Consolidated Annual Summary Report for the fiscal year ended March 31, 2004

May 21, 2004

Company Name: Kenwood Corporation
Stock exchange: Tokyo, Osaka
Code No.: 6765
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URL http://www.kenwood.com
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Date of the board of directors' meeting for the approval of the consolidated accounts: May 21, 2004
Application of US GAAP: Non

1. Consolidated Annual Performance in fiscal year 2003 (April 1, 2003 - March 31, 2004)

(1) Operations (Amount less than 1 million yen were rounded down.)

	Net Sales		Operating Profit		Ordinary profit	
	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%
Year ended March 31, 2004	178,731	-20.8	12,610	2.9	8,541	21.0
Year ended March 31, 2003	225,579	-25.5	12,260	100.9	7,059	574.7

	Net Income		Net Income per share		Net Income per share after adjustment for latent shareholdings	Return on Equity	Total Assets Ordinary profit Margin	Sales Ordinary profit Margin
	(millions of yen)	%	(yen)		(yen)	%	%	%
Year ended March 31, 2004	7,318	73.4	33.99	-	15.73	-	6.2	4.8
Year ended March 31, 2003	4,221	-	21.41		16.15	-	4.3	3.1

Notes:
1. Equity in Earnings (Losses) of associated companies: Fiscal 2003: - ¥35 million Fiscal 2002: - ¥64 million
2. Average number of shares outstanding: Fiscal 2003: ¥210,159,089 Fiscal 2002: ¥194,952,474
3. Change of Accounting Principles: Applicable
4. Percentages are the changes from the previous fiscal year.

(2) Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per share
	(millions of yen)	(millions of yen)	%	(yen)
Year ended March 31, 2004	135,763	20,161	14.9	(23.0)
Year ended March 31, 2003	142,124	13,704	9.6	(53.7)

Notes:
1. Number of shares outstanding:
   (Common share) As of March 31, 2004: 210,129,008 As of March 31, 2003: 210,187,828
   (Class A preferred stock) As of March 31, 2004: 31,250,000 As of March 31, 2003: 31,250,000
   (Class B preferred stock) As of March 31, 2004: 31,250,000 As of March 31, 2003: 31,250,000
2. Number of treasury shares: As of March 31, 2004: 326,987 As of March 31, 2003: 268,167
3. Shareholders' equity per share for fiscal years ended March, 2003 and 2004, are in accordance with the "Practical guidelines for accounting standards regarding net income per share) (Practical Guidelines for Corporate Accounting Standards No. 4, September 25, 2003, Accounting Standards Board of Japan), and are calculated based on common shareholders' equity at the end of fiscal year (shareholders' equity excluding book value of preferred stock of ¥25 billion) and number of outstanding common shares at the end of fiscal year (excluding treasury stock).

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the end
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
Year ended March 31, 2004	27,502	(7,674)	(12,783)	33,698
Year ended March 31, 2003	10,358	(5,895)	968	27,064

(4) Number of consolidated subsidiaries and other associated companies (equity method)

Consolidated Subsidiaries: 47
Equity Method: Non-consolidated Subsidiaries 1
Affiliates 0

(5) Changes in number of consolidated subsidiaries and other associated companies (equity method)

Consolidation: (New) 0 (Exclusion) 4
Equity Method: (New) 0 (Exclusion) 0

2. Forecast for fiscal year ending March 31, 2005

	Net Sales	Ordinary Profit	Net Income
First half term of year ended March 31, 2005	(millions of yen) 90,000	(millions of yen) 3,200	(millions of yen) 3,000
Year ended March 31, 2005	190,000	8,500	7,500

Reference: Forecast of Net Income per share: ¥51.51

Overview of the Kenwood Group

The Kenwood Group comprises Kenwood Corporation (hereinafter referred to as "the Company") and its 54 affiliated companies engaged mainly in production and marketing of car electronics, communications and home electronics equipment, as well as other related businesses.

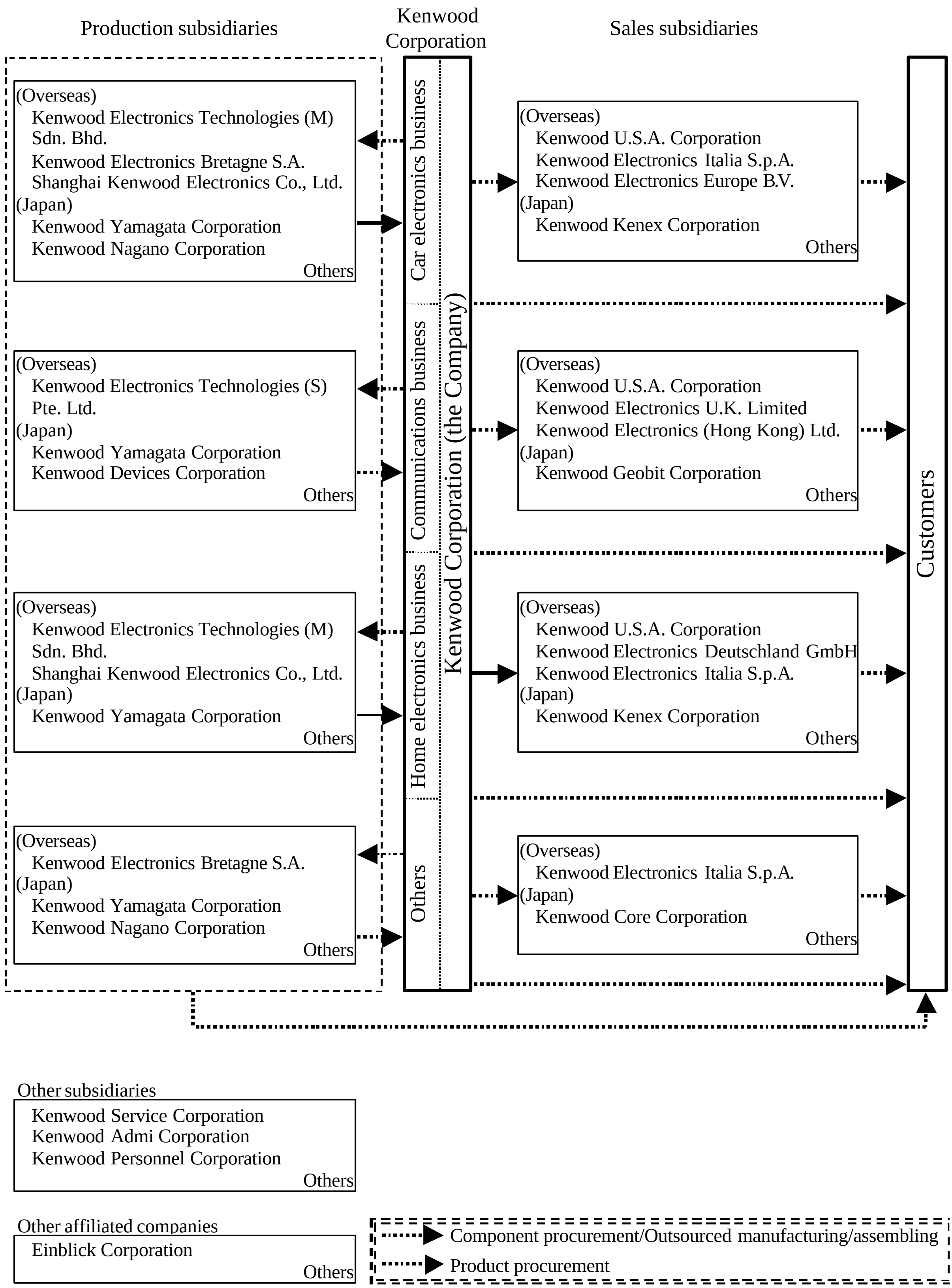
The Group's business sectors, major products and affiliates are as follows:

