TRANSLATION - FOR REFERENCE ONLY -

Consolidated Financial and Performance Review for the first quarter of the fiscal year ending March 31, 2005

July 30, 2004

Company Name:	Kenwood Corporation
Code No.:	6765; Tokyo Stock Exchange and Osaka Stock Exchange
URL:	http://www.kenwood.com
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1. Matters related to the Preparation of Quarterly Financial Information, etc.

(1) Simplified accounting principles are applied.
Details: certain simplified methods were used for accounting for market value valuation of securities, allowances, tax effects, corporate taxes, etc.

(2) There is no change in accounting principles from the latest consolidated fiscal year.

(3) There is no change in applicability of consolidation and the equity method.

2. First Quarter Consolidated Financial and Performance Review for the Fiscal Year Ending March 31, 2005 (April 1, 2004 – June 30, 2004)

(1) Consolidated Quarterly Performance

	Net Sales		Operating Profit		Ordinary Income		Quarterly (annual) Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1st quarter of fiscal year ending Mar 31, 2005	42,071	-7.4	1,644	-44.2	998	-58.4	877	-
1st quarter of fiscal year ended March 31, 2004	45,445	-	2,946	-	2,398	-	-	-
(Reference) Fiscal year ended March 31, 2004	178,731	-20.8	12,610	2.9	8,541	21.0	7,318	73.4

	Quarterly (annual) Net Income per share	Quarterly (annual) Net Income per share after adjustment for latent shareholdings
	Yen	Yen
1st quarter of fiscal year ending March 31, 2005	3.97	1.89
1st quarter of fiscal year ended March 31, 2004	-	-
(Reference) Fiscal year ended March 31, 2004	33.99	15.73

Notes: 1. Quarterly financial and performance figures have not been audited by an audit corporation.

2. Percentages are the changes from the previous fiscal year.

[Performance Review]

In the period under review, the U.S. economy continued to improve from the previous year's downturn, thanks to a robust corporate sector. Economies in Asia likewise picked up, on the strength of robust consumption. Europe also staged an economic recovery, supported by stronger exports and gradual increases in output. Meanwhile, the Japanese economy sustained its steady upturn, thanks to stronger consumer spending, which in turn was boosted by the improved performance of domestic companies, and a healthier global economy. Nonetheless, some uncertainties including the significant climb in oil prices and the rise in long-term interest rates remain.

Facing such a market climate, Kenwood Corporation believes that the year ending March 31, 2005 will be one in which it can strengthen its competitiveness and actively promote its growth strategies. The Company will endeavor to restructure its financial base under its *new financial strategy*, and aims to achieve record consolidated net income for three consecutive years through strategic investment.

- ***New financial strategy***

A public share offering of ¥23 billion was completed on July 1. A capital reduction without compensation made for the elimination of cumulative loss and the redemption of First Tranche Class-A Preferred Stock was approved at the general meeting of shareholders and the general meeting of Class-A Preferred Stock holders, which were held on June 29. This capital reduction will become effective on August 6 after completing various procedures. As part of our efforts to refinance loans by creating a new syndicate loan and cancel its financial agreement, the Company has already finished putting together a syndicate loan of ¥40 billion, and is scheduled to sign the agreement in August. With the *new financial strategy*, the Company was able to achieve all of its plans: the elimination of cumulative loss brought forward, a capital increase through a public share offering, redemption of preferred stock, refinancing of loans through the creation of a syndicate loan, and the termination of its financial agreement. As such, these measures enable the Company to establish a financial foundation geared to pursuing growth strategies and taking new steps forward.

- **Net sales**

Consolidated sales for the first quarter under review decreased approximately ¥3.4 billion (-7.4%) from the same period last year, to ¥42,071 million. Approximately ¥2 billion of this decrease was a result of exchange losses on sales denominated in foreign currencies posted by overseas sales companies, attributable to the stronger yen. Actual sales amounts have not changed significantly, with effective sales showing a decrease of approximately ¥1.4 billion (-3.1%) over the same period in the previous year.

The decline in actual sales consists primarily of a fall of approximately ¥1.8 billion following a change in sales strategies instituted by the Home Electronics Business in previous years to reform its business structure. A second factor was the effect of global markets, which have contracted compared with the previous year. Another important element in the decline was the loss of approximately ¥400 million in sales as a result of lower demand for services related to the cellular phone terminal (PDC) business, from which the Company withdrew two years ago. However, this decrease was compensated by increased sales for multimedia and OEM products in the car electronics business, and by increased demand for commercial wireless equipment in the communications business thanks to the expanding U.S. economy.

- **Operating income**

Consolidated operating income for the current first quarter declined approximately ¥1.3 billion

(-44.2%), year on year, to ¥1,644 million. This result is attributable to increases in strategic investments that were planned at the beginning of year.

The decrease consists of special factors, such as an increase of approximately ¥700 million in personnel expenses due to termination of reduced salaries for general employees at the end of the previous year, which had been conducted since October 2002 as part of an action plan for restructuring (though reduced salaries for executives remain in place). It also includes an increase of approximately ¥600 million in the proactive development of new products and technologies, as well as investments in brand strategy, primarily for multimedia products, starting at the beginning of year. If these factors and the effects of the stronger yen (amounting to approximately ¥400 million) are taken into consideration, operating income for the current fiscal year would in fact exceed the amount for the previous year, as factors for the decline in profits would have insignificant effect.

In addition, after the second quarter of the previous year, the rate of salary reduction for executives was changed from 20% to 10%, and that for general employees was changed from 15% to 5%. Accordingly, the discrepancy in personnel expenses from the previous term is considered a special factor for the current first quarter, and related discrepancy will be significantly reduced from the second quarter as originally planned.

