Kenwood will promote its strategy for full-scale growth as preparation for a new leap forward —Fiscal year through March 2005

The year through March 2005 is the second year of the three-year business plan "Excellent Kenwood Plan." While aiming to post a record high of consolidated net income for the third consecutive year, the Company will strive to rebuild its financial framework through implementation of the "New Financial Strategy." It will also enhance competitiveness and promote a growth strategy by actively making strategic investments, in a bid to build up momentum for a new leap forward.

2005.3

New Financial Strategy—Rebuilding a sound financial base

Aiming at achieving the goals of the "Excellent Kenwood Plan," the Company devised and carried out a pioneering program referred to as the "New Financial Strategy," which includes a simultaneous execution of four measures that is unprecedented in Japan, "elimination of losses carried forward through capital reduction without compensation," "retirement of preferred stock through public share offering," "debt refinancing through syndicated loans" and "termination of the financial agreement."

■"Elimination of losses carried forward through capital reduction without compensation"

With the completion on 6th August 2004 of nominal capital reduction totaling 20.0 billion yen without compensation, the Company eliminated both of its consolidated and non-consolidated losses carryforward which had posted a major challenge to the Company. This paved the way for resumption of dividend disbursement and led to a significant improvement in its financial foundation.

■"Retirement of preferred stock through public share offering"

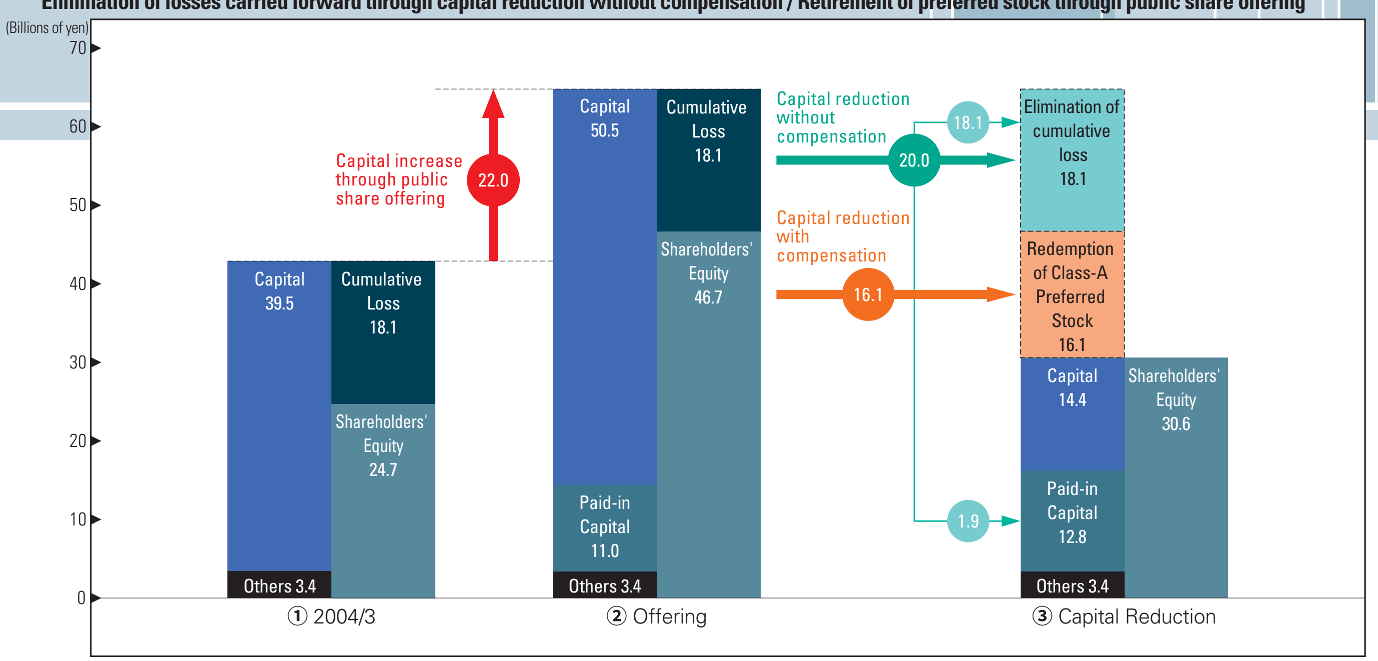
The Company on 1st July 2004 completed the capital increase of 23.0 billion yen through the issuance of new shares, procuring 22.0 billion yen from domestic and overseas markets. On 6th August the Company completed a capital reduction with compensation, paying back 16.1 billion yen, from the raised funds, to Resona Bank, the holder of the First Tranche of Class-A Preferred Stock, realizing an above-par redemption. As a result, the Company retired the First Tranche of Class-A Preferred Stock, representing half of all the preferred stock it had issued, significantly reducing the impact of any future dilution of shareholder value.

