Consolidated Annual Summary Report for the Fiscal Year Ended March 2007

May 15, 2007

Company Name: Kenwood Corporation (Code No.: 6765, Stock Exchange: Tokyo Section1)
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Scheduled date of the General Meeting of Shareholders: June 28, 2007
Scheduled date of the starting of dividend payment: June 5, 2007
Scheduled date of the submission of financial statements: June 28, 2007

(Amounts less than JPY 1 million are discarded.)

1. Consolidated Annual Performance in FY2006 (April 1, 2006 - March 31, 2007)

(1) Consolidated Operating Performance (Figures shown in percentages are rates of change from the previous fiscal year.)

	Net Sales		Operating Profit		Ordinary Income		Net Income	
	JPY in Million	%	JPY in Million	%	JPY in Million	%	JPY in Million	%
FY2006	169,194	-7.9	5,617	-35.3	2,339	-52.1	1,586	-74.0
FY2005	183,616	1.4	8,686	23.0	4,886	4.0	6,104	26.2

	Net Income per Share	Net Income per share after adjusting for latent shareholdings	Shareholders' Equity to Net Income Ratio	Total Assets to Ordinary Income Ratio	Net Sales to Operating Profit Ratio
	JPY	JPY	%	%	%
FY2006	4.32	-	4.1	2.1	3.3
FY2005	17.16	15.13	21.0	4.3	4.7

Reference:
Equity in Earnings (or Losses) from Associated Companies FY2006: - FY2005: -

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
	JPY in Million	JPY in Million	%	JPY
FY2006	111,220	39,066	35.1	106.46
FY2005	109,554	37,486	34.2	101.97

Reference:
Shareholders' Equity FY2006: JPY39,066 million FY2005: -

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the end
	JPY in Million	JPY in Million	JPY in Million	JPY in Million
FY2006	11,456	-5,218	-3,717	16,934
FY2005	12,664	-4,320	-10,673	14,008

2. Dividend Status

	Dividend per Share					Total Cash Dividends (Annually)	Dividend Payout Ratio (Consolidated)	Dividend on Net Assets (Consolidated)
Date of Record	End of First Quarter	End of Interim Period	End of Third Quarter	End of Full Year	Annually			
	JPY	JPY	JPY	JPY	JPY	JPY in Million	%	%
FY2005	-	-	-	2.00	2.00	734	11.7	2.4
FY2006	-	-	-	2.00	2.00	733	46.3	1.9
FY2007 (forecast)	-	-	-	2.00	2.00		18.3	

3. Forecast for FY2007 (April 1, 2007 - March 31, 2008)

(Figures for full fiscal year and interim period shown in percentages are rates of change from the previous fiscal year and those from the previous interim period respectively.)

	Net Sales		Operating Profit		Ordinary Income		Net Income		Net Income per Share
	JPY in Million	%	JPY in Million	%	JPY in Million	%	JPY in Million	%	JPY
Interim Period	86,000	5.3	2,800	-12.1	1,500	-20.1	1,000	-20.2	2.73
Full Year	183,000	8.2	8,300	47.8	5,000	113.7	4,000	152.2	10.90

Note:
The forward-looking statements above are based on information such as economic factors and corporate business policy available to the Group at the time of publishing. As such, the actual financial performance of the Group may differ from the forecast due to a variety of factors. Please refer to pp. 3 -15 for the basic premises underlying the forecast.

4. Others

(1) Change in the number of significant subsidiaries during the term (change in the number of specific subsidiaries due to change in the scope of consolidation): Applicable
New: 0
Exclusion: 1 (Company name: KNT, LLC)
Note: For further detail, please see "Overview of the Kenwood Group" on page 10.

(2) Changes in accounting principles, procedures, classification, etc. related to the preparation of consolidated financial statements
1) Changes due to revision of accounting standards, etc.: Applicable
2) Changes other than 1): None

(3) Number of outstanding shares (Common stocks)
1) Number of outstanding shares (including treasury stocks)
FY2006: 367,524,995 shares
FY2005: 367,524,995 shares
2) Number of treasury shares
FY2006: 576,494 shares
FY2005: 487,127 shares

Reference: Overview of the Non-Consolidated Performance

1. Non-Consolidated Annual Performance in FY2006 (April 1, 2006 - March 31, 2007)

(1) Non-Consolidated Operating Performance (Figures shown in percentages are rates of change from the previous fiscal year.)

