Notice Regarding Shelf Registration and Capital Reduction in Advance of the Complete Redemption of Preferred Stocks

May 20, 2005

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Kenwood Corporation (President and CEO: Haruo Kawahara; Head Office: Hachioji-shi, Tokyo; hereinafter referred to as "the Company") announced today after the meeting of the board of directors that the Company will be putting forth a resolution to "Reduce Capital (reduction of capital as a result of redemption with compensation of the First Tranche Class-B preferred stock)" at the 76th general meeting of shareholders and at the meeting of First Tranche Class-B preferred shareholders to be held on June 29, 2005. The Company also announced that it will be putting forth a resolution to perform a shelf registration for the issuance of new shares in advance of this redemption process. These moves by the Company are in accordance with its "New Financial Strategy" implemented in the period ended March 2005 and are designed to further reform the Company's financial base and capital structure.

1. Details Regarding Capital Reduction and Shelf Registration

The Company was aware of several key issues associated with the issuance of preferred stocks in the December of 2002 as a result of a debt-equity swap. These issues included the potential to dilute shareholder value, the three-year financial repayment agreement entered into with a correspondent financial institution, and the existence of a cumulative loss amount. In response to these issues, the Company formulated its "New Financial Strategy" in May of 2004, and thanks to the great support and understanding of Resona Bank Limited ("Resona") and other correspondent financial institutions, as well as investors and shareholders, the Company was able to achieve three of the four set goals by August 2004. The three items addressed were the clearance of cumulative losses, the retirement of First Tranche Class-A preferred stocks through a public offering of shares, and the completion of financial repayment agreements and significant reductions in interest-bearing liabilities as a result of refinancing. This marked the first time ever that such a plan was executed to completion in Japan.

Today, the Board of Directors of the Company announced that it had agreed to put forth another resolution to "Reduce Capital (reduction of capital as a result of eliminating value associated with the First Tranche Class-B preferred stocks)" at the 76th general meeting of shareholders and at the meeting of First Tranche Class-B preferred shareholders to be held on June 29, 2005. This move was made in order to redeem the First Tranche Class-B preferred stock, one of the issues remaining from the plan previously.

In addition, the Company recently finalized an agreement with Resona, whereby the Company would buy back ¥15 billion worth of First Tranche Class-B preferred stocks. For funding, the Company plans to utilize funds on hand but also will raise a maximum of ¥13 billion through the issuance of new common stock. As part of this strategy, the Board of Directors agreed to execute a shelf registration so that the Company can issue shares in a flexible and efficient manner.

If this plan is realized, the Company will have paid back a combined amount in excess of ¥12.5 billion to Resona through the reacquisition of First Tranche Class A CPS and First Tranche Class-B preferred stocks. In addition, it would mark the first time in Japan that a company succeeded in completely eliminating all preferred stock issued as a result of a debt-equity swap. More importantly, the Company is confident that this move will improve the health of its financial base and capital structure and will lead to increases in stock price.

2. Summary of Capital Reduction (reduction of capital as a result of eliminating value associated with First Tranche Class-B Preferred Stocks)

(1) Reasons for Reducing Capital

The First Tranche of Class-B preferred stocks not only has a higher priority as compared to common stock for dividend payments, but as of December 2007, they can be converted into common stock. This has the potential to significantly dilute shareholder value of existing common stock holders but also result in an increase in dividend responsibilities for the Company.

For these reasons, the Company plans to continue on with the previous move that saw the elimination of value associated with First Tranche Class-A preferred stocks executed through its "New Financial Strategy" in the fiscal year ended March 2005, by eliminating First Tranche Class-B preferred stocks before they can be converted into common stock. By doing so, the Company will significantly reduce the impact of shareholder value dilution and increased dividend responsibilities that it may have to face in the future. Consequently, the Company is confident that this will lead to a healthier financial base and capital structure as well as a rise in stock price.

If all of the First Tranche Class-B preferred stocks are converted into common stock using today's maximum conversion price of ¥94.2, the number of common stock outstanding would increase by 132,696,390 (equivalent to 43.2% of all common stock outstanding as of the end of March 2005). On the other hand, this buy-back plan will allow the Company to appropriate funds on hand to eliminate the First Tranche of Class-B preferred stocks and limit the increase of common stock to 17%, using today's stock price. This move is anticipated to significantly reduce the dilution of common stock outstanding.

(2) Capital Reduction Process

1. Amount of Capital set to be Reduced	The Company's capital will be reduced by ¥15 billion
2. Method to Reduce Capital	In order to eliminate the value associated with all First Tranche Class-B preferred stocks, a total of ¥15 billion will be paid back to the First Tranche Class-B preferred stocks Holder (Resona Bank Limited). However, as a condition to the reduction in capital, the Company will maintain an amount of capital greater than ¥25 billion at the time of a public announcement is made as stipulated in Item 1, Article 376 of the Commercial Code. This amount of capital shall be accumulated through the capitalization of legal reserves or through the issuance of new stock.
3. Schedule for Reducing Capital	Board of Directors Resolution Date – May 20, 2005 General Meeting of Shareholders Resolution Date – June 29, 2005 (Scheduled)

Last Day for Debtors to Object in Writing – Beginning of August 2005 (Scheduled)
Effective Date of Capital Reduction – Beginning of August 2005 (Scheduled)

3. Summary of Shelf Registration

(1) Reasons for Shelf Registration

The main purpose of the shelf registration is to allow the Company to flexibly and efficiently raise funds in order to eliminate the value associated with First Tranche Class-B preferred stocks. A maximum of ¥13 billion worth of common stock is projected to be raised from this public offering.

Please note, however, that the issuance of new stock is still being considered at this time and a firm decision has not been made. Consequently, the timing of the issuance, the number of new shares to be issued and the issuance price is still under discussion.

(2) Shelf Registration Process

1. Type of Marketable Security being Applied For	Common Stock
2. Projected Issuance Period	The one year period from the effective date of the shelf registration (May 28, 2005) ending on May 27, 2006.
3. Anticipated Issuance Amount	¥13 billion
4. Purpose of Additional Funds	The funds will go towards the total amount of funds appropriated as capital to eliminate the value of First Tranche Class-B preferred stocks.
5. Underwriting Securities Firm	UBS Securities