June 29, 2004

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Authorization of Capital Reduction without Compensation and of Capital Reduction with Compensation
Achieving "New Financial Strategy" including Elimination of Loss Carryovers, Equity Retirement of First Tranche Class-A Preferred Stock.

Kenwood Corporation (CEO: Haruo Kawahara, Head Office: Hachioji, Tokyo) has announced that, at the 75th General Meeting of Shareholders and the General Meeting of Special-Class Shareholders of the First Tranche of Class-A Preferred Stock both held today, the company was authorized, subject to completion of certain administrative procedures, to carry out the capital reduction without a decreasing the aggregate quantity of issued shares outstanding on the one hand, as well as a capital reduction through retirement against compensation of the First Tranche of Class-A Preferred Stock, upon the resolution by the General Meeting of Shareholders following the Board Meeting decision in line with its "New Financial Strategy" (previously resolved at its Board Meeting of May 21, 2004).

As a result of the authorization of the subject capital reduction without compensation, the company will, subject to completion of certain administrative procedures, be able to pave the way for resumption of dividend payment by eliminating both of its consolidated and non-consolidated cumulative loss which had heretofore posed a major financial challenge to the company, and be able to support itself financially by progressively securing refinancing through fresh syndicated loans and terminating the existing financial accords with the supporting financial institutions.

Also, the domestic and international offering of new Ordinary Shares that the company has been proceeding with since its resolution at its Board Meeting of May 21, 2004, has now been completed. As a result of the authorization of the subject capital reduction accompanied by compensation, the company can hope to issue these new shares as originally contemplated. The company will be able to apply the funds of about ¥22 billion to be raised on June 30, 2004 towards retirement of the First Tranche of Class-A Preferred Stock which currently represent one half of the aggregate preferred stock issued by the company, and thus be able to significantly reduce impacts of any dilution of future shareholder value.

With the authorization of the two capital reductions as mentioned above, the company will now be able to achieve its "New Financial Strategy", unprecedented in Japan as it involves the simultaneous elimination of loss carryovers, public share offering, refinancing of borrowed funds through arrangements of new syndicated loans, as well as the termination of the existing financial accords.

1. Capital Reduction Not Accompanied by Reduction in the Aggregate Outstanding Number of Issued Shares

(1) Capital Reduction

Since the process of capital reduction without compensation and elimination of cumulative loss is merely that of nominal capital reduction to compensate for capital deficiency by reducing book capital, it does not cause the amount of net worth of the company to change. Since there is no change in the aggregate outstanding number of the issued shares, the amount of net worth per one ordinary share does not change, either.

(2) Particulars of Capital Reduction

(i) Amount of Capital Reduction: ¥20,000,000,000

(ii) Method of Capital Reduction:

The aggregate outstanding number of issued shares will not change, but only the amount of capital on the books will be reduced without compensation.

(iii) Amount Applied to Compensate for Capital Deficit:

Out of ¥20,000,000,000 being the aggregate amount of capital reduction, ¥18,140,871,296 will be applied to compensate for the capital deficit (cumulative loss), and ¥1,859,128,704 being the remainder will be transferred to "Other Capital Surplus".

(3) Capital Reduction Schedule

(i) Final Date for Filing of Objections by Creditors: Thursday, August 5, 2004

(ii) Effective Date of Capital Reduction: Friday, August 6, 2004 (Tentative)

2. Capital Reduction through Retirement for Value of First Tranche of Class-A Preferred Stock

(1) Capital Reduction

While the aggregate number of ordinary shares would be 127,551,020 if all of the First Tranche of Class-A Preferred Stock are converted at the ceiling price of ¥98 per share, the aggregate number of Ordinary Shares increased through new issuance (92,000,000) would be 28% less than that of the former, thereby significantly reducing the impact of any dilution of ordinary shares.

At the same time, the company will be able to realize above-par redemption for Resona Bank as the holder of the First Tranche of Class-A Preferred Stock by reducing capital with compensation to the holders of the First Tranche of Class-A Preferred Stock.

(2) Particulars of Capital Reduction

(i) Amount: ¥16,100,000,000

(ii) Method:

¥16,100,000,000 will be paid back to the holder of the First Tranche of Class-A Preferred Stock (Resona Bank) through retirement for value of all (31,250,000) of the First Tranche of Class-A Preferred Stock.

(3) Capital Reduction Schedule

(i) Final Date for Filing of Objections by Creditors: Thursday, August 5, 2004

(ii) Effective Date of Capital Reduction: Friday, August 6, 2004

Notice:

This press release has been prepared for announcement to the general public by Kenwood, and not for purposes of soliciting investments.