	Net Sales		Operating Profit		Ordinary Income		Net Income	
	JPY in Million	%	JPY in Million	%	JPY in Million	%	JPY in Million	%
FY2006	120,061	-10.3	696	-80.1	574	-77.5	2,034	-67.8
FY2005	133,918	2.7	3,502	13.3	2,547	-32.4	6,319	34.2

	Net Income per Share	Net Income per share after adjusting for latent shareholdings
	JPY	JPY
FY2006	5.54	-
FY2005	17.77	15.67

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
	JPY in Million	JPY in Million	%	JPY
FY2006	93,131	39,737	42.7	108.29
FY2005	94,155	39,237	41.7	106.74

Reference:
Shareholders' Equity FY2006: JPY39,737 million FY2005: -

1. Operating Results

(1) Analysis of Business Results

1. Operating Results for the Fiscal Year Ended March 2007

1-1. Overview of Fiscal Year Ended March 2007

Although some factors touching off a deflationary spiral were observed, the world economy during the fiscal year under review remained generally strong. The U.S. economy did slow down due to a slackened demand for housing demand, but the economies in Asia, notably China, continued to expand. The European economies generally remained on their recovery track.

In Japan, while consumer spending remained somewhat weak, the economy remained on a mild recovery path as private-sector capital investments expanded in step with improvements in corporate earnings.

The competition within the consumer electronics market became increasingly fierce. In the audio market, the business scale of both home-use and automobile-mounted products, except digital audio players, reduced in size. In the car electronics market, the visual/navigation field continued to expand on the rising popularity of terrestrial digital TV tuners and portable navigation systems. However, the audio field suffered price drops more than expected, owing to market contraction caused by the shift of customer focus to visual/navigation systems and stiffened competition.

Kenwood Group's business results in terms of both net sales and earnings for the fiscal year under review fell far below those of the previous fiscal year as its car electronics business was affected severely by these market conditions and the trends in automobile sales.

1-2. Consolidated Operating Results

***Net sales –Decreased 7.9% year-on-year, due to deteriorating market conditions, and influences of trends in automobile sales and strategy change**

While net sales from the Communications Equipment business expanded as they had in the previous fiscal year, net sales from the Car Electronics business fell far below those of the previous fiscal year due to the deteriorating market conditions and effects of the trends in automobile sales, and net sales from the Home Electronics business, albeit as initially planned, dropped substantially below those of the previous fiscal year due to the influences of the strategy change. As a result, consolidated net sales decreased approximately JPY14.4 billion (or 7.9%) from the previous fiscal year to JPY169,194 million.

***Operating profit – Decreased 35.3% year-on-year, due to a temporary increase in investment burdens resulting from strategic and up-front developments and price declines**

Although investment burdens increased temporarily as a result of the strategic development which was among the Group's priority initiatives for the fiscal year under review, earnings from the Communications Equipment business exceeded those of the previous year as a result of expanded sales and, in the Home Electronics business, smaller losses than those of the previous year were incurred despite reduced sales thanks to the effects of the strategy change.

In the Car Electronics business, however, earnings fell substantially from the previous year, affected by: investments in strategic development in the Consumer (Multimedia) business; greater than expected price declines due to heightened competition in the Consumer (Audio) business; and booking in the fiscal year under review of up-front development costs of approximately JPY1.1 billion in the OEM business, for new products slated to be sold in and after the fiscal year ending March 2008.

As a result, consolidated operating profit decreased approximately JPY3.1 billion (or 35.3%) from the previous fiscal year to JPY5,617 million.

***Ordinary income – Decreased 52.1% year-on-year, due to the decline in operating profit**

Significant improvement of non-operating earnings following the loss reduction that resulted from structural reform of assets carried out in the previous period, but consolidated ordinary income decreased approximately JPY2.5 billion (or 52.1%) from the previous fiscal year to JPY2,339 million due to the decline in consolidated operating profit.

***Net income – Decreased 74.0% year-on-year, due to the decline in ordinary income and the sharp decline in extraordinary income**

Although extraordinary losses declined substantially as a result of the structural reform of assets which was implemented during the previous fiscal year, consolidated net income decreased approximately JPY4.5 billion (or 74.0%) from the previous fiscal year to JPY1,586 million not only due to the reduced ordinary income but also due to the fact that extraordinary gains of transient nature which had amounted to approximately JPY6.7 billion (comprised of about JPY4.9 billion in gains from the repayment of certain past service pension assets to the Japanese government and about JPY1.8 billion in gains from sale of investment securities) in the previous fiscal year stood at only approximately JPY0.6 billion in gains from sales of investment securities for the fiscal year under review.

