

May 21, 2004

Kenwood Corporation
President and CEO Haruo Kawahara
Code: 6765
Tokyo Stock Exchange Section I
Osaka Stock Exchange Section I
Inquiries: Masanobu Waku
Senior Manager
Equity Affairs Office
Corporate Administration Division
TEL: 0426-46-6724

Notice regarding Reorganization of Shareholders' Equity
(New Share Issuance and Capital Reduction)

Kenwood Corporation ("Kenwood") announces that the Board of Directors resolved on May 21, 2004 the domestic offering of new shares of common stock (the "Domestic Offering") and the international offering of new shares of common stock (the "International Offering") (collectively, the "Offering"). The Board of Directors further passed a resolution to submit agendas concerning a reduction in Kenwood's stated capital through the cancellation of the Class A Convertible Preferred Stock (the "Class A CPS") (the "Paid Capital Reduction") for approval at the ordinary general shareholders meeting of Kenwood's Common Stock (the "Ordinary GSM") and the general shareholders meeting of the Class A CPS (the "Class A CPS GSM"), and a reduction in Kenwood's stated capital without payment to shareholders (the "Unpaid Capital Reduction") for approval at the Ordinary GSM, each to be held on June 29, 2004 (collectively, the "Shareholders' Meetings").

I. New Share Issuance

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|---|---|
| (1) Class and Amount of Shares to be Newly Issued | Common Stock: 80,000,000 shares (planned)
(Domestic Offering 24,000,000 shares (planned) and International Offering 56,000,000 shares (planned)).
(Kenwood is planning to issue 24,000,000 shares in Domestic Offering and 56,000,000 shares in International Offering.
Depending upon demand condition, however, the final number of new shares in each Domestic and International Offering, up to the maximum of 80,000,000 shares in total, will be determined by the Pricing Date as set forth in (2) below. Kenwood will give the International Underwriter, as defined in (5)(b) below, a right to purchase additional shares from Kenwood up to 12,000,000 shares. The total number of shares to be issued and the maximum number of shares to be purchased upon the exercise of the abovementioned right may change at Board of Directors meeting planned to be held between Friday, May 21, 2004 and Thursday, June 17, 2004 (the "Pricing Date") |
| (2) Offering Price | To be determined.
Taking demand condition into consideration, Offering Price will be determined at the Board of Directors meeting planned to be held on |

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the Pricing Date based on preliminary price set by multiplying the closing price of Kenwood on Tokyo Stock Exchange on the Pricing Date by the multiplier between 0.90 and 1.00 in accordance with Article 7-2, Fair Business Practice No. 14, Regulations Concerning Underwriting of Securities defined by the Japan Securities Dealers Association. As Offering Price is the price at which shares are offered in Offering, it differs from Issue Price as defined in (3) below. Underwriter will receive the difference between Offering Price and Issue Price

- (3) Issue Price To be determined.
(To be determined at Board of Directors meeting scheduled to be held on Pricing Date. Issue Price is the amount that Kenwood will receive from Underwriter as set forth below (5) as the payment paid for shares to be underwritten)
- (4) Portion of Issue Price not to be Included in Stated Capital To be determined.
(To be determined at Board of Directors meeting scheduled to be held on Pricing Date. Portion of Issue Price not to be included in stated capital is the residual amount after deducting the amount included in stated capital from Issue Price. The amount included in stated capital is ½ of Issue Price, with fractional amounts rounded up to ¥1)
- (5) Offering Method
(a) Domestic Offering
To be fully underwritten by a Japanese entity of the Underwriter. Subscription period is from Thursday, June 17, 2004 to Friday, June 18, 2004; however, these dates may be moved up by a week or so depending upon the demand conditions

