



Kenwood Completes Capital Reduction with Compensation and Withdraws the Registration for Issuance of New Shares - Complete Redemption of All Preferred Stocks

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With respect to the issuance of new shares for domestic and overseas offering, which was decided upon at the meeting of the board of directors held on June 6 and 20, 2005, there was a capital increase of about ¥11.1 billion on June 30 after the receipt of the total issue value on the same date, and Kenwood Corporation (President & CEO: Haruo Kawahara; Head Office: Hachioji, Tokyo, hereinafter referred to as “the Company”) issued new shares on July 1 and has completed all of the necessary procedures related to the relevant public offering that aimed to procure funds for the redemption of the 1st tranche Class-B preferred stocks.

On August 8, 2005, Kenwood completed a capital reduction through redemption of the 1st tranche Class-B preferred stocks, which was decided upon and approved at the 76th general meeting of shareholder’s and the meeting of 1st tranche Class-B preferred shareholders (both held on June 29, 2005).

As a result, the Company completed the redemption of its preferred stocks issued on December 27, 2004 with a total debt-equity swap of ¥25 billion. The Company also completed the redemption of all preferred stocks issued by the Company, thereby significantly reducing the potential dilution of shareholders’ value in future.

This public offering and capital reduction with compensation were made possible by the deep understanding and support of the company’s shareholders, investors and Resona Bank, and services by the underwriter, UBS Securities. The Company would like to take this opportunity to express its sincere gratitude to all the parties concerned, and vow to do its utmost to enhance its corporate value through the second mid-term business plan, the Kenwood “Value Creation Plan,” to advance the business further and meet their expectations.

The Company has also achieved its objectives regarding the registration for issuance of new shares, which was submitted on May 20, 2005 and primarily aimed to procure funds for the redemption of the 1st tranche Class-B preferred stocks with compensation, and filed a withdrawal notice with the Kanto Local Finance Bureau, as of today.

TRANSLATION - FOR REFERENCE ONLY -

1. Capital reduction through redemption of the 1st tranche Class-B preferred stocks with compensation

(1) Effect of capital reduction

Today, the company has completed the redemption of preferred stocks by entirely following capital reduction procedures, and remitting ¥15 billion (procured funds of about ¥11.1 billion by a public stock offering and about ¥3.9 billion of funds in hand) to the holder of the 1st tranche Class-B preferred stocks (Resona Bank).

As a result, the Company was able to redeem the 1st tranche Class-B preferred stocks, which represents all of preferred stocks issued by the Company, to realize an above-par redemption (¥12.5 billion par value) for Resona Bank, the holder of 1st tranche Class-B preferred stocks, thereby significantly reducing the potential dilution of shareholders' value in future.

(2) Outline of the capital reduction

From capital of ¥26.1 billion, the company will remit ¥15 billion to the holder of the 1st tranche Class-B preferred stocks after the public stock offering that took effect on June 30, based on the decisions of the 76th general meeting of shareholders and the meeting of 1st tranche Class-B preferred shareholders (both held on June 29, 2005), complete the redemption of the 1st tranche Class-B stocks with compensation (31.25 million shares in total), and reduce the capital by the same amount.

2. Changes in shareholders' equity and the number of outstanding shares

Key changes in the main index of shareholders' equity and the number of outstanding shares, following the public offering and capital reduction with compensation described above, are as follows:

(Non-consolidated basis) Changes in shareholders' equity and the number of outstanding shares

	At end of the fiscal year ended March 2005	After public offering (June 30)	After capital reduction (as of August 8)	
Capital	14,947 million yen	26,059 million yen	11,059 million yen	
Capital surplus	13,373 million yen	Same as left (no change)	Same as left (no change)	
Retained earnings	4,708 million yen	3,513 million yen ^{*1}	Same as left (no change)	
Shareholders' equity	36,750 million yen	46,668 million yen	31,668 million yen	
Number of outstanding shares	Common stock	307,524,995 shares	367,524,995 shares	Same as left (no change)
	Preferred stock (number of shares if preferred stocks are converted to common stock)	31,250,000 shares (132,696,390 shares)	Same as left (no change) (-)	- (-)
	Total ((number of shares if preferred stocks are converted to common stock)	338,774,995 shares (440,221,385 shares)	398,774,995 shares (-)	367,524,995 shares (-)