(Net Sales and Earnings by Segment)
Consolidated net sales and earnings in each business segment were as follows:

(JPY in Million)

Segment		Previous Fiscal Year	Current Fiscal Year	Increase or Decrease	
Car Electronics	Net Sales	107,723	94,939	-12,784	-11.9%
	Operating Profit	1,827	-1,975	-3,802	-208.1%
Communications Equipment	Net Sales	58,639	61,096	+2,457	+4.2%
	Operating Profit	8,336	8,670	+334	+4.0%
Home Electronics	Net Sales	14,897	10,584	-4,313	-29.0%
	Operating Profit	-1,420	-1,125	+295	-
Others	Net Sales	2,357	2,575	+218	+9.2%
	Operating Profit	-57	47	+104	-
Total	Net Sales	183,616	169,194	-14,421	-7.9%
	Operating Profit	8,686	5,617	-3,069	-35.3%
	Ordinary Income	4,886	2,339	-2,547	-52.1%
	Net Income	6,104	1,586	-4,518	-74.0%

***Car Electronics Business**

Consumer (Audio) Business
(Net Sales)
Net sales fell far below those of the previous year as sales termination of older products was delayed throughout the entire markets until the midpoint of the fiscal year under review and sales from the third quarter onward were affected by the greater than expected deterioration of market conditions.

(Earnings)
Earnings fell far below those of the previous year as higher costs than usual were incurred in the third quarter, the usual season for sale termination of older products, in the wake of deteriorating market conditions, and new models, notably the low-priced models bound for the European and North American markets, were challenged by greater than expected price declines in the fourth quarter, the usual season for introduction of new products.

Consumer (Multimedia) Business
(Net Sales)
Net sales from this business increased sharply from the previous year. Sales of new-concept car navigation systems launched in overseas markets, which combine the core of portable navigation devices with AV systems, remained robust. An increase in product line-up through commercialization for the Japanese market of terrestrial digital TV tuners and car navigation systems integrated with AV such tuners built in also contributed to increasing sales in this business.

(Earnings)
Losses in this business remained unchanged from the previous year, due to sluggish sales growth of existing models for the Japanese market, further price drops and large investments in strategic development.

OEM Business
(Net Sales)
Net sales fell far below those of the previous fiscal year as sales of mainstay line-fitted products were affected by the trends in automobile sales and sales termination of certain automobile types using such models, sales of dealer-option models remaining sluggish both in Japan and overseas, and orders for components, such as DVD-/CD-drive mechanisms, decreasing temporarily in their drop-off period.

(Earnings)
Earnings in this business decreased substantially from the previous fiscal year. Although cost competitiveness strengthened through vertical integration of Japanese and overseas plants, the Group saw sales drop and also booked in the fiscal year under review advanced development expenses worth about JPY1.1 billion for new products scheduled to be sold in and after the fiscal year ending March 2008.

As a result, both consolidated net sales and consolidated operating profit for the entire car electronics business both fell far below the initially planned levels, with net sales decreasing approximately JPY12.8 billion (or 11.9%) from the previous fiscal year to JPY94,939 million and operating profit decreasing approximately JPY3.8 billion (or 208.1%) from the previous fiscal year to a negative JPY1,975 million.

***Communications Equipment Business**

(Net Sales)
In the mainstay business of Land Mobile Radio equipments, net sales continued to expand as the U.S. market as the business's main market remained robust and sales expanded in Europe and emerging markets such as Russia and China.

Full-term net sales of Personal Digital Cellular (PDC) phones business grew sharply as PDC carriers began implementing aggressive sales promotion measures from October 2006 onward.

As a result, consolidated net sales for the entire Communications Equipment business surpassed the initially planned level, increasing approximately JPY2.5 billion (or 4.2%) from the previous fiscal year to JPY61,096 million.

(Earnings)
Despite the burden of investments in strategic development for the Land Mobile Radio equipment business, increased sales caused consolidated operating profit for the entire Communications Equipment business to exceed the initially planned level and reach JPY8,670 million, up approximately JPY0.3 billion (or 4.0 %) from the previous fiscal year.

***Home Electronics Business**
(Net Sales)
While sales remained favorable for high-class pure audio products, which are high-quality sound digital audio players meant as flagship products for the Japanese market, overall net sales in this segment, albeit virtually on a par with the initially planned level, stood at JPY10,584 million, representing the previous fiscal year decrease of approximately JPY4.3 billion (or 29.0%). This decline was caused by the negative impacts of retrenching of the overseas market-bound home theater business, by the squeezing out some of the conventional audio products such as portable MD players and mass-market compact stereo systems whose markets are contracting remarkably quickly, and by a temporary suspension of purchases of set stereo systems bound for overseas markets.

(Earnings)
Despite the burden of investments in strategic development aimed at shifting the Group's strategic focus to pure audio and portable audio businesses for the purpose of establishing a "Seamless Entertainment World", and despite reduced net sales, consolidated operating losses were cut down as initially planned, by approximately JPY0.3 billion from the previous fiscal year, to stand at JPY1,125 million thanks to the favorable impact of retrenching of the overseas market-bound home theater business, the squeezing of some of the conventional audio products, and positive contributions of enhanced line-up of new premium products to earnings.