(b) International Offering
To be fully underwritten by an European entity of the Underwriter (the “International Underwriter”) (together with the Japanese Underwriter; the “Underwriter”) mainly in European markets excluding the U.S.
- (6) Underwriting Fee Underwriter shall not receive underwriting fees. Underwriter will receive the difference between the Offering Price and Issue Price as net proceeds
- (7) Payment Date Wednesday, June 30, 2004
May be moved up by a week or so depending upon the demand conditions
- (8) Dividend Record Date Thursday, April 1, 2004
- (9) Subscription Unit 1,000 shares
- (10) Others Issue Price, the portion of Issue Price not to be included in the stated capital and other matters relating to the Offering shall be determined at Board of Directors meeting scheduled to be held in the near future. The Offering will not consummate unless the Paid

Capital Reduction is resolved at the Shareholders' Meetings scheduled to be held on Tuesday, June 29, 2004. Domestic Offering is contingent upon the registration under the Securities Exchange Law taking effect

2. Reduction in the Stated Capital through the Cancellation of the Class A CPS

- (1) Purpose of Capital Reduction To minimize potential dilution to the shareholders of Common Stock caused by the conversion of Class A CPS into Common Stock through Paid Capital Reduction. Also to eliminate the obligation to make dividend payments to Class A CPS holder.
*Assuming that Class A CPS is converted in full to Common Stock at its conversion price of ¥98, 127,551,020 new shares of Common Stock will be issued. Therefore, the cancellation of Class A CPS reduces dilution impact to Common Stock holders
- (2) Method
Amount of capital reduced:
Capital amount will be reduced by ¥16.1 billion through Paid Capital Reduction
Way of capital reduction:
Kenwood will pay ¥16.1 billion to the Class A CPS holder in exchange for the cancellation of Class A CPS in full (31,250,000 shares). Since Paid Capital Reduction through the cancellation of Class A CPS will use part of the net proceeds from the Offering, the resolution at the Ordinary GSM concerning the Paid Capital Reduction and the Class A CPS GSM will become effective subject to the completion of the Offering outlined in (1)
- (3) Schedule
- Resolution at the Board of Directors meeting May 21, 2004
 - Resolution at the Shareholders' Meetings June 29, 2004 (planned)
 - Deadline for creditors to lodge protests Early August 2004 (planned)
 - Effective date of Capital Reduction Early August 2004 (planned)

3. Reduction in the Stated Capital without Payment to Shareholders

- (1) Purpose of Capital Reduction To eliminate cumulative loss by transferring paid-in capital to retained earnings on the book, reorganize financial foundation, possibly resume dividends, improve evaluation to creditors, and pursue financial independence
- (2) Method
Amount of capital reduced:
Capital amount will be reduced by ¥20,000,000,000 through Unpaid Capital Reduction
Way of capital reduction:
The number of total shares outstanding remains unaffected, and the decreased amount in the stated capital on the book will be transferred to retained earnings
Amount to cover accumulated capital deficit (loss carryforward)
Decreased amount of ¥18,140,871,296 out of ¥20,000,000,000 will cover capital deficit (loss carryforward), and the remaining amount of ¥1,859,128,704 will be transferred to other capital surplus

(3) Schedule

- Resolution at the Board of Directors meeting May 21, 2004
- Resolution at the Shareholders' Meetings June 29, 2004 (planned)
- Deadline for creditors to lodge protests Early August 2004 (planned)
- Effective date of Capital Reduction Early August 2004 (planned)

<For Reference>

1. Overview of the Equity Restructuring

Based on the “New Financial Strategy” announced today, the New Share Issuance and the Capital Reduction (Paid Capital Reduction through the cancellation of the Class A Convertible Preferred Stock and the Unpaid Capital Reduction without payment to shareholders) are purported to fundamentally restructure the equity base of Kenwood. By consummating the Equity Restructuring, Kenwood expects to reap the following benefits:

(1) Minimization of potential dilution impact to the Common Stock

Kenwood plans to undertake capital increase through the New Share Issuance of the Common Stock as outlined herein and the simultaneous cancellation of the Class A CPS in full with compensation. The Class A CPS is endowed with the right to convert into the Common Stock after December 1, 2005 upon the request from its holder. Assuming that all Class CPS are converted into the Common Stock at the initial conversion price of ¥98, 127.551 million shares of the Common Stock will be newly issued, which triggers a serious concern over significant dilution to the Common Stock. Accordingly, the issuance of the Common Stock in substantially lesser amount based on the current market price and the concurrent cancellation of all of the Class A CPS prior to the conversion period will reduce the potential dilution impact to the Common Stock, by which share price volatility expects to be minimized.

