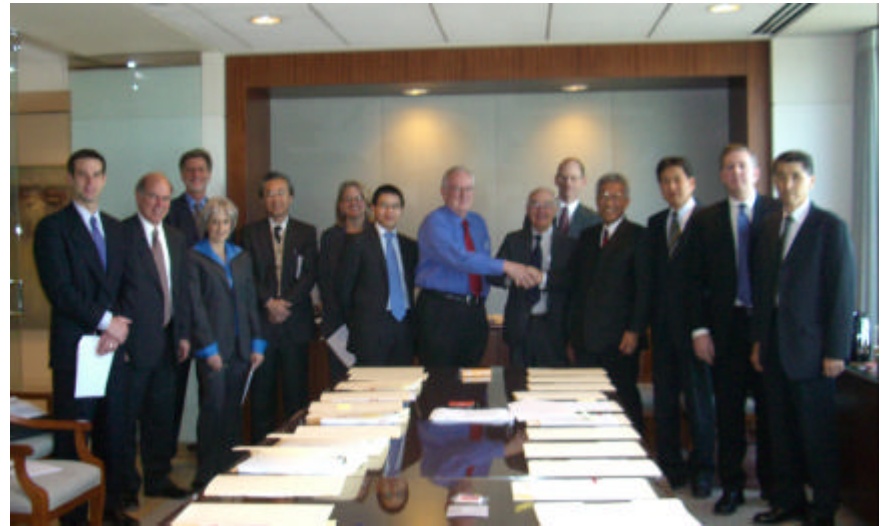


An example of base station system





**Left: Mr. Haruo Kawahara, Right: Mr. John Reece**



**At the meeting with Zetron**