1-3. Non-Consolidated Operating Results

***Net Sales**
For the same reasons as applicable to consolidated operating results, the Kenwood's parent-only net sales decreased approximately JPY13.9 billion (or 10.3%) from the previous fiscal year to JPY120,061 million.

***Earnings**
For the same reasons as applicable to consolidated operating results, non-consolidated operating profit decreased approximately 2.8 billion (or 80.1%) from the previous fiscal year to JPY696 million.

For the same reasons as applicable to consolidated operating results, non-consolidated ordinary income decreased approximately JPY2 billion (or 77.5%) from the previous fiscal year to JPY574 million.

For the same reasons as applicable to consolidated operating results, non-consolidated net income decreased approximately 4.3 billion (or 67.8%) from the previous fiscal year to JPY2,034 million although reporting of gains on sale of investment securities and gains on reversal of provision for loss on investments in affiliates as extraordinary gains did serve to augment earnings.

2. Earnings Outlook for the Fiscal Year Ending March 2008

In the current fiscal year, the Group is expected to achieve significant results from strategic development worked on under the mid-term business plan "Value Creation Plan," as well as from the implementation of growth strategy through business alliances and M&A. Given this, consolidated earnings are considered to have bottomed out in the fiscal year under review, and both sales and profits will likely take an upward turn.

*** Consolidated Net Sales**

In the Car Electronics business, the market environment of the Consumer (Audio) business is assumed to continue to be severe in the current fiscal year. However, sales from this business are projected to remain strong throughout the current fiscal year, thanks to higher sales of: medium- and high-class models featuring seamless integration with digital media equipment; new systems enabling expansion of functions for cars with line-fitted AV products; and proposal-oriented product line-up, which has aroused new demand among consumers since their introduction in the fourth quarter of the fiscal year under review. In addition, results of the exploration of emerging markets, through a further extension of partnership with Visteon Corp. of Brazil and enhancement of sales structure in Russia, are expected to become apparent.

In the Consumer (Multimedia) business, the market share for car navigation systems commercialized by investments in strategic development, which were introduced in Japanese and overseas markets during the fourth quarter, increased substantially. These systems have been sold well. Hence, enhanced product line-up of these systems and expanded sales districts will likely contribute to increasing sales in this field throughout the current fiscal year.

In the OEM business, new line-fitted and dealer-option products for new automobile types to be launched in the current fiscal year should contribute to sales and earnings, and orders for components such as DVD- and CD-drive mechanisms should recover by the end of the current fiscal year.

In the Communications Equipment business, both the wireless radio equipment and PDC phones sales are expected to continue posting favorable results. At the same time, the Group expects to put into the marketplace a greater volume of Digital Land Mobile Radio equipments that it advanced during the fiscal year under review through investments in strategic development, as well as to expand sales by converting Zetron, Inc. into its subsidiary, as informed in its "Announcement of Completion of Acquisition of the U.S. Systems-Based Communications Company (Conversion to Subsidiary)" dated May 10, 2007.

With respect to the Home Electronics business, the Group completed revitalization of business and products in the fiscal year under review, and strengthened the line-up of premium products created by investments in strategic development. This is likely to contribute to boosting sales of this business.

As described above, the results of various measures, which have been promoted, are forecast to become explicit from the current fiscal year, the final fiscal year of the present mid-term business plan. Consequently, the Group believes that sales hit their bottom in the fiscal year under review, and will turn upward in the current fiscal year, posting JPY183 billion on a group-wide basis.

*** Consolidated Earnings**

In the Car Electronics business, the above-mentioned new proposal-oriented products are expected to contribute to sales and earnings in the Consumer (Audio) business as core business. In addition, positive results of development of emerging markets and cost reduction that the Group has already begun working on would become explicit, thereby driving the Group further along its path toward earnings recovery.

In the Consumer (Multimedia) business, which is a growing business for the Group, positive results of enhancement of car navigation systems both in Japan and abroad and of efforts to expand sales territories in the overseas markets are expected to contribute to sales and earnings on a full-year basis. Meanwhile, the Group expects to see its earnings position improved as its investments in strategic development will run their course.

In the OEM business that the Group has focused its resources on as a similarly growing business, earnings should be boosted by improved profit resulting from expanded sales of its new line-fitted and dealer-option products, by a reduced burden of up-front development cost for new products required for the current fiscal year by virtue of the fact that it was partially deployed ahead of schedule during the fiscal year under review, and by Shanghai Plant's shipments which should go into full swing in step with the anticipated recovery in orders placed for components such as DVD- and CD-drive mechanisms.