(2) Debt reduction through equity financing

The shareholders’ equity will increase as a result of the capital increase by the New Share Issuance (the “Capital Increase”) that will be undertaken for the purpose of the aforementioned Paid Capital Reduction. Large part of the net proceeds from the Capital Increase will be used to fund the Paid Capital Reduction, and the remainder in excess of such amount will be used to pay down the portion of debts. As a result, by replacing the Class A CPS with the Common Stock, we expect to improve the quality of the equity base. Additionally, by simultaneously paying down the portion of debts to improve debt-to-equity ratio, it is expected that solid financial foundation will be in place for future growth.

Given that the Capital Increase and the Paid Capital Reduction are in essence part of a single transaction that is necessary to achieve the Equity Restructuring, (i) the resolutions of the Paid Capital Reduction at both of the ordinary general shareholders meeting of the Common Stock and the general shareholders meeting of the Class A CPS, each to be held on June 29, 2004, are required as condition for the approval of the Capital Increase at the Board of Directors meeting, and (ii) the effectuation of the Capital Increase planned to take in early July 2004 is required as condition precedent for the resolutions of the Paid Capital Reduction at both of the ordinary general shareholders meeting of the Common Stock and the general shareholders meeting of the Class A CPS, each to be held on June 29, 2004, respectively.

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(3) Elimination of Accumulated Deficit

We have been undertaking a fundamental restructuring on both business and financial fronts based on the “Excellent Kenwood Plan” announced on May 16, 2002. With the achievement of two consecutive years of record consolidated net income since fiscal year ended March 31, 2003, Kenwood is now prepared to move away from the phase for revitalization to the phase for further leap forward. As such, it is imperative for us to eliminate the negative legacy of net loss carried forward and instead to build a sound financial structure that enables the implementation of self-sustaining financial strategy. By undertaking the Unpaid Capital Reduction without payment to shareholders that reduces the stated capital on the book simultaneously with the Paid Capital Reduction, we are able to completely eliminate the cumulative losses and become capable of paying out dividends. With the establishment of self-supporting financial strategy, Kenwood will be able to further promote the debt restructuring to bring benefits to both shareholders and debt holders.

2. Change in Total Shares Outstanding (“TSO”) after Offering and Paid Capital Reduction (estimate)

TSO as of March 31, 2004 (including treasury stock)	Common Stock	210,455,995 shares
	Class A CPS	31,250,000 shares
	Class B CPS	31,250,000 shares
	Total	272,955,995 shares
(For reference: TSO with conversion of Class A and B CPS)		(465,558,035 shares)
Number of Shares to be Issued in Offering (estimate)	Common Stock	80,000,000 shares
	Class A CPS	31,250,000 shares
Number of Shares Canceled after Paid Capital Reduction	Common Stock	290,455,995 shares
	Class A CPS	0 shares
TSO after Offering and Paid Capital Reduction	Class B CPS	31,250,000 shares
	Total	321,705,995 shares
	(For reference: TSO with conversion of Class A and B CPS)	

Notes: 1. Number of shares to be issued in Offering and TSO after Offering and Paid Capital Reduction represent the maximum estimated amount in case that the International Underwriter exercises the right in full, as defined in (1) of previous 1. New Share Issuance

2. While, depending upon demand condition, the number of shares increased and the total number of shares outstanding for the Common Stock will be determined on the Pricing Date, the final number of shares increased and the final total number of shares outstanding for the Common Stock will be determined during the period in which the right, granted on the Pricing Date, as defined in above (1) is exercisable

3. Total shares outstanding with the conversion of Class A and B CPS is the sum of the current total shares outstanding of the Common Stock and the number of new shares of the Common Stock in case all of CPS are converted into the Common Stock. The number of new shares of the Common Stock is computed in accordance with the condition as set forth

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in the issuance date, December 27, 2002 (Issue price of the CPS (¥400 per share) / initial conversion price (¥98 per share)).