Business classification and major products	Major affiliates
[Car electronics] Car electronics-related products such as automotive audio equipment, navigation systems, etc.	(Sales companies) Kenwood Corporation Kenwood U.S.A. Corporation Kenwood Electronics Italia S.p.A. Kenwood Electronics Europe B.V. Kenwood Kenex Corporation (Production companies) Kenwood Electronics Technologies (M) Sdn. Bhd. Kenwood Electronics Bretagne S.A. Shanghai Kenwood Electronics Co., Ltd. Kenwood Yamagata Corporation Kenwood Nagano Corporation
[Communications] Communications-related products such as amateur and professional radio equipment, specific low-power transceivers, etc.	(Sales companies) Kenwood Corporation Kenwood U.S.A. Corporation Kenwood Electronics U.K. Limited Kenwood Electronics (Hong Kong) Ltd. Kenwood Geobit Corporation (Production companies) Kenwood Electronics Technologies (S) Pte. Ltd. Kenwood Yamagata Corporation Kenwood Devices Corporation
[Home electronics] Home electronics-related products such as stereos (system-component and separate-component stereos), home theater systems, DVD players, portable audio equipment, etc.	(Sales companies) Kenwood Corporation Kenwood U.S.A. Corporation Kenwood Electronics Deutschland GmbH Kenwood Electronics Italia S.p.A. Kenwood Kenex Corporation (Production companies) Kenwood Electronics Technologies (M) Sdn. Bhd. Shanghai Kenwood Electronics Co., Ltd. Kenwood Yamagata Corporation
[Others] Other electronics products such as disc-drive mechanisms for DVD, CD and MD players, integrated receiver decoders (IRDs: receivers for digital satellite broadcasting), non-contact mobile identification systems, meteorological-satellite data receiving systems, etc.	(Sales companies) Kenwood Corporation Kenwood Electronics Italia S.p.A. Kenwood Core Corporation (Production companies) Kenwood Electronics Bretagne S.A. Kenwood Yamagata Corporation Kenwood Nagano Corporation

(Change of business classification)

In fiscal 2003, the Company reclassified its business from the conventional two (audio-related business, and communications-related business) to four (car electronics business, communications business (renamed from communications-related business), home electronics business, and others). For this purpose, the audio-related business was subdivided into the car electronics business, the home electronics business, and others.

The reclassification is intended to provide more detailed and useful information on the Company's finances, now that the definition of the three core businesses (car electronics business, communications business, and home electronics business) was made clear in the Excellent Kenwood Plan, a midterm business plan launched in fiscal 2003, and the disclosure of information related to these businesses became possible.


Production subsidiaries
Kenwood Corporation
Sales subsidiaries
(Overseas)
Kenwood Electronics Technologies (M) Sdn. Bhd.
Kenwood Electronics Bretagne S.A.
Shanghai Kenwood Electronics Co., Ltd.
(Japan)
Kenwood Yamagata Corporation
Kenwood Nagano Corporation
Others
(Overseas)
Kenwood Electronics Technologies (S) Pte. Ltd.
(Japan)
Kenwood Yamagata Corporation
Kenwood Devices Corporation
Others
(Overseas)
Kenwood Electronics Technologies (M) Sdn. Bhd.
Shanghai Kenwood Electronics Co., Ltd.
(Japan)
Kenwood Yamagata Corporation
Others
(Overseas)
Kenwood Electronics Bretagne S.A.
(Japan)
Kenwood Yamagata Corporation
Kenwood Nagano Corporation
Others
Car electronics business
Communications business
Home electronics business
Others
Kenwood Corporation (the Company)
(Overseas)
Kenwood U.S.A. Corporation
Kenwood Electronics Italia S.p.A.
Kenwood Electronics Europe B.V.
(Japan)
Kenwood Kenex Corporation
Others
(Overseas)
Kenwood U.S.A. Corporation
Kenwood Electronics U.K. Limited
Kenwood Electronics (Hong Kong) Ltd.
(Japan)
Kenwood Geobit Corporation
Others
(Overseas)
Kenwood U.S.A. Corporation
Kenwood Electronics Deutschland GmbH
Kenwood Electronics Italia S.p.A.
(Japan)
Kenwood Kenex Corporation
Others
(Overseas)
Kenwood Electronics Italia S.p.A.
(Japan)
Kenwood Core Corporation
Others
Customers
Other subsidiaries
Kenwood Service Corporation
Kenwood Admi Corporation
Kenwood Personnel Corporation
Others
Other affiliated companies
Einblick Corporation
Others
Component procurement/Outsourced manufacturing/assembling
Product procurement

Managerial Policy

1. Main managerial policy

(1) *Excellent company*, from regeneration to revitalization and a new leap forward

In fiscal 2002, the Company completed financial restructuring under the action plan called "Substantial Restructuring Plan" and shifted management priorities to regeneration, revitalization and a new leap forward. In May 2003, the Company mapped out the three-year midterm business plan "Excellent Kenwood Plan" for fiscal 2003 to 2005, aiming to become a *world's excellent company*.

In fiscal 2003, the initial year for the midterm plan, the effects of the above-mentioned restructuring efforts, together with the results of production innovation that was launched in March 2003, contributed to the Company's earnings throughout the year. As a result, both consolidated and non-consolidated net incomes rose substantially to the largest in the Company's 58-year history, attaining record highs for the second consecutive year. Thus, it took its first step toward becoming an *excellent company.*

(i) Results of restructuring contributed to earnings through the term

The effects of the action plan "Substantial Restructuring Plan," which the Company commenced and completed in the year through March 2003, significantly pushed up its earnings.

*** Business restructuring**

In the communications business, the Company pulled out of the development and production of cell phone terminals, while focusing on the radio business. As for the home electronics business, it implemented dramatic restructuring by reassessing its product types and sales territories. As a result, sales on the two businesses dropped a total of approximately ¥28.6 billion from a year earlier. However, operating income margin of the communications business rose 5.3 percentage points to 13.7%. Meanwhile, the home electronics business saw profitability improve significantly and it registered a net profit for the latter half of the year, due partly to robust sales of products the Company introduced in the summer of 2003 after its corporate makeover.

*** Cost restructuring**

The Company lowered fixed costs by approximately ¥20.7 billion (or 24.2%) from the previous year, through closures, divestments and reorganizations of production bases, as well as a realignment of its marketing structure, under its corporate renewal project. As a result, its profitability was enhanced, with the cost-to-sales ratio standing at 70.7%, up 1.3 percentage points.

*** Management restructuring**

Under the consolidated management system adopted in the previous year, the Company developed a "systematized management" featuring more precise management based on numerical data. To this end, it strengthened its consolidated operations from production to marketing, and implemented organizational reforms and various measures for affiliated firms to enhance competitiveness and ability to respond to market change. On January 1, 2004, the Company merged Kenwood Service Corporation, an after-sales service subsidiary, and Kenwood Logistics Corporation, a distribution unit, which further accelerated the reorganization of domestic affiliates.

*** Financial restructuring**

Thanks to strong net income in fiscal 2003, combined with finances that were reinforced in the previous year, consolidated shareholders' equity increased about ¥6.5 billion, year on year, to ¥20.161 billion, and the equity ratio gained 5.3 percentage points to 14.9% at the end of the fiscal year. Consolidated loss carried forward decreased about ¥24.5 billion to ¥9.777 billion. Meanwhile, consolidated interest-bearing debts fell around ¥13.6 billion to ¥67.272 billion, and net debts were ¥29.885 billion, achieving the initial target of ¥30 billion or less.

(ii) Results of production innovation reflected on all production bases at home and abroad

In March 2003, the Company launched a production innovation project, aiming to improve profitability and cash flows through “Kenwood Quarter QCD (quality, cost, and delivery) Revolution” — the supply chain management (SCM) overhaul targeting production, marketing and technology. The themes of the project were revival of domestic plants to outdo Asian peers, and re-enhancement of overseas plants’ competitiveness.