In the Communications Equipment business, the Group's largest fundamental business, the above-mentioned placement of a larger volume of Digital Land Mobile Radio equipments in the marketplace and anticipated sales expansion by means of conversion of Zetron, Inc. into a subsidiary would help boost earnings. In addition, the PDC phones sakes should also continue to perform favorably.

In the Home Electronics business, positive results of selective squeeze-out of conventional models and initiatives to enhance line-up of premium products should contribute to earnings on a full-year basis.

As described above, in each business segment, earnings should either expand or improve from the bottom recorded during the fiscal year under review, and consolidated operating profit for the Group is expected to reach JPY8,300 million.

Given the fact that structural reform of assets was completed in the previous fiscal year, and in the absence of anticipated major non-operating or extraordinary gains or losses, the Group expects to post consolidated ordinary income and net income of JPY5 billion and JPY4 billion, respectively.

Consolidated earnings outlook (JPY in Million)

	Results for FY2006	Outlook for FY 2007	Increase or Decrease	
Net Sales	169,194	183,000	+13,806	+8.2%
Operating Profit	5,617	8,300	+2,683	+47.8%
Ordinary Income	2,339	5,000	+2,661	+113.8%
Net Income	1,586	4,000	+2,414	+152.2%

[Notes on Earnings Outlook]

The earnings outlook described above is an estimate of the future state of affairs reflecting the judgments that the Group has made on the basis of currently available information. Please note that actual results may vary materially from the results projected and presented in this outlook for a variety of reasons. Accordingly, the Group recommends that you refrain from making your investment decisions solely on the strength of this outlook.

Please refer to “(4). Business and Other Risks” for further details on risks and uncertainties associated with the Group’s operating results and other pertinent matters (including those which are deemed to be material for the purpose of investment decisions).

(2) Analysis of Financial Position

1. Analysis of Assets, Liabilities and Net Assets

Total assets as of the end of the fiscal year under review stood at JPY111,220 million, representing a increased approximately JPY1.7 billion from the previous fiscal year end, reflecting that fact that, while investments and other assets decreased approximately JPY1.8 billion from the previous fiscal year end, due to a partial sale of investment securities and a decrease in unrealized capital gains, the balance of cash and deposits increased approximately JPY2.9 billion from the previous fiscal year end, by virtue of the fact that the fiscal closing date fell on a holiday and the relevant settlement was carried forward to the next fiscal year.

Net assets increased approximately JPY1.6 billion from the previous fiscal year end to JPY39,066 million as a result of the increase in earned surplus and the increase in the foreign currency translation adjustment account attributable to exchange fluctuations, the shareholders’ equity ratio improved 0.9 percentage points from the end of the previous fiscal year end to finish at 35.1%.

Short- and long-term interest-bearing debts decreased approximately JPY2.5 billion from the previous fiscal year to JPY23,754 million, and net debts decreased approximately 5.4 billion from the previous fiscal year to JPY6,782 billion, as the Group continued to repay its borrowings from financial institutions.

2. Cash Flow Analysis

Cash flow from operating activities under review stood at JPY11,456 million, down approximately JPY1.2 billion from the previous fiscal year. This was primarily attributable to the decrease in net income although trade payables did decrease modestly.

Cash flow from investing activities increased approximately JPY0.9 billion from the previous fiscal year to JPY5,218 million. This was primarily attributable to the reduced revenues from sale of tangible fixed assets and investment securities.

Cash flow from financing activities decreased approximately JPY0.7 billion from the previous fiscal year to JPY3,717 million. This was primarily attributable to the fact that the Group increased capital by public offering and redeemed preferred stocks with compensation during the previous fiscal year when the amount of expenditure with the redemption of preferred stocks with compensation exceeded that of revenue from issuance of new shares, whereas these events did not occur during the fiscal year under review.

(Ref.) Changes in Cash Flow-Related Indices

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Total Assets (JPY in Million)	142,124	135,763	116,137	109,554	111,220
Interest-Bearing Debts (JPY in Million)	80,851	67,272	31,088	26,263	23,754
Net Debts (JPY in Million)	50,083	29,885	15,147	12,215	6,782
Net Assets (JPY in Million)	13,704	20,161	33,132	37,486	39,066
Shareholders’ Equity Ratio (%)	9.6	14.9	28.5	34.2	35.1
Shareholders’ Equity Ratio at Market Value (%)	28.1	52.2	60.6	91.5	59.1
Net Assets per Share (JPY)	-53.74	-23.03	66.29	101.97	106.46
Retained Earnings (JPY in Million)	-34,238	-9,777	13,199	18,316	19,096
Ratio of Cash Flow to Interest-Bearing Debts (%)	780.6	244.6	200.1	207.4	207.3
Interest Coverage Ratio (times)	3.1	12.6	13.6	19.9	22.4

