

## Consolidated Statements of Shareholders' Equity (Capital Deficiency)

Kenwood Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2004 and 2003

|  | Millions of yen |            | Thousands of U.S.<br>dollars (Note 1) |
|--|-----------------|------------|---------------------------------------|
|  | 2004            | 2003       | 2004                                  |
| <b>Common Stock:</b>   |                 |            |                                       |
| Beginning balance.....   | ¥ 26,969        | ¥ 25,937   | \$ 254,425                            |
| Capital increase upon issuance of 26,472,000 shares on October 30, 2002.....                               | -               | 1,032      | -                                     |
| Ending balance.....  | ¥ 26,969        | ¥ 26,969   | \$ 254,425                            |
| <b>Preferred Stock:</b>  |                 |            |                                       |
| Beginning balance.....   | ¥ 12,500        | ¥ -        | \$ 117,925                            |
| Capital increase upon issuance of 62,650,000 shares through debt-for-equity swap on December 27, 2002..... | -               | 12,500     | -                                     |
| Ending balance.....  | ¥ 12,500        | ¥ 12,500   | \$ 117,925                            |
| <b>Capital Surplus:</b>  |                 |            |                                       |
| Beginning balance.....   | ¥ 17,087        | ¥ 3,555    | \$ 161,198                            |
| Transfer to accumulated deficit.....   | (17,087)        | -          | (161,198)                             |
| Capital increase upon issuance of 26,472,000 shares of common stock on October 30, 2002.....               | -               | 1,032      | -                                     |
| Capital increase upon issuance of 62,650,000 shares of preferred stock on December 27, 2002.....           | -               | 12,500     | -                                     |
| Ending balance.....  | ¥ -             | ¥ 17,087   | \$ -                                  |
| <b>Accumulated Deficit :</b>   |                 |            |                                       |
| Beginning balance.....   | ¥ (34,238)      | ¥ (38,581) | \$ (323,000)                          |
| Net income.....  | 7,318           | 4,221      | 69,038                                |
| Transfer from capital surplus.....   | 17,087          | -          | 161,198                               |
| Transfer to employee welfare fund.....   | -               | (4)        | -                                     |
| Reversal of land revaluation surplus due to sale of land.....  | 57              | -          | 538                                   |
| Adjustment to retained earnings for consolidation of additional subsidiaries.....                          | -               | 126        | -                                     |
| Adjustment to retained earnings for dismiss of consolidated subsidiaries.....                              | (2)             | -          | (19)                                  |
| Ending balance.....  | ¥ (9,778)       | ¥ (34,238) | \$ (92,245)                           |
| <b>Land Revaluation Surplus (Note 4):</b>  |                 |            |                                       |
| Beginning balance.....   | ¥ 3,235         | ¥ 3,154    | \$ 30,519                             |
| Change of enterprise tax rate.....   | (11)            | 81         | (104)                                 |
| Reversal of land revaluation due to sale of land.....  | (57)            | -          | (538)                                 |
| Ending balance.....  | ¥ 3,167         | ¥ 3,235    | \$ 29,877                             |
| <b>Net Unrealized Gain (Loss) on Available-for-sale Securities:</b>  |                 |            |                                       |
| Beginning balance.....   | ¥ (269)         | ¥ (108)    | \$ (2,538)                            |
| Net increase (decrease) of unrealized gain (loss) of available-for-sale securities.....                    | 523             | (161)      | 4,934                                 |
| Ending balance.....  | ¥ 254           | ¥ (269)    | \$ 2,396                              |
| <b>Foreign Currency Translation Adjustments:</b>   |                 |            |                                       |
| Beginning balance.....   | ¥ (11,548)      | ¥ (10,954) | \$ (108,944)                          |
| Net increase of foreign currency translation adjustments.....  | (1,353)         | (594)      | (12,764)                              |
| Ending balance.....  | ¥ (12,901)      | ¥ (11,548) | \$ (121,708)                          |
| <b>Treasury Stock, at cost, Common Stock:</b>  |                 |            |                                       |
| Beginning balance.....   | ¥ (32)          | ¥ (5)      | \$ (302)                              |
| Repurchase of treasury stock.....  | (18)            | (27)       | (170)                                 |
| Ending balance.....  | ¥ (50)          | ¥ (32)     | \$ (472)                              |
| <b>Total Shareholders' Equity.....</b>   | ¥ 20,161        | ¥ 13,704   | \$ 190,198                            |
| Thousands of shares  |                 |            |                                       |
| <b>Number of Outstanding Shares:</b>   |                 |            |                                       |
| Beginning balance.....   | 272,688         | 183,940    |                                       |
| Issuance of common stock.....  | -               | 26,472     |                                       |
| Issuance of preferred stock.....   | -               | 62,500     |                                       |
| Repurchase of treasury stock.....  | (59)            | (224)      |                                       |
| Ending balance.....  | 272,629         | 272,688    |                                       |

See notes to consolidated financial statements.