



Notice on Structural Reform of Car Electronics OEM Business and Reorganization of Manufacturing Subsidiaries in Japan

April 15, 2008

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Kenwood Corporation (hereinafter referred to as the Company) hereby notifies that it adopted a resolution as follows at the Board of Directors Meeting held on April 15 to reform the structure of its Car Electronics OEM Business and to reorganize the manufacturing subsidiaries in Japan for the purpose of improvement of the earnings of the relevant business.

Although the Car Electronics Business is our primary business, accounting for about 60% of the sales of the Company, the market size has shifted from the audio market to the multimedia market, and from the consumer market to OEM market. As a result of such changes in the market, the Company has come to regard the Car Electronics Consumer (Multimedia) Business and OEM Business as growing businesses and has been making efforts to expand business and achieve profitability in Japanese and overseas markets by making use of alliances with other companies.

In the Car Electronics Consumer (Multimedia) Business, collaboration with Garmin Ltd. ("Garmin"), The global leader in the field of the Portable/Personal Navigation Devices (PNDs), has already been making a major contribution to the expansion of sales and achievement of profitability, and going forward the Company will reinforce its efforts toward new growth by making use of an exclusive sales right agreement for AV-integrated navigation systems for the consumer aftermarket newly executed between the Company and Garmin, and in addition, through collaboration with Victor Company of Japan, Limited.

Meanwhile, in the Car Electronics OEM Business, in addition to the stagnation of automobile sales, the installation rate of the genuine products oriented to auto manufacturers fell short of our forecast, and sales continue to be sluggish. As it is projected that such conditions will continue in the medium term as well, the Company decided to carry out a cost structure reform of its genuine products business, and moreover, aim at achieving profitability at an early stage with an improvement of earnings while maintaining and even expanding sales through the structural reform via an expansion of focus from genuine products business oriented to auto manufacturers and auto goods manufacturers to the dealer

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option business oriented to automobile dealers and the device business, which is not strongly affected by automobile sales market conditions.

Accompanying this structural reform, the Company will reexamine the development resources of the Car Electronics OEM Business, and transfer a portion thereof to other business areas, with an aim at lightening the development cost burden.

Moreover, due to the considerable decline of production volume at Kenwood Nagano Corporation (“Kenwood Nagano”), which is the primary Japanese factory of the OEM business, and in addition, due to the improvement of production and manufacturing technologies and cost competitiveness at the four overseas factories through the production innovation efforts that the Company has been carrying out since 2003, the Company will carry out a reorganization of the manufacturing subsidiaries in Japan.

Specifically, through a merger of Kenwood Nagano and Kenwood Yamagata Corporation, which is the primary Japanese factory for the Communications Equipment Business (Kenwood Nagano will be the surviving company), the Company aims to bring together the overlapping businesses, and by a reduction of the manufacturing line of the Car Electronics OEM Business at Kenwood Nagano, a reduction of about 130 staffers who are engaged in manufacturing through reshuffling and implementation of a special early retirement program, etc., the Company will thus aim at improvement of production value-added by a reduction of fixed expenses and efficiency improvement of factory management.

The new Company after the merger of the two manufacturing subsidiaries will reinforce collaboration with each business department as a “Production Technologies Center” in the Company, from product planning to sales of each product, and work further on reinforcing production and manufacturing technologies, and bear the role of leading the factories of the Company under the concept of “Japanese Craftsmanship.”

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