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Issue of New Shares by Public Offering for the Concomitant Retirement of Preferred Stocks

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Today, the board of directors of Kenwood Corporation (President: Haruo Kawahara, Head office: Hachioji, Tokyo) resolved to issue new shares by domestic and overseas public offering concomitant with the complete retirement of preferred stocks. The main purpose of this resolution is to procure funds to allow the reduction of capital.

1. Background of capital increase and targeted use of funds

(1) Reasons for capital increase and targeted use of funds

As described in the press release of Friday, May 20, 2005, Kenwood has resolved to submit an agenda for a capital reduction (by retirement of 1st tranche class-B preferred stocks against value) at the 76th general meeting of shareholders and the meeting of 1st tranche class-B preferred shareholders to be held on Wednesday, June 29, 2005, and registered the issuance of new shares mainly to procure alternate funds to allow the retirement of these shares against value.

The main purpose of the domestic and overseas public offering of new shares described above (hereinafter respectively referred to as the "domestic offering" and the "overseas offering," and collectively as the "public offering") is to procure funds to appropriate for the retirement of said shares against value based on the said registration.

(2) Future outlook

If the said agenda of the "capital reduction (by retirement of the 1st tranche class-B preferred stocks against value)" is approved at the 76th general meeting of shareholders and the meeting of 1st tranche class-B preferred shareholders to be held on June 29 (Wednesday) of this year, Kenwood will retire all the 1st tranche class-B preferred stocks against value by repaying ¥15 billion in total to the 1st tranche class-B preferred shareholders. This amount comprises the funds procured by the issuance of the said new shares and own funds.

As a result, Kenwood will be able to completely retire preferred stocks issued in conjunction with the debt-equity swap, to significantly reduce the risk of a future dilution of shareholder value and an increased burden of dividend payment, to establish a sound financial basis and capital structure, as well as to increase shareholder value in the future.

Also, there is no change to the earnings outlook for the fiscal year ending March 2006 (announced on Friday, May 20 of this year) as a result of the said capital increase.

2. The issuance of new shares by public offering

(1) Type and number of new shares to be issued	Common stock: 55,000,000 shares (as scheduled) As for 55,000,000 shares for the public offering, if the total issue value calculated by multiplying the issue value obtained from (3) below exceeds the issue value scheduled by Kenwood under the issuance registration, the number of shares shall be determined as such that the said total value will not exceed the said scheduled issue value (any fractions less than 1,000 shares shall be omitted). The number of 55,000,000 shares for the public offering comprises the total number of shares for the domestic and overseas offerings. Of the public offering, the final weighting of the domestic and overseas offerings shall be determined within the range of 55,000,000 shares (the number of shares after deduction if the above deduction is made) in consideration of demand and other factors on a day (hereinafter the "issue price determination date") between June 20 (Monday) and June 22 (Wednesday), 2005. In addition, with regard to the overseas offering, Kenwood plans to grant UBS Securities Co., Ltd. (hereinafter simply the "underwriter") the right (hereinafter the "greenshoe option") to additionally purchase up to 5,000,000 shares of Kenwood's common stocks from Kenwood during the duration of the subscription period described in (5).
(2) Issue price	The issue price shall be determined at the board of directors' meeting held on the issue price determination date in consideration of demand and other factors and on the tentative assumption of a price (any fractions less than one yen shall be omitted) obtained by multiplying the closing price (if no closing price is available for that date, the most recent previous closing price will be used) for ordinary transactions of Kenwood's common stocks on June 6, 2005 (Monday) at the Tokyo Stock Exchange by 0.90-1.00. The issue price is the offering price per share in the public offering, and is deferent from the issue value described in (3) below, the total difference between the issue price and the issue value shall be the proceeds of the underwriter.
(3) Issue value	The issue value shall be determined at the board of directors' meeting held on the issue price determination date based on the method specified by No. 14, Article 7-2 of the Rules of Fair Practice issued by the Japan Securities Dealers Association. The issue value shall be an amount that Kenwood receives from the underwriter as paid-in capital per share.
(4) Issue value that is not capitalized	Issue value is entirely capitalized.

(5) Offering method	a. Domestic offering Domestic offering is done based on the public offering, and the underwriter shall purchase and underwrite the entire shares for domestic offering. The subscription period is scheduled to start on June 23, 2005 (Thursday) and end on June 27, 2005 (Monday), but may be brought forward in consideration of demand and other factors (The period from June 21, 2005 (Tuesday) to June 23, 2005 (Thursday) shall be the earliest period in this case). b. Overseas offering Overseas offering is done in overseas markets, especially European markets (but excluding the US market), and the underwriter shall purchase and underwrite all shares for the overseas offering.
(6) Consideration paid to the underwriter	No underwriting fees shall be paid. But the total amount of difference between the price (issue value) of the domestic and overseas offering and the issue price shall be the proceeds of the underwriter.
(7) Payment date	June 30, 2005 (Thursday)
(8) Date of record for dividend	April 1, 2005 (Friday)
(9) Unit of shares for subscription	1,000 shares
(10) Others	The issue value and matters that must be resolved by the board of directors with respect to the issuance of the new shares shall be determined at the board of directors' meeting held in the future. If the said agenda related to the capital reduction by retirement of the 1st tranche class-B preferred stocks against value is not approved at the 76th general meeting of shareholders and the meeting of 1st tranche class-B shareholders to be held on June 29 (Wednesday) of this year, the issuance of the new shares shall be suspended.