■"Debt refinancing through syndicated loans" and "Termination of financial agreement"

The Company eliminated its losses carryforward that had posted a major challenge and retired half of the preferred stock it had issued, through public share offering on 1st July 2004 and capital reduction with and without compensation on 6th August 2004. As a result, it became possible for the Company to organize a new syndicated loan (including commitment line contracts with a number of financial institutions), and the Company concluded a new syndicated loan agreement of 40.0 billion yen on 23rd August with Resona Bank and Mitsubishi Trust and Banking Corp. acting as co-arrangers.

With the funds made available from this new syndicated loan and the utilization of its own cash reserves, Kenwood completed the refinancing of existing bank borrowings effective 31st August, and became autonomous in terms of its financial strategy by terminating existing financial accords with various financial institutions in a constructive manner one year ahead of schedule, a major step toward realizing "zero net-debt business management" targeted under the medium-term "Excellent Kenwood Plan" by substantially reducing interest-bearing debts, and thus completed a series of "New Financial Strategies."

Elimination of losses carried forward through capital reduction without compensation / Retirement of preferred stock through public share offering



Making active strategic investment toward a new leap forward

Aiming for a new leap forward, the Company seeks to enhance its corporate competitiveness and strongly promote a growth strategy, by making strategic investments in the development of new competitive products in the car electronics, communications, and home electronics businesses.

The Company will also reinvest in its employees to increase incentives for them. As part of such efforts, it hired college graduates for the first time in three years and in March 2004 it stopped the wage cuts, which had been implemented since October 2002. In addition, the Company will proceed with a brand promotion, proactively investing to increase the global presence of the Kenwood brand.

Promotion of a brand strategy

The Company will work on a brand strategy to increase awareness for the Kenwood brand and provide new value to the market, centering on a brand management project, which was launched on 1st January 2004.

As part of such efforts, the Company will participate as an official supplier of the West McLaren-Mercedes team in the Formula One (F1) world auto-racing championship, where industries around the globe vie with each other to determine who has the superior cutting-edge technologies. Through the move, the Company will proceed with brand promotion activities around the world focusing on high technology and reliability in order to further increase the presence of reborn Kenwood brand.

By further developing the corporate vision, "Reaching out to discover, inspire and enhance the enjoyment of life" the Company set down the business activities policy, "Cultivate original thinking and execute with pride, passion and precision," and five "core values*1." The Company also redefined the method for promoting the brand logo and picked the brand statement, "Listen to the Future." Furthermore, the Company will commercialize flagship models attuned to the corporate vision for every business, to present to the world the reborn Kenwood.

Promotion of a growth strategy through M&As

M&A is an important growth strategy for corporations to become top players in matured sectors and increase each other's market presence. Given this, the Company in June 2004 acquired the domestic radio communication operations from Toyo Communication Equipment Co., Ltd., which boasts a substantial presence, networks and technical resources in the radio communication equipment market. By optimally leveraging this acquisition, we will strengthen the radio communication equipment business for the domestic market, while proactively considering implementing M&As aiming for a further leap forward of every business.

Finishing touches on production innovation

The Company will strengthen the relationships between divisions and manufacturing companies. Concurrently, as the Company positions the three firms (Kenwood Yamagata Corporation, Kenwood Nagano Corporation and Kenwood Electronics [Singapore] Pte. Ltd.) that are ahead of other Group members in terms of production innovation, as the headquarters for production innovation, the Company will also dispatch leaders to every section of its group-wide global manufacturing bases to propagate the practice they have learned. In the Singapore and Malaysia regions, where the Group's largest manufacturing facilities are operating, a supervisory organization established in February 2004 will advance the production innovation process.