3. Purpose of Offering and Use of Proceeds

(1) Use of Proceeds

By directly obtaining from the capital markets the necessary fund to finance the Equity Restructuring, Kenwood will use the net proceeds to retire the CPS A and partially pay down the bank borrowings to reduce the interest-bearing debts, which will bring about an enhanced financial soundness

(2) Expected Impact on Forecasts

No change in the forecasts announced on May 21, 2004

4. Profit Distribution to Shareholders

(1) Basic Policy on Profit Sharing

Regarding profit distribution, Kenwood's basic principle is to make its decision after comprehensively taking into account such factors as profitability and financial conditions. While Kenwood may be able to pay out dividend with the completion of the restructuring of equity base and the repayment of interest-bearing debt in accordance with the "New Financial Strategy", which will bring about a substantially improved financial structure and the elimination of loss carryforward, Kenwood will strive to further improve the cash flow and internally retain profit to maximize shareholder value.

(2) Principles of Dividend

While the company was precluded from paying out dividend in the previous fiscal year, the company will, pursuant the basic principle above, attempt to resume the dividend payment and enhance the value to shareholders.

(3) Dividend Payments for the Last Three Fiscal Years

	FY 3/31/2002	FY 3/31/2003	FY 3/31/2004
Net Income per Share	- ¥160.02	¥21.41	¥33.99
Dividend per Share (including Interim Dividend)	-	-	-
Dividend Payout Ratio	-	-	-
ROE	-	-(1)	-(1)
Dividend / Shareholders' Equity	-	-	-

Note: 1. ROE figures for FY 3/31/2003 and FY 3/31/2004 are not shown because the figures are in negative as a result of the adoption of the "Accounting standards for net income per share" (Corporate Accounting Standards No. 2, September 25, 2002, Accounting Standards Board of Japan) and "Practical guidelines for accounting standards for net income per share" (Practical Guidelines for Corporate Accounting Standards No. 4, September 25, 2002, Accounting Standards Board of Japan since FY 3/31/2003, which requires a company to calculate the year-end shareholders' equity pertaining to common stock by subtracting the preferred stock issue price of ¥25,000 million from the

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year-end total shareholders' equity

5. Others

(1) Designation of Allotment

Not applicable

(2) Dilution

Not applicable

(3) Equity Finance for the Last Three Years

- Equity Finance

Date	Capital Raised	Capital after Financing	Method
9/21/2003	¥7,110,100 thousand	¥25,937,468 thousand	Third-Party Allotment
10/30/2002	¥2,064,816 thousand	¥26,969,877 thousand	Third-Party Allotment
12/27/2002	¥25,000,000 thousand	¥39,469,877 thousand	Third-Party Allotment through Debt-to-Equity Swap

- Share Price Performance since the Last Three Fiscal Years

	FY 3/31/2002	FY 3/31/2003	FY 3/31/2004	FY 3/31/2005 ⁽¹⁾
Opening	¥207	¥93	¥196	¥332
High	¥290	¥225	¥398	¥359
Low	¥47	¥73	¥167	¥229
Closing	¥91	¥190	¥337	¥239
PER ⁽²⁾	-	8.87 x	9.91 x	

Notes: 1. As of May 20, 2004

2. Price Earnings Ratio (PER) = Closing price as at the end of fiscal year / EPS

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Notice:

This announcement contains information relating to the issuance of new shares of Kenwood Corporation. Accordingly, this is not intended to constitute a solicitation to investors. This announcement is not an offer to sell or a solicitation of any offer to buy the securities of the Company in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933 and may not be offered or sold in the United States absent registration or an exemption from such registration requirement. If any public offering of securities is made in the United States, it will be by means of a prospectus that may be obtained from the Company or any selling security holder that will contain detailed information about the Company and its management, as well as financial statements. No public offering of securities will be made in the United States in connection with the above-mentioned transactions.