The best practice example for the project was the return of the production of portable MD players for the domestic market from Kenwood Electronics Technologies (M) Sdn. Bhd. to Kenwood Yamagata Corporation, where manufacture resumed in September 2003. The move resulted in a reduction in costs, a substantial cut in the lead time from manufacturing to marketing, and a decrease in the percentage of defective products, which helped turn a profit in the home electronics business in the second half of the year and contributed to improving cash flows.

In a similar move, the Company shifted the production of “Theater Navi,” a potential audio-visual hard disk navigation system, from Kenwood Nagano Corporation to Kenwood Yamagata Corporation, where manufacture of the product started in January of this year. Production innovations were adopted in the car electronics business. The Company positioned Kenwood Nagano as the main production center of automotive electronics products for the OEM business. Through these moves, the Company has established a system to propagate best practice methods at all manufacturing bases both in Japan and overseas.

As a result, inventories decreased approximately ¥7.7 billion from the previous year to ¥24.639 billion. Cash flow from operating activities improved significantly to ¥27.502 billion, up about ¥17.1 billion from the previous year, due to cuts in inventories, a sharp rise in net income and a reduction in accounts receivable derived from marketing structure reforms. In addition, indirect fixed costs and direct processing costs declined, loss costs decreased thanks to improved product quality, and procurement costs went down owing to innovation of procurement activities. Reductions in these costs pushed up earnings of every business division.

(iii) Development of new product lines

The Company strived to develop new product lines leveraging its core competency, “sound and radio technologies,” seeking to establish itself in the mobile & home multimedia system business.

In the car electronics business, the Company enjoyed strong sales of DVD theater systems that use proprietary sound and multimedia technologies, as well as “Theater Navi,” an audio-visual hard disk navigation system that integrates DVD theater and automotive navigation systems for the domestic market. The Company strengthened its multimedia equipment lines, through development of tuners for digital satellite broadcasting (provided by Sirius Satellite Radio, Inc. of the United States) and the first civilian use of tuners for terrestrial digital broadcasting high definition radios, both for the U.S. market.

As for the business of supplying pre-installation products to automakers, sales of multimedia and mechanical systems fared well, and the Company stepped up their production. Accordingly, its OEM business expanded remarkably.

In the communications business, the Company focused on development of digital radio terminals as well as radio systems in response to the digitization of radio equipment.

In the home electronics business, the Company, which concentrated its efforts on home theater systems, pure audio equipment and portable audio devices, developed digital amplifiers with high tone quality as well as next-generation network audio systems, while stepping up research on tone to develop products featuring excellent tone quality.

(iv) Reinforcement of the brand

After its corporate makeover, the Company is striving to rebuild its brand, aiming to increase its global presence. In January of this year, the Company launched a brand management project, in which Group staff around the world joined, to work on a brand strategy to provide new value to the market. The Company also signed an official supplier contract with McLaren Racing to provide the renowned team with its radio equipment for the Formula One world auto-racing championship (F-1).

(2) Strategic investment to increase competitiveness and promote growth strategy

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 straight year, the Company will strive to rebuild its financial structure through implementation of "New Financial Strategy" as described below. It will also enhance competitiveness and promote a growth strategy by actively making a strategic investment, in a bid to build momentum for attaining the targets of the "Excellent Kenwood Plan."

(i) New Financial Strategy — Rebuilding a sound financial base

Aiming at achieving the goals of the "Excellent Kenwood Plan," the Company formulated the "New Financial Strategy" under which it will rebuild a sound financial base by eliminating accumulative loss, retiring preferred stock, and refinancing debt.

As described in the press release issued on May 21, 2004 (Notice regarding New Financial Strategy), we have devised a pioneering program referred to as the "New Financial Strategy," thanks to the wholehearted support and assistance of the Resona Bank Limited and other financial institutions, as well as the financial advisory services rendered by Lehman Brothers Japan Inc. This involves an unprecedented simultaneous execution of five measures — (i) elimination of cumulative losses, (ii) capital increase through public offering, (iii) retirement of preferred stock, (iv) debt refinancing through syndicated loans, and (v) termination of the repayment agreement. Through the execution of this strategy, the Company expects to eliminate cumulative loss and be well positioned to pursue financial independence as well as the possibility of resuming dividends, without waiting for the final year of the "Excellent Kenwood Plan."

With the implementation of the "New Financial Strategy," we believe that the Company's financial problems will be resolved and that the issue involving the stock dilution (due to conversion of preferred stock to common stock) will be addressed by retiring half of the outstanding preferred stock, thereby substantia lly enhancing shareholder value in the future.

(ii) Making active strategic investment toward a new leap forward

Aiming for a new leap forward, the Company will enhance business competitiveness and strongly promote a growth strategy, by making a strategic investment in the development of new competitive products in the automotive electronics, communications, and home electronics businesses.

The Company will also reinvest in its employees to enhance their incentives. As part of such efforts, in March of this year it stopped the wage cuts, which had been implemented since October 2002. In addition, the Company will proactively invest to increase the global presence of the Kenwood brand and be able to proceed with a brand promotion.

*** Car electronics business**

The Company, an expert in "sound," will make great efforts to increase its presence in the audio field, the forte of Kenwood, and increase new product lines in the visual and digital broadcasting fields, responding to changes in the market.

Furthermore, the Company will launch a project, on which its entire resources are concentrated, to develop proprietary technologies to creating attractive new automotive multimedia products, aiming to roll them out by the end of the year.

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 the strategy of a further growth.

*** Communications business**

In the communications business, the Company will focus on digitized and systematized products, step up the domestic business by acquiring the radio operations of Toyo Communication Equipment Co., Ltd. and strive to further grow in the global market, while maintaining high profitability.

*** Home electronics business**

Now that it established a lean management structure through restructuring and production innovation, the Company will promote a growth strategy by offering new added value to the market as an audio equipment manufacturer. To this end, the Company will put emphasis on the development of digital amplifiers and next-generation network audio devices, while expanding operations in the home multimedia field.

(iii) The finishing production innovation touches

The Company will strengthen the relationships between divisions and manufacturing companies. Concurrently, while the Company positions the three firms (Kenwood Yamagata Corporation, Kenwood Nagano Corporation, and Kenwood Electronics Technologies [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 group-wide manufacture 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 of this year will advance the production innovation process.

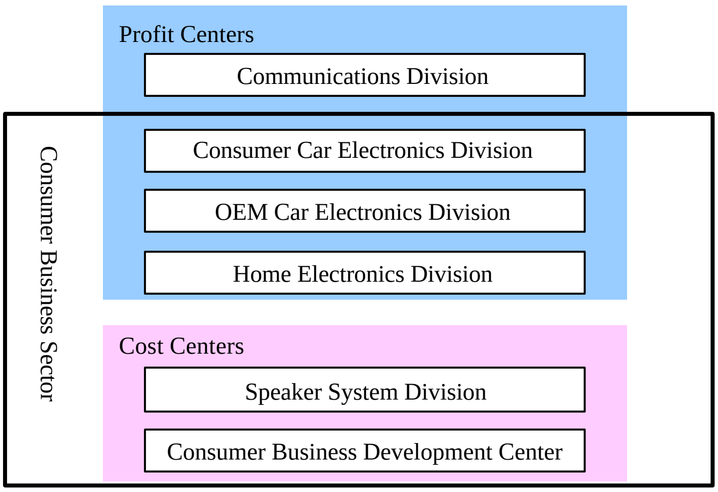
(3) Reinforcement of competitiveness and promotion of growth strategy under the four-profit center system

To reinforce competitiveness and strongly promote a growth strategy, the Company will effectively make proactive strategic investments and give finishing touches to production innovation, both mentioned earlier. To facilitate this strategy, the Company reorganized its operations on April 1 of this year, centering on the consumer electronics sector, whose business environment is dramatically changing due to progress of technical innovation and diversified needs of users.