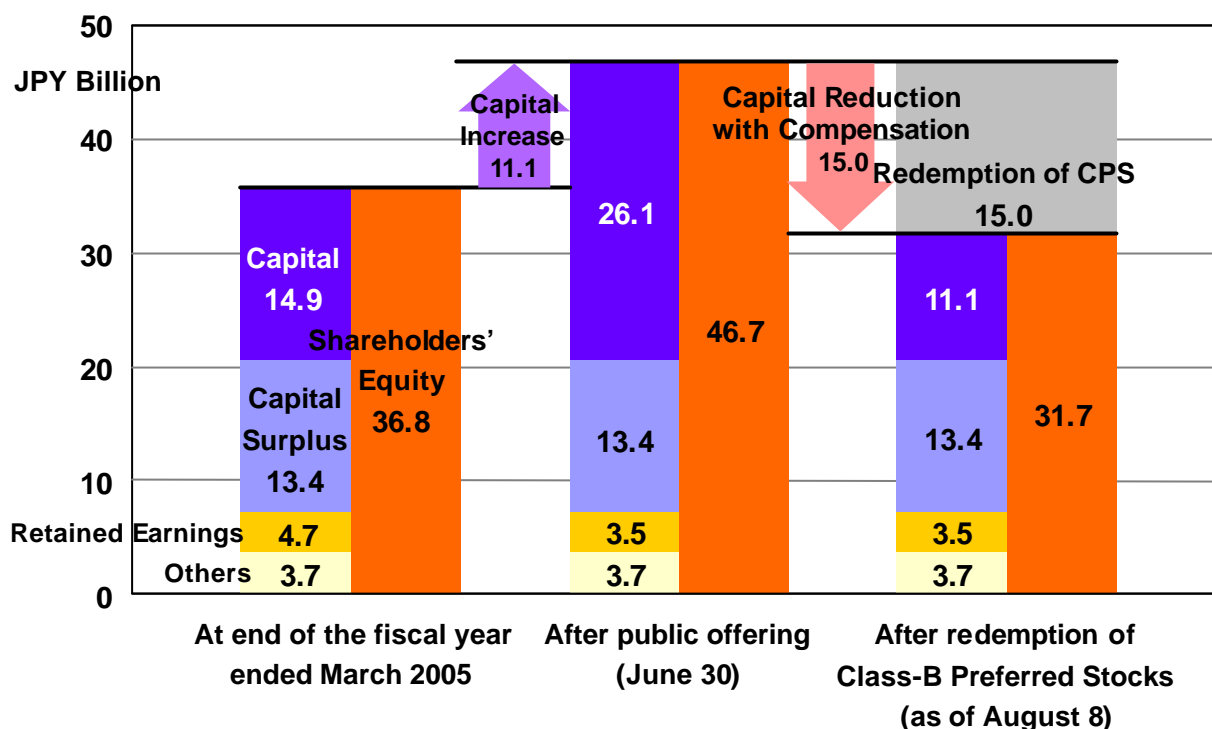
^{*1} Figures reflect the appropriation of earnings on a non-consolidated basis and net income for the fiscal year ending March 2006 is not included.

(Note) Figures in the table are rounded down to the nearest million.

TRANSLATION - FOR REFERENCE ONLY -

Reference

(Non-consolidated basis) Changes in shareholders' equity as a result of public offering and capital reduction with compensation



(Note) Since figures are rounded the nearest 100 million yen for each item, the total of capital, capital surplus, retained earnings and others is not exactly equivalent to the value of shareholders' equity in the graph for the end of the fiscal year ended March 2005.

(Consolidated basis) Changes in Shareholders' Equity

	At end of the fiscal year ended March 2005	After public offering (June 30)	After capital reduction (as of August 8)
Capital	14,947 million yen	26,059 million yen	11,059 million yen ¹
Capital surplus	13,373 million yen	Same as left (no change)	Same as left (no change)
Retained earnings	13,199 million yen	13,153 million yen	Same as left (no change)
Shareholders' equity	33,132 million yen	44,396 million yen	29,396 million yen

¹ ¥15 billion was deducted from the consolidated balance sheet (June 30) for the 1st quarter of the fiscal year ending March 2006 as capital reduction with compensation.

(Note) Figures in the table are rounded down the nearest million yen.

3. Withdrawal of the registration for issuance of new shares

(1) Outline of the withdrawal of registration for issuance

- 1) Submission date: May 20, 2005
- 2) Submission location: Kanto Local Finance Bureau
- 3) Effective date: May 27, 2006
- 4) Scheduled issue amount: ¥13 billion

(2) New shares issued: 2,555.76 million yen (issued on June 30, 2005)

Note: In addition to the issuance of new shares amounting to 2,555.76 million yen regarding the said registration for issuance, the Company issued new shares amounting to 8,556.24 million yen on the same day, by offering them on overseas markets (excluding the U.S. market), mainly in Europe. As a result, new shares issued on the same day amounted to 11,112 million yen.

(3) Reason for the withdrawal

Since the Company achieved its main objective for the registration for issuance by procuring funds for the redemption of the 1st tranche Class-B preferred stocks with compensation, it withdrew the said registration for issuance.

Note: This press release has been prepared only for disclosure to the general public by Kenwood, and not for the purpose of soliciting any investments.