(Calculation Method)

- Net debts = Interest-bearing debts – Cash and cash equivalents
- Shareholders’ Equity Ratio = Net assets / Total assets
- Shareholders’ Equity Ratio at market value = Market capitalization / Total assets
- Net assets per share = Net assets as of the end of the fiscal year under review available to common stocks / Number of outstanding shares as of the end of the fiscal year under review (after deducting the number of treasury shares)
- Ratio of interest-bearing debts to cash flows = Interest-bearing debts / Operating cash flows
- Interest coverage ratio = Operating cash flows / Interest payment

Notes:

- Each index is calculated based on consolidated financial figures.
- Market capitalization is calculated by multiplying closing stock price at the end of the fiscal year under review by the number of outstanding shares at the end of the fiscal year under review (after deducting the number of treasury shares).
- Interest-bearing debts include all debts whose interests are paid in the consolidated balance sheet. As for cash and cash equivalents, “Cash and cash equivalents” in the consolidated balance sheet is used.
- As for operating cash flow and interest payment figures, “Cash flows from operating activities” and “Interest paid” of the Consolidated Statements of Cash Flows are used.

(3) Basic Policy for Distribution of Profit and Dividends for FY 2006 and 2007

Kenwood considers it one of the most critical management challenges to ensure that its profit will be returned to its shareholders in a stable manner, and is committed to deciding upon dividends of surplus and other appropriations by giving due and comprehensive considerations to its earnings capabilities and financial position.

Based on this policy, and bearing in mind that surplus should be applied toward strategic investments aimed at its future growth, the Group proposes to pay a year-end dividend of two yen per share, the same amount as in the previous fiscal year, from the perspective of paying stable dividends on an ongoing basis.

The Group plans to commence payment of the year-end dividends on June 5, 2007.

For similar reasons, the Group expects to pay a year-end dividend of two yen per share for the current fiscal year.

(4) Business and Other Risks

Of the matters concerning the operating performance, share price and financial position of the Group, risks which may exert material influences on the judgment of investors include:

1. Abrupt and drastic change in political and economic environment, economic trend, consumer spending trend, business conditions of corporate customers, tastes and fashion of individual customers in Japanese and overseas markets;
2. Significant market contraction arising from market maturation, and significant price drops arising from

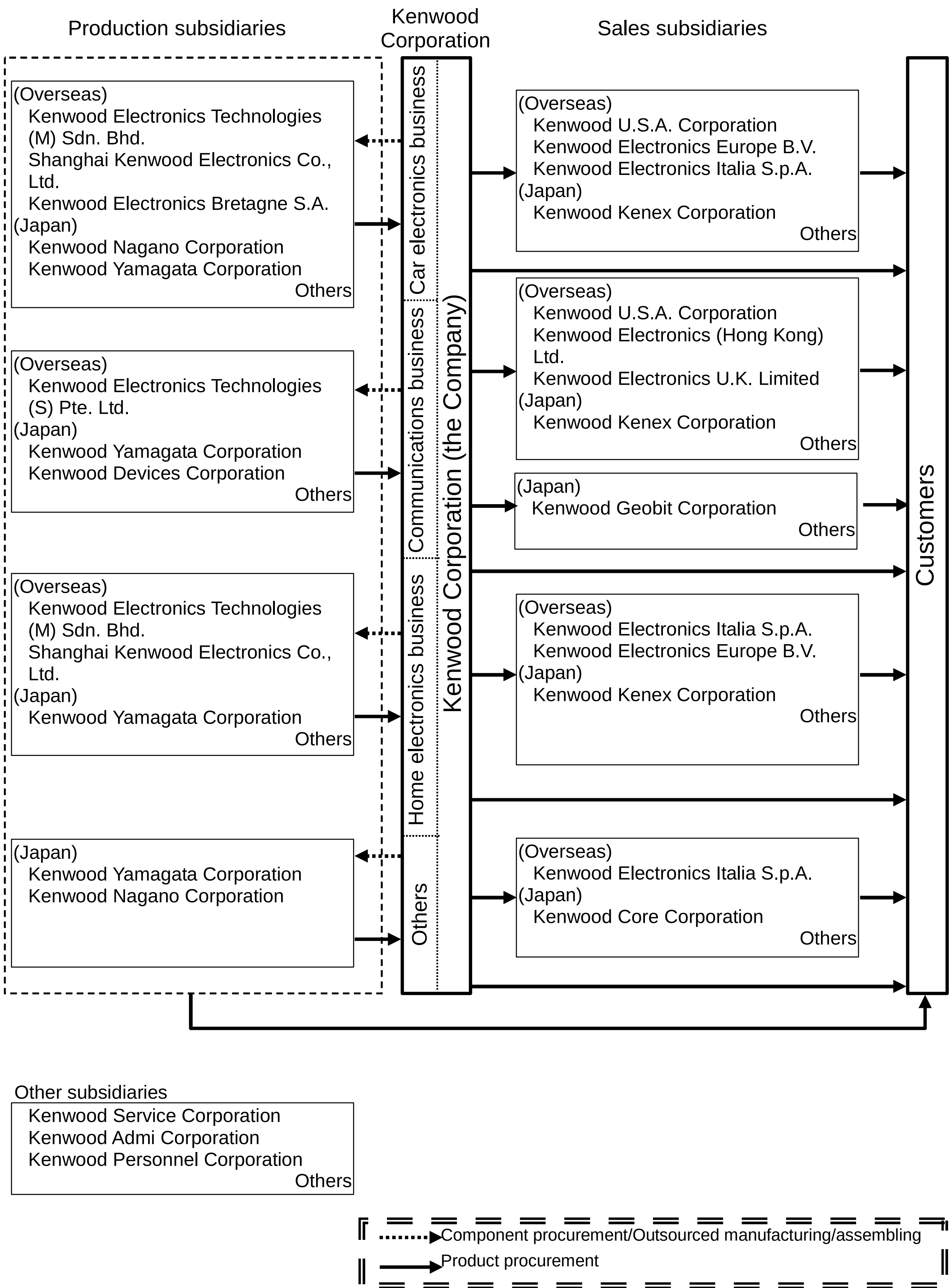
tightening market competition;