Under the new organization, the Car Electronics Division, which consisted of consumer and OEM businesses that are extremely different 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"*. 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 a chief executive officer.

Under this new management structure, the Company will enhance its 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 innovation to increase its competitiveness.

* 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 four Profit Center System.



2. Basic policies for distribution of profits

The Company makes it a rule to comprehensively decide on the distribution of profits by taking into account profitability and financial conditions. In the fiscal year ended March 2003, the Company completed financial restructuring through the elimination of negative net worth. During the fiscal 2003, the entire Company focused on shifting to the stages of regeneration and a new leap forward, which resulted in an all-time high net income. Concurrently, the Company reduced loss carryforwards substantially but was not able to eliminate them entirely. Without profits available for dividends, the Company is unable to disburse a dividend for the year, and the understanding of its shareholders would be highly appreciated.

For the year ending March 31, 2005, the Company will enhance competitiveness and implement a growth strategy to achieve the goals of the midterm business plan, "Excellent Kenwood Plan," while aiming to post a record income for the third consecutive years. Under the New Financial Strategy, the Company will also eliminate loss carryforwards before fiscal year ending March 2006, the final year of the midterm plan, and reorganize its financial base seeking to resume dividend payment.

3. Basic corporate governance philosophies and implementation of related measures

Under a new consolidated management structure, the Company strived to firmly establish the executive officer system and further increase transparency in management, by inviting c business leaders of diverse values as external directors, as well as enhancing decision-making and operation execution functions.

In March 2003, the Company established the Internal Auditing Division, which is tasked with conducting internal audits of group-wide operations from the viewpoint of corporate governance and compliance, so as to report to the board of directors. The Company also launched the Kenwood Environmental Meeting, which is responsible for strengthening measures to control the risk associated with product sales and environmental compliance. In the meeting, Environmental Management Meeting and Green Products Management Meeting were set up. In addition, the Company established Company-wide PL Meeting to enhance measures for products liability. Through these efforts, the Company will endeavor to further improve corporate governance.

Business Results

1. Overview of fiscal year ended March 2004

In the period under review, the economy improved in the United States and Asia as the negative impacts of the situation in Iraq and of the SARS epidemic started to fade, while the European economy also moved onto a recovery track helped by robust external demand. Against this backdrop, the Japanese economy showed some bright signs of recovery, with exports increasing, corporate earnings and capital spending recovering, and the Nikkei average even reaching the 12,000. However, the economic recovery was generally moderate in Japan, due to lingering fears over future economic prospects: the yen's sharp appreciation; a rise in long-term interest rates; and uncertainties over the economic outlook in the United States and Europe.

In the consumer electronics market, demand was strong for the so-called "three digital crown jewels" comprising digital cameras, DVD recorders, and flat-screen TVs. As for the markets the Company is involved in, business sentiment varied from market to market, with the audio equipment market shrinking while the visual device market expanded.

Under such circumstances, the four structural reforms (business, cost, management, and financial restructuring), which the Company implemented in the previous fiscal year, were drastically felt in its performance during fiscal 2003. This was combined with another favorable effect generated from the reform of the Company's earnings structure through production innovations launched in March 2003. As a result, despite a drop in sales, the Company hit a record in consolidated net income for the second consecutive year, an unprecedented achievement in its 58-year history. On top of this, a sounder balance sheet was achieved due to a substantial decrease in loss carried forward and net interest-bearing debts.

2. Sales and income

In the fiscal year ended March 2004, the Company posted records in both consolidated and non-consolidated net income for the second consecutive year, exceeding the revised outlook announced on April 9. On top of this, the ratios of operating, ordinary and net income to net sales all registered record consolidated as well as non-consolidated highs, substantially higher even than the last record highs.

Consolidated operating results — Net income hit a record for the second straight year, and profit margins posted all-time highs.

In the year under review, the Company suffered negative effects in the wake of its phasing-out of the production of cell phone terminals as part of the corporate structural reform and the reassessment of models and sales territories in the home electronics business. This was combined with such external factors as the much higher-than-expected yen's strengthening, as well as a contraction in the global audio equipment market. As a result, consolidated net sales dropped 20.8% from the previous year to ¥178.731 billion.

Meanwhile, earnings in the communications and home electronics businesses improved thanks to business restructuring effects, fixed costs declined through cost restructuring efforts, interest burdens decreased, while procurement and production costs declined due to production innovation effects. As a result, profitability increased, with the operating and ordinary profit margins marking their second consecutive year of record highs. Net income margin hit an all-time high for the first time in 15 years, significantly exceeding the last record high.

Despite a decline in net sales, operating income gained from a year earlier to ¥12.610 billion, helped by the effects of business restructuring, cost restructuring and production innovation. Ordinary profit jumped 21.0%, year on year, to ¥8.541 billion, hitting a record high for the first time in five years, due mainly to a fall in the interest burden as a result of financial restructuring. Net income soared 73.4% to ¥7.318 billion, posting an all-time high for the second straight year. The impact of extraordinary loss on net income was low due to the restructuring which was completed in the previous fiscal year.

Consolidated sales and income by business segment are as follows:

(Unit: Millions of yen)

Segment		Previous fiscal year	Current fiscal year	Year-on-year change
Car electronics	Sales	117,002	100,783	(16,219)
	Operating income	11,712	7,019	(4,693)
Communications	Sales	61,015	50,373	(10,642)
	Operating income	5,207	6,876	1,669
Home electronics	Sales	41,904	23,987	(17,917)
	Operating income	(4,483)	(1,217)	3,266
Others	Sales	5,658	3,588	(2,070)
	Operating income	(176)	(68)	108
Total	Sales	225,579	178,731	(46,848)
	Operating income	12,260	12,610	350
	Ordinary profit	7,059	8,541	1,481
	Net income	4,221	7,318	3,097

*** Car electronics business: Sales totaled ¥100.783 billion (a 13.9% drop from the previous year).**

In the OEM market, sales soared approximately 70% over the preceding year's, as some audio systems were adopted as standard specs by one Japanese automaker for its vehicles.

The consumer market was adversely affected by external factors, including a higher-than-expected rise in the yen's value, a contraction in the global audio systems market, the war against Iraq and the SARS epidemic in the first half of the fiscal year. In Japan, the navigation/visual systems market expanded, while the visual equipment market grew both in Europe and the United States. However, the Company failed to capitalize on this golden opportunity, because the introduction of new products was substantially behind schedule due to a delay in the development of LSI engines outsourced to outside companies. As a result, sales declined and profitability deteriorated. Nevertheless, the Company had raised the ratio of navigation/visual systems, which are projected to grow, to total sales. Therefore, given that new visual products launched in February and March in the domestic and overseas markets, respectively, are selling well, the initial losses caused by their delayed introduction is likely to be offset.

The Company also shifted manufacture of new visual products for the domestic market to Kenwood Yamagata Corporation, so that well-coordinated production and marketing activities are directly linked to the market.

Sales of digital broadcasting-related products remained strong in the United States. In this sector, the Company reinforced its multimedia product line, by launching tuners for digital satellite broadcasting (supplied by Sirius Satellite Radio, Inc. of the USA) and the first civilian use of tuners for terrestrial digital broadcasting high definition radios.

The Company also embarked on the full-fledged introduction of complete navigation systems on the Chinese consumer market as the first Japanese manufacturer to do so.

*** Communications business: Sales totaled ¥50.373 billion (a 17.4% drop from the previous year)**

With the phasing out of its cell phone terminals through corporate restructuring, the Company focused on the radio business. This led the communications business sector to sharply improve profitability. In the radio market, demand sagged in the first half of the year as the war against Iraq made itself felt, but, steadily recovered after the headquarters was relocated to Atlanta in the United States (the largest market), and improved the coordination of its marketing, development and production. With development of digital radios progressing smoothly, the Company launched new products based on the Association of Public-Safety Communication Officials (APCO) standard in the USA. It also plans to switch to digital systems for its Formula One racing radio communications.

