

August 6, 2004

Corporate Name: Kenwood Corporation  
Representative: Haruo Kawahara, President & CEO  
(Code No.: 6765; TSE Section I, OSE Section I)  
Inquiries: Masanobu Waku, Senior Manager,  
Equity Affairs Office  
Corporate Administration Division  
(TEL: 81-426-46-6724)

**Completion of Capital Reduction without Compensation  
and of Capital Reduction with Compensation**

**—Elimination of cumulative loss and equity retirement of First Tranche of Class-A  
Preferred Stock led to establishment of financial foundation for new leap forward—**

Kenwood Corporation (CEO: Haruo Kawahara; Head Office: Hachioji, Tokyo) has announced that it has completed the remittance procedures pertaining to the issuance of new shares for domestic as well as international offering as resolved at its Board Meetings held on May 21 and June 7, 2004. The new shares were issued on July 1, thereby completing all of the necessary procedures related to the relevant public share offering. Furthermore, the company completed on August 6, 2004 the procedures required for the capital reduction without decreasing the aggregate quantity of issued shares outstanding and the capital reduction via equity retirement for value of the First Tranche of Class-A Preferred Stock, as authorized at the 75th General Meeting of Shareholders and the General Meeting of Class-A Preferred Stock holders of the First Tranche of Class-A Preferred Stock, both held on June 29.

As a result of the two capital reductions, the company was able to pave the way for resumption of dividend disbursement by eliminating both of its consolidated and non-consolidated cumulative loss which had heretofore posted a major challenge to the company, and was able to significantly reduce impacts of any dilution of future shareholder value by retiring the First Tranche of Class-A Preferred Stock, representing almost half of all the Preferred Stock the company issued.

With a fresh ¥40 billion syndicated loan established, the company will also refinance existing borrowings by the end of August and progressively terminate the existing financial accords with the supporting financial institutions, aiming to achieve independence of financial strategy.

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

### **(1) Effects of capital reduction**

With the completion on August 8 of capital reduction totaling ¥20 billion without compensation, the company has eliminated both of its consolidated and non-consolidated cumulative loss totaling approximately ¥9.8 billion and ¥18.1 billion, respectively, as of the end of March 2004.

As a result of the foregoing, the company was able to pave the way for resumption of dividend disbursement, and achieved independence of financial strategy. The company has thus attained its original objective of enhancing credibility towards shareholders and financial institutions.

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 assets of the company to change. Since there is no change in the aggregate outstanding number of the issued shares, net assets per ordinary share do not change either.

### **(2) Capital reduction procedure**

The company will reduce capital by ¥20 billion without compensation in accordance with Article 375 Paragraph 1 Item 3 of the Commercial Code of Japan. Out of the aggregate amount of capital reduction of ¥20 billion, the company will apply ¥18,140,871,296 to eliminate non-consolidated cumulative loss, and the remaining ¥1,859,128,704 will be transferred to the category of other capital surplus. As a result, capital surplus will be ¥12,841,628,704.

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

### **(1) Effects of capital reduction**

The company has as of this date completed capital reduction worth ¥16.1 billion with compensation, paying that amount to the holders of the First Tranche of Class-A Preferred Stock in exchange for the retirement of the First Tranche of Class-A Preferred Stock.

As a result, the company retired half of all the Preferred Stock it had issued, significantly reducing the impact of any future dilution of shareholder value and thus eliminating uncertainty for the holders of ordinary shares. At the same time, the company realized an above-par redemption for Resona Bank, the holder of the First Tranche of Class-A Preferred Stock. These were the company's initial objectives.

## TRANSLATION - FOR REFERENCE ONLY -

### (2) Capital reduction procedure

Out of the capital recorded after the public offering that came into effect on July 1 following the resolutions at the 75th General Meeting of Shareholders and the General Meeting of Class-A Preferred Stock holders of the First Tranche of Class-A Preferred Stock both held on June 29, the company will pay back ¥16.1 billion to the holder of the First Tranche of Class-A Preferred Stock. At the same time, 31,250,000 shares of the First Tranche of Class-A Preferred Stock will be retired in full and capital be reduced by the equivalent amount.

### 3. Changes in Shareholders' Equity

As a result of the above mentioned capital reduction without compensation and capital reduction with compensation, major components of Shareholders' Equity have changed as shown below.