[Sales by business segment]

	1st quarter of fiscal year ended March 31, 2004		1st quarter of fiscal year ending March 31, 2005	
	Million yen	%	Million yen	%
Car Electronics Business	26,637	58.6	25,986	61.8
Communications Equipment Business	12,652	27.8	12,121	28.8
Home Electronics Business	5,268	11.6	3,405	8.1
Others	888	2.0	559	1.3
Total	45,445	100.0	42,071	100.0

Business performances by segment are as follows.

- **Car Electronics Business**

Sales decreased approximately ¥700 million (-2.4%) over the same period last year. Exchange losses on sales denominated in foreign currencies amounted to approximately ¥1.2 billion because of the stronger yen. If sales are calculated using the same exchange rate as that of the previous year, the result would be an increase of approximately ¥500 million.

The factors for this increase of approximately ¥500 million in actual sales after reversing these exchange losses include strong domestic sales of new multimedia products, such as navigation systems and DVD theater systems, as well as a significant rise in OEM sales from the previous year. These positive developments compensated declining overseas sales due to downsized audio markets, especially in Europe and the United States.

- **Communications Business**

Sales decreased approximately ¥500 million (-4.2%), year on year, but this is a result of exchange losses of approximately ¥600 million on sales denominated in foreign currencies because of the stronger yen. It is attributable to a reduction of sales of roughly ¥400 million for services related to the cellular phone terminal (PDC) business, from which the Company has withdrawn. Sales of the wireless radio business, the core business, were strong, partly because of greater demand following the U.S. economic recovery.

- **Home electronics business**

Sales after reversing exchange losses on sales denominated in foreign currencies were down approximately ¥1.8 billion, following changes in sales strategies resulting from the restructuring executed in previous years and the greater-than-anticipated downsizing of markets. Operating income, however, increased from the same period because of improved domestic cost ratios attributable to product innovation, including reduced losses and improved sales policies.

(2) Changes in Consolidated Financial Positions

	Total Assets	Shareholders' Equity	Shareholders' Equity ratio	Shareholders' Equity per share
	Million yen	Million yen	Million yen	Yen
1st quarter of fiscal year ending March 31, 2005	153,864	43,412	28.2	(17.18)
1st quarter of fiscal year ended March 31, 2004	-	-	-	-
(Reference) Fiscal year ended March 31, 2004	135,763	20,161	14.9	(23.03)

Note: Shareholders' equity per share for the first quarter of the fiscal year ending March 31, 2005 was calculated by deducting the payment for new shares from the shareholders' equity at the end of the first quarter, taking into account the fact that the issuance of new shares corresponding to the payment of ¥22.022 billion for new shares is not completed yet. Shareholders' equity per share was ¥60.94 at the time the new share issue was completed on July 1, 2004.

[Supplementary explanation about financial positions]

Total assets at the end of the first quarter under review increased by ¥18.101 billion, amounting to ¥153.864 billion. This reflected a rise in cash and deposits of ¥18.47 billion from the end of the previous year, attributable to payments for the public stock offering based on the *new financial strategy*.

Liabilities decreased ¥5.144 billion from the previous year, amounting to ¥110.452 billion, as short-term bank borrowings and long-term debt decreased by ¥4.265 billion and ¥1.254 billion, respectively. Consolidated shareholders' equity increased ¥23.251 billion, a rise of more than 200% from the same period last year, reaching at ¥43.412 billion, as the payment for new shares increased by ¥22.022 billion and that for retained earnings rose ¥0.919 billion.

In addition, consolidated shareholders' equity will be approximately ¥26 billion because the public stock offering became effective on July 1 as a result of the execution of the *new financial strategy* described above. It will also reflect the capital reduction without compensation amounting to ¥20 billion for the purpose of eliminating losses carried forward, and the capital reduction for value amounting to ¥16.1 billion for the purpose of canceling the 1st Series "A" Preferred Stock, which will become effective as of August 6.

[Reference] Forecast for fiscal year ending March 31, 2005 (April 1, 2004 – March 31, 2005)

	Net Sales	Ordinary Profit	Net Income	Forecast Net Income per share
	Million yen	Million yen	Million yen	yen
First half of fiscal year ending March 31, 2005	90,000	3,300	3,000	-
Fiscal Year ending March 31, 2005	190,000	8,500	7,500	34.85

Note: The figures of forecast net income per share above do not factor into the effects of the aforementioned *new financial strategy*.

[Supplementary explanation to the forecast for the fiscal year ending March 31, 2005]

Performances during the current first quarter were almost in line with the plan at the beginning of the quarter. Forecasts for the interim term and full year announced on May 21, 2004 will not be changed, because numerical discrepancy resulting from special factors in the first quarter will be insignificant in the second quarter, and sales are expected to grow, especially in the car electronics business.

- **Construction of a new building for Shanghai Kenwood**

To strengthen Kenwood's competitiveness and promote its growth strategies, the board of directors resolved at its meeting today to construct a new building with a floor area of approximately 11,000 m^2, equivalent to that of the current building, on the premises of Shanghai Kenwood, which was incorporated in August last year. Production lines will then be expanded to be the same to those of Kenwood Yamagata. Kenwood Yamagata's initiatives in production innovation are considered to represent "best practice".

Although full-scale operations will start at the new building during the next fiscal year, the Company is conducting vertical integration with domestic factories (Kenwood Nagano and Kenwood Yamagata). Production levels of car and home electronics products will increase more than 10% during the current fiscal year, and processing costs will decrease approximately 40%.