On February 6 of this year, Kenwood and Toyo Communication Equipment negotiated the Company's acquisition of the latter's radio business, and the two parties on April 9 signed an agreement for the business transfer. Accordingly, the Company will acquire the radio business from Toyo Communication Equipment on June 1. This is expected to increase the Company's presence in the commercial-use radio sector (especially for government and municipal offices and electric power companies) in Japan, as well as provide the Company with a strong contact nexus in the sector. Furthermore, the Company will obtain radio business-related resources and technologies. Using these benefits as a springboard, the Company will strive to further expand its radio business at home.

*** Home electronics business: Sales were ¥23.987 billion (a 42.8% decrease from the previous year).**
Through business restructuring efforts, the Company concentrated on home theater systems, pure audio equipment, and portable audio devices in terms of product categories, in the related sales territories as Japan, Europe and the United States. Resultant reorganization of production and marketing structures led to a reduction in fixed costs. In addition, production innovation and introduction of new products generated favorable effects, while European sales continued to be strong. As a result, the Company's earnings improved significantly and turned to a profit in the second half of the year, weathering a decline in sales.

Non-consolidated operating results — Net income hit a record high for the second straight year.
Non-consolidated net sales were ¥126.115 billion, down 20.1% from the previous year, due to the same reason as cited for the fall in consolidated net sales. However, as profitability improved owing to the effects of restructuring and production innovation, operating income margin, ordinary profit margin and net income margin all hit record highs, sharply exceeding the last all-time highs, as in the case of consolidated results.

Although net sales declined year on year, non-consolidated operating income, just like consolidated operating income, rose 6.7% to ¥5.607 billion, posting the first record high in 12 years. Ordinary profit increased from a year earlier to ¥4.748 billion. Net income hit an all-time high for two years in a row, registering an 18.9% growth of ¥5.036 billion, as taxes on the Company were booked as income under the consolidated taxation system.

3. Consolidated financial position

(1) Assets, liabilities and shareholders' equity at the end of the year under review

Total assets decreased ¥6.361 billion from the previous year to ¥135.763 billion at the end of March 2004. Due to the effects of restructuring and production innovation, cash and deposits increased ¥6.619 billion, while trade notes and accounts receivable dropped ¥3.674 billion, inventories fell ¥7.650 billion and tangible fixed assets sagged ¥2.159 billion.

Total liabilities declined ¥12.462 billion to ¥115.596 billion. The Company reduced short-term bank borrowings by ¥6.253 billion and long-term debt by ¥2.324 billion, benefiting from strong cash flows from operating activities.

Total shareholders' equity was ¥20.161 billion, up ¥6.457 billion from ¥13.704 billion posted at the end of the previous fiscal year. The growth was attributed to an increase of ¥24.460 billion in retained earnings, as a result of disposition of capital surplus worth ¥17.087 billion and booking of net income totaling ¥7.318 billion.

(Unit: Millions of yen)

	Current fiscal year	Previous fiscal year	Year-on-year change
Total assets	135,763	142,124	-6,361
Shareholders' equity	20,161	13,704	+6,457
Equity ratio	14.9%	9.6%	+5.3 percentage point
Interest coverage ratio (Note)	12.61	-	-

Note: As the Company began to disclose the interest coverage ratio (cash flows from operating activities/interest expenses) from this fiscal year, no year-on-year comparison is available.

(2) Cash flows

Cash flows from operating activities increased ¥17.144 billion, or more than 150%, from the preceding year and the Company reported an income of ¥27.502 billion, due mainly to a reduction in inventories through production innovations, increased net income and contraction in accounts receivable due to the reforms in marketing structure that started during the previous year.

Cash flows from investing activities saw a net spending of ¥7.674 billion, ¥1.779 billion more than the previous year, due chiefly to acquisition of tangible and intangible fixed assets and spending related to making a Chinese joint venture into a wholly owned subsidiary.

Cash flows from financial activities decreased ¥13.751 billion and posted a net spending of ¥12.783 billion, as a result of proactive repayment of borrowings due to the strong cash flows from operating activities.

(Unit: Millions of yen)

	Previous fiscal year	Current fiscal year	Year-on-year change
Cash flows from operating activities	10,358	27,502	+17,144
Cash flows from investing activities	(5,895)	(7,674)	-1,779
Cash flows from financial activities	968	(12,783)	-13,751
Effect of exchange rate changes on cash and cash equivalents	(210)	(409)	-199
Net increase (decrease) in cash and cash equivalents	5,220	6,634	+1,414
Cash and cash equivalents at beginning of year	21,686	27,064	+5,378
Net increase (decrease) in cash and cash equivalents in accordance with change of consolidated subsidiaries	157	(0)	-157
Cash and cash equivalents at end of year	27,064	33,698	+6,634

4. Outlook for fiscal year ending March 2005
— Aiming for the third straight year of record income

(1) Earnings outlook for fiscal year ending March 2005

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, as well as enhance competitiveness and strongly promote its growth strategy, by reorganizing its financial base, proactively making strategic investment, and putting the finishing touches on production innovation.

Despite a possible influence of the yen's appreciation, the Company expects a consolidated net sales to rise 6.3% from a year earlier to ¥190 billion in the fiscal 2004, due to the effects of the planned introduction of new product lines in response to prevailing market trends.

We will proactively make strategic investment (in R&D, employees and the brand, etc.) to enhance competitiveness and promote our strategy for growth. However, such spending will be offset by the income that is expected to further improve due to ongoing reductions in costs through production innovations. As a result, consolidated ordinary profit is estimated to be around ¥8.5 billion, remaining unchanged from the fiscal year ended March 2004.

Consolidated net income will likely increase year on year, to ¥7.5 billion for the third consecutive year of record highs.

Earnings outlook for fiscal 2004 currently stands as follows:

Consolidated earnings outlook (Unit: Millions of yen)

	Outlook for fiscal year ending Mar. 2005	Results for fiscal year ended Mar. 2004	Year-on-year change	
Net sales	190,000	178,731	+11,269	
(Operating income)	13,000	12,610	+390	(See note)
Ordinary profit	8,500	8,541	-41	
Net income	7,500	7,318	+182	

Non-consolidated earnings outlook

	Outlook for fiscal year ending Mar. 2005	Results for fiscal year ended Mar. 2004	Year-on-year change	
Net sales	135,000	126,115	+8,885	
(Operating income)	5,500	5,607	-107	(See note)
Ordinary profit	4,500	4,748	-248	
Net income	4,500	5,036	-536	

Note: Outlooks for operating income (disclosure of which is wholly discretionary) is presented for reference only.

(2) 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 April 1, 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 will cancel retirement pay obligation and realize income/loss 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" (Accountants Accounting Committee Report No. 13; the Japanese Institute of Certified Public). It is forecast that such income/loss will have little effect on the financial results for fiscal year ending March 2005.

Notes on earnings outlook:
The above-mentioned earnings outlook for the year ending March 2005 are based on currently available information and, actual results may differ materially from these prospective forecasts due to a variety of factors.

Therefore, it is recommended that investment decisions not be made solely on the basis of these prospective results.

The electronics industry, the Company's core business field, is prone to fluctuations due to changes in technologies, demand, prices, competition, economic environment, foreign exchange rates, as well as many other factors.

