

Notice of Revision of Financial Forecasts for the Year Ending March 2004

April 9, 2004

Company Name: Kenwood Corporation (Code No.: 6765, TSE/OSE, Section1)
 URL: <http://www.kenwood.com>
 Representative: Haruo Kawahara, President & CEO
 Inquiries: Masanobu Waku, Senior Manager, Equity Affairs Office (TEL:+81-426-46-6724)

Our financial forecasts for the year ending March 2004 (1st April 2003 ~ 31st March 2004) reflected the expectation that Kenwood would be able to set a new record for net income for the third year in succession. However, we are revising our forecasts for consolidated and non-consolidated ordinary income and net income, which were set at the time of the announcement of interim results on 14th November 2003, as follows:

(1) Revision of Consolidated Forecasts for Fiscal Year 2004 (1st April 2003 - 31st March 2004)

Units: ¥ millions

	Net Sales	Operating Profit*	Ordinary Income	Net Income
Previous Forecast (A) (14 th November 2003)	185,000	15,500	12,000	11,000
New Forecast (B)	180,000	12,000	8,000	7,000
Difference (B-A)	-5,000	-3,500	-4,000	-4,000
Percentage Increase (%)	-2.7%	-22.6%	-33.3%	-36.4%
Results for Previous Period (March 2003)	225,579	12,260	7,059	4,221

(2) Revision of Non-consolidated Forecasts for Fiscal Year 2004 (1st April 2003 - 31st March 2004)

Units: ¥ millions

	Net Sales	Operating Profit*	Ordinary Income	Net Income
Previous Forecast (A) (14 th November 2003)	136,000	10,000	9,500	8,500
New Forecast (B)	125,000	5,500	4,500	5,000
Difference (B-A)	-11,000	-4,500	-5,000	-3,500
Percentage Increase (%)	-8.1%	-45.0%	-52.6%	-41.2%
Results for Previous Period (March 2003)	157,799	5,256	4,678	4,236

The above forecasts are based on early estimates and may differ from actual financial results.

* Operating Profit forecast is for reference only.

Reasons for the Revision

Net Sales

Although positive signs became visible in the domestic and global economy as the influence of the Iraq War and the SARS epidemic drew to a close, we expect Net Sales for the year ending in March 2004 to fall about ¥5.0 billion short of forecast to around ¥180.0 billion. However, since this figure incorporates a downward revaluation of overseas sales following the rapid appreciation of the yen at the end of March, the forecast for Net Sales can be considered effectively fulfilled.

Profitability

Structural reforms completed in the previous year were operational throughout the period, and owing to further reforms in production begun in the year, we expect to be able to set a new record for consolidated Net Income for the second year running.

- Operating Profit

Operating Profit figures are for reference only. The unofficial Operating Profit forecast for the year ending in March 2004 is about ¥12.0 billion, or approximately the same level as the previous year. This represents a degree of fulfillment of the forecast of about 80%, or a shortfall of about ¥3.5 billion.

- The benefits of structural reforms and reforms in production at domestic factories have become apparent in our Home Electronics business. Profitability has improved greatly, turning positive in the second half. The segment is expected to be almost in line with expectations.
- Our Communications business has made good progress in the face of a difficult environment, with orders for industrial radio equipment suffering the effects of War on Iraq. We expect the segment to record stable profits again, although the US market was somewhat affected by the strength of the yen.
- In our Car Electronics business, profits in the steadily expanding OEM area are expected to exceed expectations. As for our own products, visual areas are growing fast (+7.0% year on year), whereas the world car audio market is contracting rapidly (-16.4% year on year). In order to better respond to these changes in the environment, we planned to introduce in October last year a new range of visual products: for the domestic market, the "THEATRE NAVI", a strategic product combining a car navigation system and a DVD theater; and for overseas markets, a group of products centered around a DVD theater. Unfortunately, the launch of our new visual products had to be delayed by many weeks owing to severe delays in the development of the LSI engine, which was outsourced. We had set our sales and profit targets for this fourth quarter higher than a typical fourth quarter because of the introduction of these products in our mainstay Car Electronics business around the world. Our results in this segment are expected to be greatly affected by the delayed launch of these new models. Furthermore, a series of unforeseen problems hit the new range of overseas-oriented car audio systems we introduced last April amid high expectations, as they went on display in stores, preventing a smooth launch. Our market share slipped in our regions of operation in Europe and North America. The struggle to regain ground lasted until the close of the third quarter, dragging on even until the middle of the fourth quarter, and has had a major effect on our performance. When the negative influence of currency movements is included, these difficulties can be considered to have caused a reduction in profit of between ¥2.0 billion and ¥3.0 billion.

We have already created a strategy to address these problems, launching a new range of attractive audio products in February, in addition to the belated launch of the above visual products for Japan in February and for the US and other overseas markets in March. The new products have been well

TRANSLATION - FOR REFERENCE ONLY -

received, and sales and orders are showing rapid recovery. Thanks to these new ranges, we have great hopes that the company will overcome its late start from the previous year.

Ordinary Profit and Net Income

We expect Non-Operating Losses and Extraordinary Losses to exceed forecasts by a total of ¥1.5 billion, owing mainly to the following: currency valuation losses due to the strong yen; valuation losses on service parts of old models resulting from the initially unplanned merger of subsidiary companies, in order to promote future efficiency; and valuation losses on overseas assets, such as real estate in Singapore.

- Parent company performance

Parent company profits are expected to be slightly closer to their respective forecasts than the consolidated entity, owing to the fact that the parent was not obliged to maintain competitiveness in its home market by pricing products in the face of the strong yen.

Financial Structure

We expect the company to achieve its target Net Debt (effective interest-bearing debt) level of about ¥30.0 billion, cutting around ¥20.0 billion from the previous year's total, through cash inflows from inventory reductions made possible by the production reforms. The health of the balance sheet is improving steadily.

Future Strategy

In addition to targeting a record high in consolidated Net Income for the third year in a row, the financial year ending in March 2005 is the middle year of our medium-term management plan, the "Excellent Kenwood Plan". We have designated the new financial period as a year to build energy for the achievement of the Plan's objectives, and will make active investments to strengthen our competitiveness and growth strategy.

Our Car Electronics business, which suffered delays last year, has made a good start with new products in the visual area. In order to boost the attractiveness of our car multimedia products, which include car navigation systems, we have been assembling teams of people since last year, and by supplementing our own research and development with tried and tested software and software licenses from other companies, we are working hard towards the goal of launching new products within the year. Elsewhere, the strongly performing OEM business has been an independent operating division since last year, and is pursuing an active growth strategy.

As the official supplier to the McLaren Formula One racing team in our Communications business, our wireless technology has been acknowledged as among the most advanced and reliable in the world. We will push forward our programs of digitalization and systematization with this technology as a base, and aim for further growth through our purchase of the wireless business of Toyo Communication Equipment in the domestic market.

Our Home Electronics business has attained a leaner operating structure, and we intend to grow sales by putting effort into expanding home multimedia and developing network audio. We aim to turn a profit for the whole financial year.

In addition to efforts to strengthen our operating efficiency and product appeal, we are energetically developing Kenwood as a global brand by investing in brand promotion.

TRANSLATION - FOR REFERENCE ONLY -

Finally, while we are pursuing a program of reinvestment in our staff with measures to increase their activity, such as lifting the former cut in salaries, we are also debating further steps to strengthen the balance sheet, in order to provide a financial foundation that can support strategic investment. We plan to take every necessary action for the realization of the "Excellent Kenwood Plan".