3. Change in competitive superiority, material increase in R&D expenses or uncertainty about recruitment of R&D personnel in a situation involving rapid technological innovation;
4. Exchange rate fluctuations;
5. Risk that a serious defect may be found in the Group's products;
6. Risk that a serious trouble may occur in outsourced development or procurement of key devices, software, parts, products, etc. for which the Group depends on outside parties;
7. Risk that the Group's intellectual property rights may be infringed on by counterfeit products or that the Group may be deemed to have infringed unintentionally on another company's intellectual property rights;
8. Risk that the Group may become incapable of maintaining its existing status as a result of mergers, affiliations or other market reorganizations in the industry of which the Group is a part;
9. Risk that net income may decrease if tax loss carried forward is eliminated and the Group becomes liable for resumption of payment of corporate income tax in Japan, and the impacts of such decrease of net income on its financial position;
10. Risk that the cost of and liability for employee retirement benefits may increase due to changes in assumptions used for calculating the said cost and liability;
11. Risk that information owned by the Group may be taken out unlawfully and such information may have adverse impacts on the brand name or social reputation of the Group;
12. Risk that the Group may be barred from conducting sound corporate activities due to a natural disaster, accident or political unrest;
13. Repercussions of an unforeseen event that the Group is unable to comply with the laws and regulations of the countries in which it operates its business; and
14. Risk that investment securities may be impaired by market valuation; that capital losses may be realized as a result of land sale; and that fixed assets owned by the Group may be subject to impairment

2. Overview of the Kenwood Group

The Kenwood Group comprises Kenwood Corporation and its 42 affiliated companies (as of March 31, 2007) engaged mainly in production and marketing of car electronics, communications and home electronics equipment, as well as other related businesses.
The Group's business sectors, major products and affiliates are as follows:

Business classification and major products	Major affiliates
[Car electronics] Car electronics-related products such as automotive audio equipment, navigation systems, etc.	(Sales companies) Kenwood Corporation Kenwood U.S.A. Corporation Kenwood Electronics Europe B.V. Kenwood Electronics Italia S.p.A. Kenwood Kenex Corporation (Production companies) Kenwood Nagano Corporation Kenwood Electronics Technologies (M) Sdn. Bhd. Shanghai Kenwood Electronics Co., Ltd. Kenwood Yamagata Corporation Kenwood Electronics Bretagne S.A.
[Communications] Communications-related products such as amateur radio and land mobile radio (LMR), low-power radio equipment, etc., and personal digital cellular phone (PDC) line sales	(Sales companies) Kenwood Corporation Kenwood U.S.A. Corporation Kenwood Electronics (Hong Kong) Ltd. Kenwood Electronics U.K. Limited Kenwood Geobit Corporation (Production companies) Kenwood Electronics Technologies (S) Pte. Ltd. Kenwood Yamagata Corporation Kenwood Devices Corporation
[Home electronics] Home electronics-related products such as stereos (system-components and separate-component stereos), home theater systems, DVD players, portable audio equipment, etc.	(Sales companies) Kenwood Corporation Kenwood Electronics Italia S.p.A. Kenwood Electronics Europe B.V. Kenwood Kenex Corporation (Production companies) Kenwood Electronics Technologies (M) Sdn. Bhd. Kenwood Yamagata Corporation Shanghai Kenwood Electronics Co., Ltd.
[Others] Non-contact mobile identification systems, meteorological-satellite data receiving systems, etc.	(Sales companies) Kenwood Electronics Italia S.p.A. Kenwood Core Corporation (Production companies) Kenwood Yamagata Corporation Kenwood Nagano Corporation