Consolidated Balance Sheet

as at March 31, 2003 and March 31, 2004

(Unit: Millions of yen)

Accounts	March 31, 2003		March 31, 2004		Difference	
	Amount	%	Amount	%	Amount	%
(Assets)						
I Current Assets	103,390	72.7	98,278	72.4	(5,111)	-4.9
Cash and cash in bank deposit	30,768		37,387		6,619	
Trade notes and accounts receivable	34,583		30,908		(3,674)	
Inventories	32,290		24,639		(7,650)	
Prepaid expenses	1,139		620		(519)	
Deferred tax assets	859		866		7	
Other current assets	4,877		4,717		(159)	
Allowance for doubtful receivables	(1,128)		(861)		266	
II Fixed Assets	38,610	27.2	37,437	27.6	(1,173)	-3.0
(1) Tangible fixed assets	27,374	19.3	25,215	18.6	(2,159)	-7.9
Building and structures	21,622		19,518		(2,104)	
Machinery and equipment	17,613		16,549		(1,064)	
Tools, furniture and fixtures	9,781		10,672		890	
Land	12,217		11,881		(335)	
Construction in progress	48		7		(40)	
Total	61,283		58,628		(2,655)	
Accumulated depreciation	(33,908)		(33,413)		495	
(2) Intangible fixed assets	6,680	4.7	7,828	5.8	1,148	17.2
(3) Investment and others	4,555	3.2	4,392	3.2	(162)	-3.6
Investment securities	3,028		3,779		751	
Long term loans	76		71		(4)	
Deferred tax assets	895		712		(182)	
Other investments	2,294		1,566		(728)	
Allowance for doubtful receivables	(1,738)		(1,736)		2	
III Deferred Assets	123	0.1	47	0.0	(76)	-61.6
New stock issuing expenses	123		47		(76)	
Total Assets	142,124	100.0	135,763	100.0	(6,361)	-4.5

(Unit: Millions of yen)

Accounts	March 31, 2003		March 31, 2004		Difference	
	Amount	%	Amount	%	Amount	%
(Liabilities)						
I Current Liabilities	108,441	76.3	96,042	70.7	(12,399)	-11.4
Trade notes and accounts payable	17,871		18,009		138	
Short term bank borrowings	68,286		62,032		(6,253)	
Bonds due within one year	5,000		-		(5,000)	
Accounts payable (non trade)	6,833		7,236		403	
Income taxes payable	631		623		(7)	
Accrued expenses	7,863		6,714		(1,149)	
Deferred tax liabilities	54		38		(15)	
Other current liabilities	1,899		1,385		(514)	
II Long Term Liabilities	19,617	13.8	19,554	14.4	(63)	-0.3
Long term debt	7,565		5,240		(2,324)	
Deferred tax liabilities (Revaluation of land)	2,201		2,173		(27)	
Deferred tax liabilities	122		277		155	
Allowance for Employees' retirement	9,224		11,768		2,543	
Other long term liabilities	503		93		(409)	
Total Liabilities	128,058	90.1	115,596	85.1	(12,462)	-9.7
Minority Interests	362	0.3	6	0.0	(355)	-98.3
(Shareholders' Equity)						
I Paid-in capital	39,469	27.8	39,469	29.1	0	0.0
II Capital surplus	17,087	12.0	-	-	(17,087)	-100.0
III Retained earnings	(34,238)	-24.1	(9,777)	-7.2	24,460	-71.4
IV Land revaluation surplus	3,234	2.2	3,167	2.3	(67)	-2.1
V Unrealized gain and loss on available-for-sale securities	(269)	-0.2	253	0.2	523	-194.0
VI Translation adjustments	(11,548)	-8.1	(12,901)	-9.5	(1,353)	11.7
VII Treasury stock	(32)	-0.0	(50)	0.0	(18)	56.5
Total Shareholders' Equity	13,704	9.6	20,161	14.9	6,457	47.1
Total Liabilities, Minority Interests and Shareholders' Equity	142,124	100.0	135,763	100.0	(6,361)	-4.5

Consolidated Income Statements

for the years ended March 31, 2003 and March 31, 2004

(Unit: Millions of yen)

Accounts	March 31, 2003		March 31, 2004		Difference	
	Amount	%	Amount	%	Amount	%
Net Sales	225,579	100.0	178,731	100.0	(46,848)	-20.8
Cost of Sales	162,442	72.0	126,439	70.7	(36,002)	-22.2
Gross Profit	63,136	28.0	52,291	29.3	(10,845)	-17.2
Selling, General and Administrative expenses	50,876	22.6	39,681	22.2	(11,195)	-22.0
Operating Income	12,260	5.4	12,610	7.1	350	2.9
Non-operating Profit and Loss						
Interest income and dividends	184		95		(88)	
Other non-operating Profit	2,139		1,987		(152)	
Sub-total	2,324	1.0	2,083	1.1	(241)	-10.4
Non-operating Loss						
Interest expense	3,216		2,168		(1,048)	
Other non-operating Loss	4,308		3,983		(324)	
Sub-total	7,525	3.3	6,152	3.4	(1,372)	-18.2
Ordinary profit	7,059	3.1	8,541	4.8	1,481	21.0
Extraordinary profit						
Reversal of allowance for doubtful receivables	75		10		(64)	
Gain on sales of fixed assets	303		219		(83)	
Reversal of allowance for restructuring of business	105		-		(105)	
Reversal of retirement expenses	52		-		(52)	
Gain on closing affiliated companies	-		103		103	
Sub-total	536	0.3	334	0.1	(202)	-37.8
Extraordinary Loss						
Loss on devaluation and sales of membership	56		12		(43)	
Additional retirement allowance paid to employees	391		-		(391)	
Loss on devaluation of investment securities	460		23		(437)	
Loss on sales of investment securities	1		7		6	
Loss on sales of affiliated companies' securities	146		-		(146)	
Retirement allowance paid to directors	-		25		25	
Loss on disposal and sales of fixed assets	884		401		(482)	
Loss on cancellation of lease contracts	292		-		(292)	
Loss on closing affiliated companies	1		-		(1)	
Retirement expenses	215		-		(215)	
Loss on extinguishment of investments	10		-		(10)	
Loss on impairment from overseas subsidiaries	-		295		295	
Sub-total	2,460	1.1	766	0.4	(1,693)	-68.9
Income before Income tax and Minority interests	5,136	2.3	8,108	4.5	2,972	57.9
Current	939	0.4	870	0.5	(69)	-7.4
Deferred	(26)	0.0	(82)	-0.1	(55)	212.0
Minority interests	1	0.0	1	0.0	-	14.9
Net Income	4,221	1.9	7,318	4.1	3,097	73.4

Consolidated Statements of Retained Earnings

for the years ended March 31, 2003 and March 31, 2004

(Unit: Millions of yen)

	March 31, 2003		March 31, 2004	
(Capital Surplus)				
I Beginning balance of capital surplus		3,555		17,087
II Increase in additional capital surplus				
Issuance of new stock by increase capital	13,532	13,532	-	-
III Decrease in additional paid-in capital				
Transfer to retained earnings	-	-	17,087	17,087
IV Ending balance of capital surplus		17,087		-
(Retained Earnings)				
I Beginning balance of retained earnings		(38,581)		(34,238)
II Increase in retained earnings				
1 Net Income	4,221		7,318	
2 Adjustment to retained earnings from consolidation of additional subsidiaries	127		-	
3 Adjustment to retained earnings by merger of subsidiaries	12		-	
4 Transfer from additional paid-in capital	-		17,087	
5 Transfer from land revaluation surplus	-	4,360	56	24,463
III Decrease in retained earnings				
1 Transfer to employee welfare fund	3		0	
2 Adjustment to retained earnings from change of basis of consolidation in accordance with sale of subsidiaries	13		-	
3 Adjustment to retained earnings from change of basis of consolidation	-	17	2	2
IV Ending balance of retained earnings		(34,238)		(9,777)

Consolidated Statements of Cash Flows

for the years ended March 31, 2003 and March 31, 2004

(Unit: Millions of yen)