[Non-consolidated]

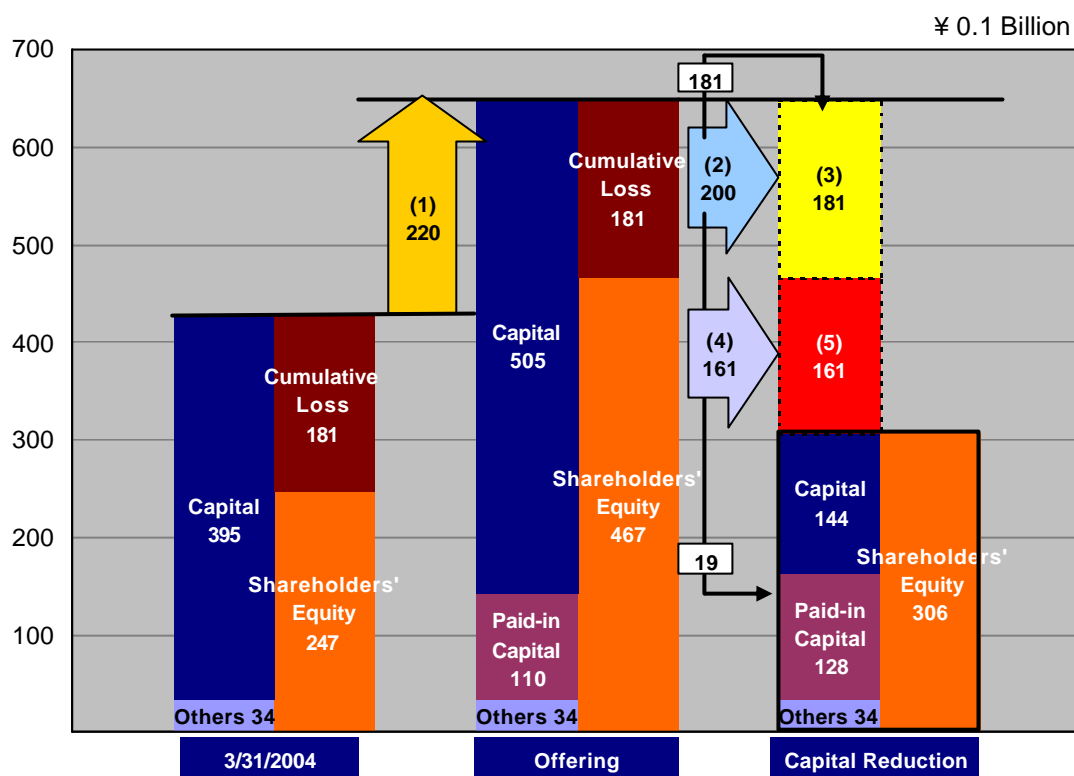
(Unit: Millions of yen, except for total shares outstanding)

	End of March 2004	Capital increase through public offering (July 1, 2004)	Capital reduction without compensation (August 6, 2004)	Capital reduction with compensation (August 6, 2004)
Capital	39,469	50,509		14,409 <sup>*1</sup>
Capital surplus	0	10,982	12,841	12,841 (no change)
Cumulative loss	18,140	18,140 (no change)	0	0 (no change)
Shareholders' equity	24,698	46,721	46,721 (no change)	30,621
Total shares outstanding (number of shares)	Ordinary stock	210,455,995	302,455,995	302,455,995 (no change)
	Preferred stock	62,500,000	62,500,000	62,500,000 (no change)
	Total	272,955,995	364,955,995	364,955,995 (no change)

**TRANSLATION - FOR REFERENCE ONLY -**

**< Changes in capital and shareholders' equity after the execution of *New Financial Strategy* (Non-consolidated) >**

Capital increase through public offering: approximately ¥22 billion (¥11 billion in capital and ¥11 billion transferred to additional paid-in capital); Capital reduction without compensation: ¥20 billion; Capital reduction with compensation: ¥16.1 billion



- (1) Capital increase through public share offering
- (2) Capital reduction without compensation
- (3) Elimination of cumulative loss
- (4) Capital reduction with compensation
- (5) Redemption of Class-A Preferred Stock

**< Reference >**

[Consolidated]

(Unit: Millions of yen)

	End of March 2004	Capital increase through public offering (July 1, 2004)	Capital reduction without compensation (August 6, 2004)	Capital reduction with compensation (August 6, 2004)
Capital	39,469	50,509		14,409 <sup>*1</sup>
Capital surplus	0	10,982	12,841	12,841 (no change)
Cumulative loss	9,777	9,777 (no change)	8,363	8,363 (no change)
Shareholders' equity	20,161	42,183	42,183 (no change)	26,083

<sup>\*1</sup> The amount of capital reduced through capital reduction without compensation is ¥20 billion, and the amount of capital reduced through capital reduction with compensation is ¥16.1 billion.