



Authorization of Capital Reduction with Compensation - Kenwood Concludes Complete Redemption of 1st tranche Class-B Preferred Stocks -

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Kenwood Corporation (President & CEO: Haruo Kawahara, Head Office: Hachioji, Tokyo, hereinafter referred to as "the Company") has announced that at the 76th general meeting of shareholders and the meeting of 1st tranche class-B preferred shareholders both held today, the company received the necessary approval to implement the capital reduction through redemption with compensation of the 1st tranche class-B preferred stocks, as resolved and scheduled at the meeting of the board meeting of May 20, 2005.

Also, the domestic and overseas offering of newly issued of common stocks that the company has been proceeding with since the relevant resolution at its meeting of the board of directors on June 6, 2005, was completed on June 23, 2005. With the completion of the remittance for the total issue price of the public offerings scheduled on June 30, 2005, following the authorization of said capital reduction accompanied by compensation, the capital increase will take effect on the same date and all of the necessary procedures related to the public offering will be completed with the issuing of the new shares on July 1, 2005.

Subject to completion of the relevant administrative procedures, the company will be able to remit funds of about ¥15 billion (nearly ¥11.1 billion of funds procured through the public offering and about ¥3.9 billion of funds in hand) to the holder of the 1st tranche class-B preferred stocks (Resona Bank) in early August 2005 to complete the redemption of the entire 1st tranche class-B preferred stocks as well as all preferred stocks that the company has issued, whereby the potential for any dilution of future shareholder value can be significantly reduced.

Overview of Capital Reduction through Redemption with Compensation of 1st tranche Class-B Preferred Stocks

(1) Reasons of Capital Reduction

While the 1st tranche class-B preferred stock has priority over common stock in the distribution of dividends, they may be converted to common stocks from December 2007 onward. And the aggregate number of common stocks increased would be 132,696,390 (corresponding to about 43% of all common stocks outstanding as of the end of the fiscal year ended March 2005), if all of the 1st tranche class-B preferred stocks is converted at a ceiling of ¥94.2 per share.

In the meantime, this capital reduction scheme has the added effect of providing funds in hand for redemption of the 1st tranche class-B preferred stocks, and the number of new shares of common stocks to be issued to procure funds would amount to 60,000,000 (about 20% of all common stocks

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outstanding as of the end of the fiscal year ended March 2005), less than half of the former, thereby significantly reducing any potential dilutive effect on shareholders' value.

At the same time, the Company will be able to realize an above-par redemption (¥12.5 billion par value) for Resona Bank as the holder of 1st tranche class-B preferred stocks by reducing capital in total of ¥15 billion (funds procured through the public offering of about ¥11.1 billion and funds in hand of about ¥3.9 billion.)

(2) Particulars of Capital Reduction

- 1) Amount: ¥15,000,000,000
- 2) Method: ¥15,000,000,000 will be paid back to the holder (i.e. Resona Bank) of the 1st tranche class-B preferred stocks through redemption with compensation of all 31,250,000 shares of the 1st tranche class-B preferred stocks.

(3) Capital Reduction Schedule

- 1) Final Date for Filing of Objections by Creditors: In early August 2005 (scheduled)
- 2) Expiration Date for Submitting 1st tranche class-B preferred stocks Certificate: In early August 2005 (scheduled)
- 3) Effective Date of Capital Reduction: In early August 2005 (scheduled)

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