		March 31, 2003	March 31, 2004
		Amount	Amount
I	Cash Flows from Operating Activities:		
	1 Income(loss) before income taxes and minority interests	5,136	8,108
	2 Depreciation	8,378	6,687
	3 Amortization	0	50
	4 Decrease in allowance for doubtful accounts	(128)	(199)
	5 Increase in allowance for employees' retirement	3,546	2,546
	6 Interest revenue and dividend income	(184)	(95)
	7 Interest expense	3,216	2,168
	8 Investment loss by equity method	64	35
	9 Loss on sale of investment securities	147	7
	10 Loss on devaluation of investment securities	460	23
	11 Loss on devaluation/sales of membership	56	12
	12 Loss on disposal of fixed assets	796	212
	13 Loss on sales of fixed assets	(215)	(30)
	14 Loss on impairment from overseas subsidiaries	-	295
	15 Gain on closing affiliated companies	-	(103)
	16 Decrease in trade notes and accounts receivable	21,415	1,645
	17 Decrease in inventories	9,031	6,108
	18 Decrease in accounts payable	(31,095)	2,360
	19 Increase(Decrease) in consumption tax payable	(162)	(16)
	20 (Increase)Decrease in consumption tax refund receivable	538	89
	21 Decrease in allowance for restructuring of business	(10,000)	-
	22 Others	3,928	431
	Sub-Total	14,930	30,340
	23 Interest received and dividend received	185	96
	24 Interest paid	(3,358)	(2,180)
	25 Income taxes paid	(1,172)	(727)
	26 Cash paid to directors for retirement	-	(25)
	27 Cash paid to employees for retirement	(227)	-
	Net cash provided by operating activities	10,358	27,502
II	Cash Flows from Investing Activities:		
	1 Increase in (deposit to) time deposits	(4,198)	(3,993)
	2 Decrease in (withdrawal from) time deposits	3,033	4,001
	3 Purchase of property, plant and equipment	(3,236)	3,582
	4 Proceeds from sales of property, plant and equipment	2,228	738
	5 Purchase of intangible fixed assets	(3,400)	(4,104)
	6 Purchase of investment securities	(537)	(156)
	7 Proceeds from sales of investment securities	11	35
	8 Proceeds from sales of subsidiary's stock (changed basis of consolidation)	125	-
	9 Acquisition of subsidiaries' additional equities	-	(615)
	10 Loan paid	(57)	(56)
	11 Proceeds from collection of loan	138	59
	Net cash used in investing activities	(5,895)	(7,674)
III	Cash Flows from Financing Activities:		
	1 Increase(Decrease) in short-term bank borrowings, net	4,982	(5,827)
	2 Increase by long-term debt	3,464	-
	3 Repayments of long-term debt	(9,177)	(1,723)
	4 Proceeds from issuance of stock	1,970	-
	5 Redemption of bonds	-	(5,000)
	6 Others	(271)	(231)
	Net cash (used in) provided by financing activities	968	(12,783)
IV	Effect of Exchange Rate Changes on Cash and Cash Equivalents	(210)	(409)
V	Net Increase(Decrease) in Cash and Cash Equivalents	5,220	6,634
VI	Cash and Cash Equivalents at beginning of year	21,686	27,064
VII	Net Increase(Decrease) in Cash and Cash Equivalents in accordance with change of consolidated subsidiaries	157	0
VIII	Cash and Cash Equivalents at end of year	27,064	33,698

Subsequent Events

At the Board of Directors meeting on May 21, 2004, the Company resolved the implementation of New Financial Strategy described below. In addition, items (ii) and (iii) below will be discussed at the 75th Ordinary General Meeting of the Shareholders, and the General Meeting of Class A Convertible Preferred Stock holders, both slated for June 29, 2004.

(1) Measures for the New Financial Strategy

Measures	Amount	Implementation outline and expected result
(i) Elimination of cumulative losses	¥20 billion (unpaid capital reduction without payment to shareholders)	• Reduce capital on the book to cover cumulative loss, thereby eliminating cumulative losses. • Cumulative loss can be wiped out without any impact on net assets (shareholders' equity) or number of shares outstanding.
(ii) New share issuance through public offering (maximum of approximately 95 million new common shares)	¥23 billion (maximum capital increase)	• Public offering of up to ¥23 billion; leveraging the net proceeds to cancel Class A Convertible Preferred Stock and paying down interest-bearing debts. • Limit the increase in the number of shares outstanding to 2/3 – 3/4 of the total issued shares that would be issued through the conversion of Class A Preferred Stock (approximately 127 million shares).
(iii) Retiring of Class A Preferred Stock (31,250 thousand Class A CPS)	¥16.1 billion (paid capital reduction)	• The net proceeds from (ii) will be used to cancel the Class A Preferred Stock. • Minimize the dilution impact caused by the conversion that can be effective in December 2005, and also mitigate the future dividend payment burden.
(iv) Refinancing by setting up new syndicated loan, and termination of existing loan agreement with financial institutions	¥40.0 billion (loan amount)	• By new loan and cash, the Company plans to close out existing loan agreement with financial institutions after repaying existing debt using the remaining amount after (iii). • This will contribute to more flexible financing and improved use of cash flow, leading to financial independence.

(2) Future outlook

Upon execution of the New Financial Strategy, total number of issued and outstanding shares and paid-in capital is expected to change as follows:

		TSO (including Treasury Stock)		Capital	Shareholders' Equity
			In case preferred stocks are converted		
March 31, 2004	Common stock	210,455,995 shares		39.469 billion yen	20.161 billion yen
	Preferred stock	62,500,000	(255,102,040 shares)		
	Total	272,955,995	(465,558,035 shares)		
(i) Elimination of accumulated losses	Common stock	No change	No change	19.469 billion yen	No change
	Preferred stock				
	Total				
(ii) New share issuance (in case preferred stocks are converted; see note)	Common stock	290,455,995		29.469 billion yen	40.161 billion yen
	Preferred stock	No change	No change		
	Total	352,955,995	(545,558,035 shares)		
(iii) Cancellation of Class A CPS (with conversion)	Common stock	No change	No change	13.369 billion yen	24.061 billion yen
	Preferred stock	31,250,000	(127,551,020 shares)		
	Total	321,705,995	(418,007,015 shares)		

Notes:

1. 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 in the issuance date, December 27, 2002 (Issue price of the CPS [¥400 per share] / initial conversion price [¥98 per share]).
2. Number of shares to be issued in and increase amount of capital by the Offering are based on current estimate (the number of new shares to be issued: 80 million shares, Offering size: ¥20 billion).

1) Business segment information

(Unit: Millions of yen)

	Previous consolidated fiscal year (from April 1, 2002 to March 31, 2003)				
	Audio-related business	Communications-related business	Total	Corporate assets and elimination	Consolidated
1. Net sales and operating income (loss)					
Net sales					
(1) Sales to customers	164,564	61,015	225,579	-	225,579
(2) Intersegment sales and transfers	-	-	-	-	-
Total	164,564	61,015	225,579	-	225,579
Operating expenses	157,511	55,808	213,319	-	213,319
Operating income	7,053	5,207	12,260	-	12,260
2. Identifiable assets, depreciation, and capital expenditures					
Identifiable assets	91,485	27,594	119,079	23,045	142,124
Depreciation	6,232	2,145	8,378	-	8,378
Capital expenditure	5,759	959	6,718	-	6,718

(Unit: Millions of yen)

	Current consolidated fiscal year (from April 1, 2003 to March 31, 2004)						
	Car electronics business	Communications business	Home electronics business	Others	Total	Corporate assets and elimination	Consolidated
1. Net sales and operating income (loss)							
Net sales							
(1) Sales to customers	100,783	50,373	23,987	3,588	178,731	-	178,731
(2) Intersegment sales and transfers	-	-	-	-	-	-	-
Total	100,783	50,373	23,987	3,588	178,731	-	178,731
Operating expenses	93,764	43,497	25,204	3,656	166,121	-	166,121
Operating income (loss)	7,019	6,876	(1,217)	(68)	12,610	-	12,610
2. Identifiable assets, depreciation, and capital expenditures							
Identifiable assets	63,926	24,456	14,495	3,388	106,266	29,496	135,763
Depreciation	4,744	1,032	848	61	6,687	-	6,687
Capital expenditure	5,779	1,004	716	7	7,507	-	7,507

Notes:

1. Method to classify businesses:
   The Company classifies businesses into segments considering similarities in product types and the markets where the products are sold.
2. Main products of each business segment:

Business segment	Main products
Car electronics business	Car electronics-related products such as automotive audio and automotive navigation equipment
Communications business	Communications-related products such as amateur and professional radio equipment, specific low-power transceivers, as well as cell phone lines
Home electronics business	Home electronics-related products such as stereos (system-component and separate-component stereos), home theater systems, DVD players, portable audio equipment
Others	Disc-drive mechanisms for DVD, CD and MD players, integrated receiver decoders (IRDs: receivers for digital satellite broadcasting), non-contact mobile identification systems, meteorological-satellite data receiving systems and other electronic equipment

Note:

3. Business reclassifications:

In fiscal year ended March 2004, the Company reclassified its business from the conventional two (audio-related business and communications-related business) to four (car electronics business, communications business [renamed from communications-related business], home electronics business, and other). The audio-related business was subdivided into car electronics business, home electronics business, and other.