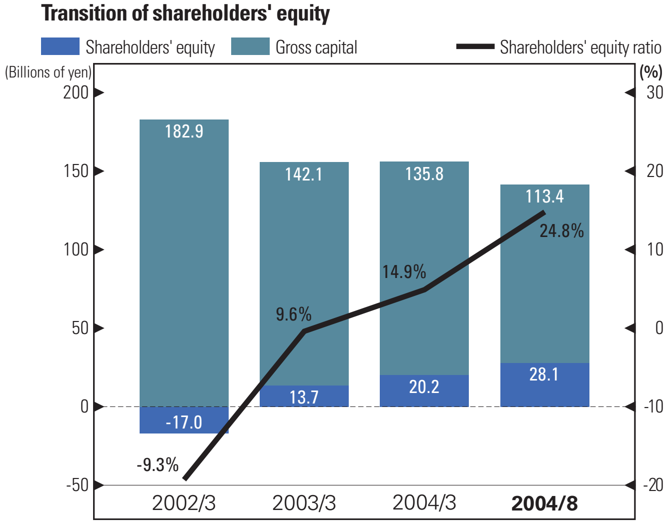
Reinforcement of competitiveness and promotion of a growth strategy under the four-profit center system

To reinforce competitiveness and strongly promote a growth strategy, the Company will effectively make proactive strategic investments and put finishing touches to its production innovations, (both mentioned earlier). To facilitate this strategy, the Company reorganized its operations on 1st April 2004, centering on the consumer electronics sector, where the business climate is dramatically changing due to progress in technical innovation and diversified needs of users.

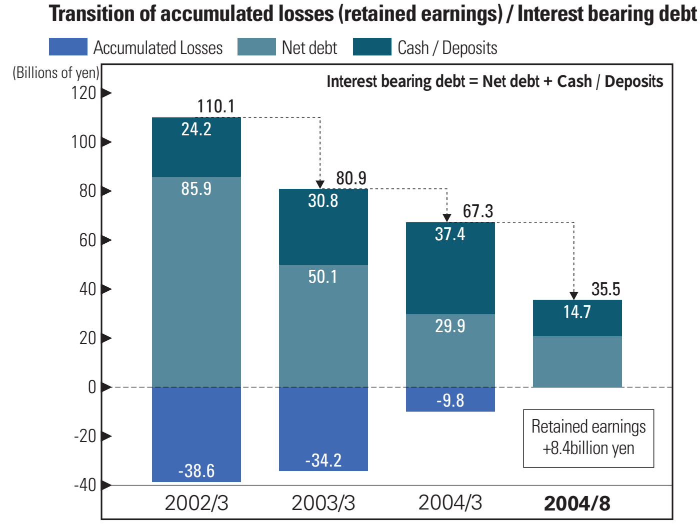
Under the new organization, the Car Electronics Division, which consists of the consumer and OEM businesses that differ substantially in characteristics, was divided into the Consumer Car Electronics Division and the OEM Car Electronics Division. The new two divisions were combined with the Home Electronics Division and the Communications Division to establish the "4 Profit Center System*2." The Company then combined the three divisions-Consumer Car Electronics, OEM Car Electronics, and Home Electronics-which were integrated into the Profit Center, as well as the newly established Speaker System Division and the Consumer Business Development Center, which make up the Cost Center, into the "Consumer Business Sector" under the direct supervision of the chief executive officer.

Under this new management structure, the Company will enhance its

Transition of shareholders' equity



Transition of accumulated losses (retained earnings) / Interest bearing debt



capabilities to respond to the rapidly changing consumer electronics markets in the world, develop new technologies, promote strategic joint-development, and put the finishing touches on production innovations to increase its competitiveness.

Business strategy

■Car Electronics Business

Kenwood, an expert in the audio sector, will make great efforts to increase its presence in the audio field, the Company's forte, and introduce new product lines in the visual and digital broadcasting fields, which are rapidly growing.

Furthermore, the Company will launch a project, on which it will concentrate entire resources, to develop proprietary technologies in order to create new attractive automotive multimedia products.

In the OEM business, which has been developing rapidly thanks to the cumulative efforts of many years, the share of multimedia products is high and technical innovation is accelerating. Therefore, the Company will set up an independent division for this business to develop new products, while promoting strategies for further growth.