3. Overseas offering of shares

(1) Class of shares	Common stock
(2) Underwriter and the number of shares offered	UBS Securities Co., Ltd. The maximum number of shares offered shall be 5,000,000. The number of shares offered in this offering may decrease depending on stabilization transactions conducted in the context of the public offering, and the offering itself may be suspended.
(3) Offer price	To be decided later (but it shall be the same as the issue price for the public offering.)
(4) Offering method	If UBS Securities Co., Ltd. conducts stabilization transactions for the public offering, Kenwood's common stocks purchased shall be offered to overseas investors in regions including Europe (but not the U.S.) But, if the issuance of new shares by the public offering is suspended, this offering shall also be suspended.
(5) Delivery date	The delivery date shall be the date following the payment date for the public offering.
(6) Unit of shares for subscription	1,000 shares
(7) Other matters	With regard to the above items, a special report was submitted on June 6 (Monday), 2005 in accordance with the relevant legislation such as the Securities Exchange Law of Japan.

<Reference>
Outline of the "capital reduction and new share issue for the complete retirement of preferred stocks"
The purpose of this issuance of new shares is to realize equity capital restructuring towards the concomitant retirement of preferred stocks based on the "Regarding Shelf Registration and Reduction of Capital in Advance of the Complete Retirement of Preferred Stock", announced on May 20 (Friday) of this year after the "New Financial Strategy" executed last year.

By executing the "equity capital restructuring," the following effects are expected for Kenwood.

* Reduced impact of future dilution of common stocks by the complete retirement of preferred stocks
Kenwood plans to reduce capital (hereinafter simply referred to as the "capital reduction") by retiring all the 1st tranche class-B preferred stocks against value (¥15 billion). In order to obtain funds to enable the buyback of the shares for retirement, Kenwood will increase its capital by issuing new shares, as well as using existing funds. The shareholders of 1st tranche class-B preferred stocks are entitled to convert them to common stocks from December 1, 2007 at their discretion. However, in case the entire quantity of preferred stocks were converted to common stocks based on the conversion price of ¥94.2, there are concerns that an approximate quantity of 132,696,000 common stocks might be additionally issued. Accordingly, Kenwood will reduce the potential dilutive effects of the common stocks involved in this capital increase by restricting the total number of such new shares that are to be issued.

4. Change in total number of shares outstanding subsequent to the issuance of new shares and capital reduction (forecast)

	Total shares outstanding (including treasury shares)		
	Common stocks	1st tranche class-B preferred stocks	**Total number of shares**
As of the end of March 2005 (When preferred stocks are converted to common stocks)	307,524,995 shares	31,250,000 shares (132,696,390 shares)	338,774,995 shares **(440,221,385 shares)**
(Forecast of share total after the capital increase/reduction)			
Quantity by which the number of shares is forecast to increase through issuance of new shares (When the greenshoe option is exercised)	+55,000,000 shares (Maximum of +5,000,000 shares)		
Number of shares decreased by the capital reduction		31,250,000 shares	
After the issuance of new shares and the capital reduction (forecast) When the greenshoe option is exercised (forecast)	362,524,995 shares 367,524,995 shares	0	**362,524,995 shares** 367,524,995 shares

Notes:

1. The number of common stocks that will increase and the total number of outstanding shares will be determined on the issue price determination date in consideration of demand and other factors, but the final number of additional shares and the total number of outstanding shares will be determined during the period that the rights (as granted on the issue price determination date described above in 2) can be exercised. Refer to: "2" The issuance of new shares by public offering (1) Type and number of new shares to be issued."
2. To obtain the total number of common stocks that will exist after the conversion of preferred stocks (to common stocks), the number of common stocks in case that all preferred stocks are converted (to common stocks) is added to the total number of currently outstanding common stocks. Also, the number by which the quantity of common stocks increased through the conversion was calculated according to the conversion conditions as determined at the issuance of said preferred stocks (on 27 December (Friday), 2002) and on the later adjustments for conversion prices (July 1 (Thursday), 2004 and March 19 (Friday), 2005) (issue value of preferred stocks (¥400 per share)/conversion price (¥94.2 per share).