The new reclassifications is intended to provide more detailed and useful information on the Company's finances, now that the definition of the three core businesses (car electronics business, communications business, and home electronics business) was made clear in the "Excellent Kenwood Plan," a mid-term business plan launched in fiscal 2003, and the disclosure of information related to these businesses became possible.

"Business segment information" for the previous fiscal year based on the new business classification is as follows:

(Unit: Millions of yen)

	Previous consolidated fiscal year (from April 1, 2002 to March 31, 2003)						
	Car electronics business	Communi cations business	Home electronic s business	Others	Total	Corporate assets and elimination	Consolidated
1. Net sales and operating income (loss)							
Net sales							
(1) Sales to customers	117,002	61,015	41,904	5,658	225,579	-	225,579
(2) Intersegment sales and transfers	-	-	-	-	-	-	-
Total	117,002	61,015	41,904	5,658	225,579	-	225,579
Operating expenses	105,290	55,808	46,387	5,834	213,319	-	213,319
Operating income (loss)	11,712	5,207	(4,483)	(176)	12,260	-	12,260
2. Identifiable assets, depreciation, and capital expenditures							
Identifiable assets	65,692	27,594	21,743	4,050	119,079	23,045	142,124
Depreciation	4,704	2,145	1,356	172	8,378	-	8,378
Capital expenditure	4,726	959	936	96	6,718	-	6,718

Note:

4. In fiscal 2002 and 2003, all operating expenses could be allocated.

2) Segment information by geographic area

(Unit: Millions of yen)

	Previous consolidated fiscal year (from April 1, 2002 to March 31, 2003)							
	Japan	USA	Europe	Asia	Others	Total	Corporate assets and elimination	Consolidated
1. Net sales and operating income (loss)								
Net sales								
(1) Sales to customers	87,646	67,311	53,151	14,767	2,702	225,579	-	225,579
(2) Intersegment sales and transfers	94,123	487	10,320	63,420	12	168,364	(168,364)	-
Total	181,770	67,798	63,472	78,187	2,714	393,944	(168,364)	225,579
Operating expenses	174,396	65,589	62,285	77,097	2,790	382,158	(168,838)	213,319
Operating income (loss)	7,374	2,209	1,186	1,090	(75)	11,785	474	12,260
2. Assets	109,788	22,019	21,142	22,513	1,283	176,748	(34,623)	142,124

(Unit: Millions of yen)

	Current consolidated fiscal year (from April 1, 2003 to March 31, 2004)							
	Japan	USA	Europe	Asia	Others	Total	Corporate assets and elimination	Consolidated
1. Net sales and operating income (loss)								
Net sales								
(1) Sales to customers	78,367	44,237	40,254	13,647	2,225	178,731	-	178,731
(2) Intersegment sales and transfers	70,153	382	1,875	42,748	0	115,159	(115,159)	-
Total	148,520	44,619	42,129	56,395	2,226	293,891	(115,159)	178,731
Operating expenses	140,508	43,402	41,482	55,479	2,199	283,072	(116,951)	166,121
Operating income (loss)	8,011	1,216	647	916	26	10,818	1,791	12,610
2. Assets	101,089	16,483	17,061	17,854	1,430	153,918	(18,155)	135,763

Notes:
1. The countries and regions are classified according to geographic proximity.
2. The main countries and regions (apart from Japan) are classified as follows:
   (1) USA: U.S., Canada and Panama
   (2) Europe: Germany, France and the United Kingdom
   (3) Asia: China, Singapore and the United Arab Emirates
   (4) Other: Australia
3. In fiscal 2002 and 2003, all operating expenses could be allocated.

3) Overseas sales

Previous consolidated fiscal year (from April 1, 2002 to March 31, 2003) (Unit: Millions of yen)

		USA	Europe	Asia	Other areas	Total
I	Overseas sales	70,882	53,167	21,714	5,140	150,903
II	Consolidated net sales					225,579
III	Ratios of overseas sales (%)	31.4%	23.6%	9.6%	2.3%	66.9%

Current consolidated fiscal year (from April 1, 2003 to March 31, 2004) (Unit: Millions of yen)

		USA	Europe	Asia	Other areas	Total
I	Overseas sales	47,656	40,424	17,802	3,329	109,211
II	Consolidated net sales					178,731
III	Ratios of overseas sales (%)	26.7%	22.6%	10.0%	1.9%	61.1%

Notes:
1. The countries and regions are classified according to geographic proximity.
2. The geographic areas consist primarily of the following countries and regions:
   (1) USA: U.S., Canada and Panama
   (2) Europe: Germany, France and the United Kingdom
   (3) Asia: China, Singapore and the United Arab Emirates
   (4) Other: Australia and Africa
3. Overseas sales are those of the Company and consolidated subsidiaries in countries and regions other than Japan (internal sales between consolidated subsidiaries are not included).

Election of Directors

(Scheduled on June 29, 2004)

Having completed its management restructuring, the Company is entering the implementation phase for its strategies toward business growth from the fiscal year ending March 2005. To this purpose, the Company would like to appoint as directors the following two persons who have a long track record heading individual operations of the Company. Therefore, at this Account Settlement Meeting, the Board of Directors has decided to submit a proposal to elect two new directors for approval at the 75th Ordinary General Meeting of Shareholders slated for June 29, 2004.

1. Candidates for new directors (two persons)

Name:	Yoshihiko Ueno	
Date of birth:	June 16, 1954	
Brief personal history:	April 1977	Joined the Company
	August 2002	Senior Manager, The Second Technical Dept. of Communications Equipment Div.
	October 2002	Chief Engineer, Communications Equipment Div.
	April 2003	General Executive, Communications Equipment Div. (incumbent)
	June 2003	Senior Vice President & Executive Officer (incumbent)

Name:	Shoichiro Eguchi	
Date of birth:	December 7, 1955	
Brief personal history:	April 1979	Joined the Company
	May 2001	Senior Manager, Overseas Marketing Dept. of Car Electronics Div.
	April 2003	Representative, Kenwood Europe Headquarter (incumbent)
		President, Kenwood Electronics Europe B.V. (incumbent)
		President, Kenwood Electronics Belgium N.V. (incumbent)
		President, Kenwood Electronics France S.A. (incumbent)
		President, Kenwood Electronics Italia S.P.A. (incumbent)
		President, Kenwood Iberica S.A. (incumbent)
	June 2003	Senior Vice President & Executive Officer (incumbent)
	April 2004	General Executive, Car Electronics Consumer Div. (incumbent)
		Senior Manager, Product Management Dept. of Car Electronics Consumer Div. (incumbent)

2. Departing directors (two persons)

Names: Akio Ueda and Hiroyasu Hata

The Company expects that the above two departing directors, who have greatly contributed to the Company's restructuring, will continue their service as executive officers supporting the divisions they have been in charge, in order to lead the Company to a new leap forward.