■Communications Business

Centered on the U.S. regional headquarters, the Company will further enhance the cooperative system of marketing, sales, development and production, step up digital radio devices while responding attentively to the digitalization wave, and further promoting the shift from terminal device manufacturer to system provider.

The Company will expand operations in Asia, particularly China, where spectacular growth is forecast, and regions such as East Europe, particularly Russia, the Middle East, Latin America and Africa, where growth is forecasted. It will also strengthen its domestic business by integrating the radio operations acquired from Toyo Communication Equipment Co., Ltd. and strive to grow in the global market, while maintaining high profitability.

■Home Electronics Business

Now that its earnings structure significantly improved thanks to a series of restructuring and production innovations, the Company will promote a growth strategy to realize the home multimedia operations that offer new added value to the market. To this end, the Company will further develop the home electronics business by putting emphasis on high-fidelity reproduction-it has traditionally pursued as the core of audio entertainment-to create digital amplifiers and next-generation network-based audio equipment.

Earnings outlook—Aiming for the third straight year of record income

For the year through March 2005, the second year of the three-year midterm business plan "Excellent Kenwood Plan," the Company aims to post a record consolidated net income for the third consecutive year. To achieve this, it will enhance competitiveness and strongly promote its growth strategy, by reorganizing its financial base, proactively making strategic investments, and putting the finishing touches on its production innovations.

The Company expects consolidated net sales will rise 6.3% year-on-year to 190.0 billion yen, due to the effects of the introduction of new product lines planned by every business.

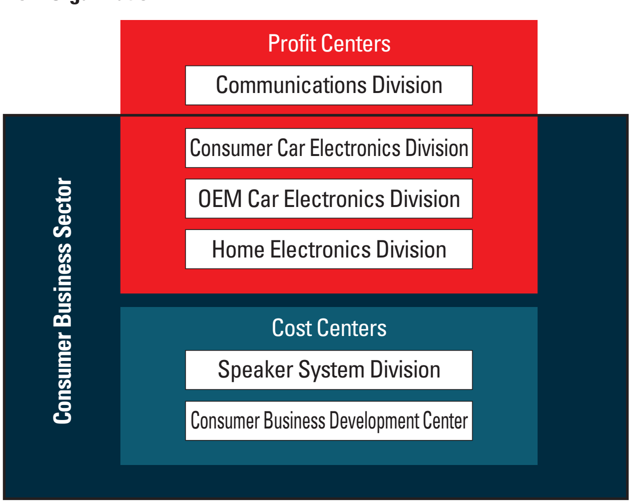
Income is forecast to further improve, thanks to the ongoing reduction in costs through production innovations. Despite a proactive strategic investment to enhance competitiveness and promote a growth strategy, consolidated ordinary income is estimated to be 8.5 billion yen, remaining unchanged from the fiscal 2003 (ended March 2004). Net income will likely increase year- on-year to 7.5 billion yen for the third consecutive year of record highs, due to less impact of an extraordinary loss with restructuring already completed.

Partial return of the employees' pension fund to the government

The corporate pension fund has been granted a waiver of the obligation to handle future disbursement of pension benefits from the Minister of Health, Labor and Welfare on 1st April 2004, in association with the return to the state of the assets, which the fund has been managing as a proxy for the state, based on the Defined Benefit Corporate Pension Law.

The Company's retirement benefits obligation will be terminated and gains/losses will be realized on the day when the portion for proxy disbursement is returned to the state, in accordance with the provisions of Paragraph 44-2 of the interim "Practical guidelines for the accounting of retirement benefits" (Accounting Committee Report No. 13; the Japanese Institute of Certified Public Accountants). It is forecast that such gains/losses will have little effect on the financial results for fiscal 2004 (ending March 2005).

New Organization



Outlook for fiscal year ending March 2005 (Millions of yen)

	Results for FY 2004	Outlook for FY 2005	Year-on-year change
Net sales	178,731	190,000	+11,269
Operating income	12,610	13,000	+390
Ordinary income	8,541	8,500	△41
Net income	7,318	7,500	+182

*1 Five core values are described on page 3.
*2 There is no change in the classification for accounts settlement of the three business segments (car electronics, communications, and home electronics), despite the newly established "4 Profit Center System."