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Kenwood Revises Financial Forecast for First Half of Fiscal Year Ending March 2005

Kenwood Corporation announces (in compliance with Japanese "Rules on Timely Disclosure of Corporate Information by Issuer of Listed Security") that it is revising its financial forecast upwards for the first half (April 1 - September 30, 2004) of Fiscal 2004 (ending March 2005), as the projected non-consolidated ordinary profit and net income are now expected to exceed the May 21, 2004 forecasts by more than 30%.

1. Revision of Financial Forecasts (Non-Consolidated) for the First Half (April 1 - September 30, 2004) of Fiscal 2004 (Ending March 2005)

(In millions of Yen)

	Sales	Ordinary Profit	Net Income
Previous forecast (A) (Announced May 21, 2004)	64,000	1,800	1,800
Revised forecast (B)	66,000	3,500	3,900
Amount of increase (B - A)	2,000	1,700	2,100
Rate of increase (%)	3.1%	94.4%	116.7%
Actual results for previous term (first half of fiscal year ended March 2003)	63,004	3,882	2,717

* Incidentally, projected consolidated sales are expected to remain unchanged from those previously announced, but projected ordinary profit will be lower by 20% and more and net income by about 10% from the previous forecast due to the deteriorating market climate for consumer electronics in North America and Europe. Kenwood is currently conducting a comprehensive review including adjustments for consolidation purposes, and is hoping to announce the consolidated interim results on November 12. Concurrently, it plans to announce its full-term forecast.

2. Reason for Upward Revision of Non-Consolidated Results: Further Invigoration of Non-Consolidated Capital Structure Targeted for Resumption Dividends

Sales are now expected to exceed the initial forecasts as a combined result of the favorable progress of the company's communications business mainly in the field of professional-use radio equipment bound for overseas markets; expansion of the field of Rand Mobile Radio equipment bound for the domestic market including the M&A effects of transferring the radio business from Toyo Communication Equipment Co., Ltd. effective June 1; and substantial growth mainly in Japan for automotive consumer multimedia and automotive OEM products. The company has been placing a particular emphasis on and endeavoring to expand the latter since the previous term amidst the continuing contraction in the automotive consumer audio market in Japan.

Although sales for the home electronics business and consumer automotive audio equipment declined in North America and Europe as these markets contracted, the net income is now forecast to be twice the company's initial projection which would mark record highs in interim net income thanks to increasing sales in the communications, automotive consumer multimedia and automotive OEM sectors, as well as increasing dividends received from the company's subsidiaries, and the taking of a profit on the sale of marketable securities that had not been anticipated at the beginning of the term. This represents a major achievement as the company endeavored to correct and enhance the non-consolidated capital structure which entailed greater cumulative loss than those on the consolidated basis and thus impeded the company's ability to restore dividends and the company's measures to that end have shown results.

[Reference]

1. Projected Consolidated Results

Sales for the home electronics business are likely to be substantially lower than previously expected due to the disappointing overseas sales of new products attributable to the consumer electronics market contracting more than expected, particularly the audio equipment segment in North America and Europe, and the resultant stiffening of the competition. Notably in the U.S. where, starting this term, the company has been proceeding to transform its distribution channels in line with its new high value-added product strategy, sales suffered more severely than expected. Sales in the automotive electronics business are also expected to fall short of forecasts due to the contraction and stiffening competition in the U.S. market for automotive consumer audio equipment. However, consolidated sales should reach the level of the initial forecast as brisk sales in the communications business and the fast-growing automotive multimedia and OEM segments are likely to pick up the slack caused by reduced sales in home electronics.

Consolidated ordinary profit is expected to be more than 20% lower and net income about 10% lower than those projected at the beginning of the term as a combined result of the reduced sales in home electronics business, the declining profitability that has been caused by the faster-than-expected increase in the percentage of sales accounted for by the automotive consumer multimedia and automotive OEM businesses that the company has enhanced, as well as the effects of certain eliminations in the consolidation process (including dividends from subsidiaries).

2. Dramatic Improvement in Financial Foundation: Retained Earnings Booked and Net Debt Reduced to a 20 Billion Yen Level

By means of public share offering effected July 1, 2004 and capital reductions (with and without payment to shareholders) effected August 6, 2004, the company has succeeded in eliminating the cumulative loss that were detrimental to the company's financial health, and in redeeming the First Tranche of Type-A Preferred Stock that comprised 50 percent of the preferred stock issued by Kenwood. This has made it possible for the company to book retained earnings both on a non-consolidated and consolidated basis for the current interim period, and to establish a syndicated loan (by way of agreements for credit lines from a number of financial institutions). A syndicated loan agreement (arranged by Risona Bank and Mitsubishi Trust Banking Corp.) for 40 billion yen was thus concluded on August 23 and a syndicated partial loan of 30 billion yen from the abovementioned aggregate contractual amount was executed on August 31.

With this loan and cash on hand, the company consolidated its existing borrowings on August 31, an important step towards a fully autonomous financial strategy by terminating the accords with financial institutions in a positive manner one year ahead of schedule, and brought the company's net debt down to a 20 billion yen level by substantially reducing interest-bearing debts, thereby completing a key phase of its "New Financial Strategy."

With this New Financial Strategy completed, the company's financial foundation has improved dramatically, and Kenwood has made significant progress towards achieving "20% ROE," "Restoration of Dividends" and "Zero Net Debt Management" goals as part of the "Excellent Kenwood Plan" (the company's medium-term management plan) ahead of schedule.