5. Profit distribution to shareholders

(1) Basic policy on profit distribution

Kenwood has a policy of totally determining the distribution of profit in consideration of profitability and the corporation's financial condition. Moreover, Kenwood eliminated accumulated deficits through a capital reduction (without payment) that became effective on August 6 (Friday), 2004, posting the balance as retained earnings for the fiscal year ended March 2005. As a result, the board of directors resolved on May 20 (Friday), 2005 that an agenda for paying dividends for the first time in 6 years shall be submitted as the proposal for profit appropriation at the 76th general meeting of shareholders to be held on June 29 (Wednesday), 2005.

(2) Policy for determining dividend payment

If the above proposal for profit appropriation is approved at the stockholders' meeting, it will be the resumption of dividend payment for the first time in 6 years, and Kenwood will strive to increase shareholder value in the future based on its basic policy described in (1) above.

(3) Dividends in the past three fiscal years

	Fiscal year ended March 2003	Fiscal year ended March 2004	Fiscal year ended March 2005
Consolidated net income per share	21.41 yen	33.99 yen	16.79 yen
Dividend per share	-	-	3.0 yen (Ordinary dividend: 2.0 yen Memorial dividend: 1.0 yen)
(of which, interim dividend per share)	-	-	-
Actual dividend payout ratio (non-consolidated)	-	-	18.4%
Return on equity (non-consolidated)	-	-	-
Dividend rate for stockholder's equity (non-consolidated)	-	-	3.1%

Notes:

1. Dividends per share for the fiscal year ended March 2005 will apply to the common stocks that are included in the proposal for profit appropriation at the 76th general meeting of stockholders to be held on June 29 (Wednesday), 2005). This proposal for profit appropriation includes the payment of preferential dividends on the 1st tranche class-B preferred stocks (accrued dividends of approximately ¥126 million on the 1st tranche class-B preferred stocks; dividends of approximately ¥100 million on the 1st tranche class-B preferred stocks), in preference over common stocks.
2. The actual dividend payout ratio for the fiscal year ended March 2005 was calculated by dividing the annual dividend per common stock by the net income per share.
3. As for the return on equity for the years ended March 2003, 2004 and 2005, the initial shareholders' equity attributable to common stocks (an amount obtained by deducting the issue price of ¥25,000 million on preferred stocks from the initial shareholders' equity) was not presented in accordance with the "Accounting Standards Implementation Guide for Net Income per Share" (Corporate Accounting Standards Committee, September 25, 2002, No. 4 of the Accounting Standards Implementation Guide) that were adopted from the fiscal year ended March 2003, because this would have resulted in a negative amount.
4. The total amount of dividends used for calculating the dividend rate for shareholders' equity for the fiscal year ended March 2005 include preferential dividends (approximately ¥226 million) on the 1st tranche class-B preferred stocks.

6. Others

(1) Designation of payees
Not applicable

(2) Information about dilution effects of potentially dilutive shares
Kenwood issued preferred stocks with an option for conversion to common stocks (1st tranche class-B preferred stocks) on December 27, 2002, and posted the fully diluted consolidated earnings per share of ¥10.50. Also, funds obtained from the issuance of new shares by public offering are scheduled to be used to enable the retirement of the said preferred stocks against value, and if the said retirement is executed, the potentially dilutive shares of Kenwood will be entirely eliminated.

(3) Equity financing over the past three fiscal years

1) Equity financing

Date	Capital increase (yen)	Capital after capital increase (yen)	Details
October 30, 2002 (Wednesday)	2,064,816,000	26,969,877,000	Allocation to third parties
December 27, 2002 (Friday)	25,000,000,000	39,469,877,000	Allocation to third parties by debt-equity conversion
July 1, 2004 (Thursday)	22,022,500,000	50,509,877,000	Public offering
March 18, 2005 (Friday)	1,069,559,000	14,947,191,000	Allocation to third parties

Note:

At the meeting of 1st tranche class-A shareholders and the 75th general meeting of shareholders held on June 29 (Wednesday), 2004, it was resolved to reduce common stock totaling ¥36.1 billion as of August 6 (Friday), though capital reductions of ¥16.1 billion worth or 31,250,000 class-A preferred stocks against value and ¥20 billion capital reduction without payment and reduction of the total number of shares became effective on August 6 (Friday), 2004.

2) Change in share prices during the past three fiscal years and share prices in immediately preceding term

	Fiscal year ended March 2003	Fiscal year ended March 2004	Fiscal year ended March 2005	Fiscal year ending March 2006
Opening price (yen)	93	193	340	233
High (yen)	225	398	362	257
Low (yen)	73	166	173	194
Closing price (yen)	190	337	229	200
Price earnings ratio (times)	8.87	9.91	13.64	

Notes:

1. The closing price for fiscal year ending March 2006 shall be the closing price on June 3 (Friday), 2005.
2. Price earnings ratio is calculated by dividing the share price (closing price) at the end of term by consolidated net income per share.

Notice: This press release is the presentation of matters regarding Kenwood to the general public, and was not prepared for the solicitation of investments.

Kenwood recommends that investors carefully read the registration prospectus and the additional prospectus (and any revisions) that Kenwood prepares before applying for the subscription in the domestic offering of the said shares.

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