Production subsidiaries
Kenwood Corporation
Sales subsidiaries
(Overseas)
Kenwood Electronics Technologies (M) Sdn. Bhd.
Shanghai Kenwood Electronics Co., Ltd.
Kenwood Electronics Bretagne S.A.
(Japan)
Kenwood Nagano Corporation
Kenwood Yamagata Corporation
Others
(Overseas)
Kenwood Electronics Technologies (S) Pte. Ltd.
(Japan)
Kenwood Yamagata Corporation
Kenwood Devices Corporation
Others
(Overseas)
Kenwood Electronics Technologies (M) Sdn. Bhd.
Shanghai Kenwood Electronics Co., Ltd.
(Japan)
Kenwood Yamagata Corporation
Others
(Japan)
Kenwood Yamagata Corporation
Kenwood Nagano Corporation
Car electronics business
Communications business
Home electronics business
Others
Kenwood Corporation (the Company)
(Overseas)
Kenwood U.S.A. Corporation
Kenwood Electronics Europe B.V.
Kenwood Electronics Italia S.p.A.
(Japan)
Kenwood Kenex Corporation
Others
(Overseas)
Kenwood U.S.A. Corporation
Kenwood Electronics (Hong Kong) Ltd.
Kenwood Electronics U.K. Limited
(Japan)
Kenwood Kenex Corporation
Others
(Japan)
Kenwood Geobit Corporation
Others
(Overseas)
Kenwood Electronics Italia S.p.A.
Kenwood Electronics Europe B.V.
(Japan)
Kenwood Kenex Corporation
Others
(Overseas)
Kenwood Electronics Italia S.p.A.
(Japan)
Kenwood Core Corporation
Others
Customers
Other subsidiaries
Kenwood Service Corporation
Kenwood Admi Corporation
Kenwood Personnel Corporation
Others
Component procurement/Outsourced manufacturing/assembling
Product procurement

3. Management Policy

(1) Basic Management Policy – Initiatives and Achievements for Fiscal Year under Review (Fiscal Year Ended March 2007)

- Kenwood advanced investments in strategic development along the lines of "Value Creation Plan," its mid-term business plan -

During the fiscal year under review, which was the middle year for "Value Creation Plan," its mid-term business plan that was put in motion in the previous fiscal year, Kenwood advanced the following initiatives aimed at expanding its corporate value by focusing on growth strategies including strategic development of new technologies/new products and business partnering.

1. Improving competitiveness in businesses by investments in strategic development

With a view to responding swiftly to the rapidly changing business environment brought about by technological innovations involving the progress of the digital/network environment and the diffusion of digital media, and to implement a next-generation product strategy by identifying such environments as major business opportunities, Kenwood has focused its resources on the strategic development of new technologies and products by advancing investments in strategic development in addition to its usual R&D activities.

The major initiatives of these investments included the following, and their positive results should become apparent in the current fiscal year (the year ending March 2008):

* Strategic development of car multimedia products intended for consumer markets in Japan and abroad
* Up-front development of car multimedia products intended for auto manufacturers
* Construction of a "Seamless Entertainment World" of digital media integrating car electronics and home electronics
* Business partnering in the field of Land Mobile Radio aimed at R&D for new digital systems and terminals as well as qualitative expansion from terminals to system solutions

2. Improving competitiveness of the core businesses

2-1. Car Electronics Business

- The Group has driven full-scale development and staging of new products in Consumer business, and has advanced earnings reform in the OEM business -

In the Car Electronics Consumer (Audio) business, the Group moved ahead with developing medium-grade/high-end models integrating seamless features with digital media equipments, new systems enabling feature enhancement of products that are installed in vehicles as line-fitted AV products and other proposal-oriented products that were capable of spurring new demand, and launched them to markets across the world in the fourth quarter.

In the Consumer (Multimedia) business, the Group pushed forward global staging of new-concept car navigation systems integrating core of portable navigation devices and AV systems that it had previously introduced to markets in Europe and North America, and completed enhancement of product line-up by developing and marketing terrestrial digital TV tuners and navigation system integrated with AV equipped with such tuners built in them for the Japanese market.

In the OEM business, in the wake of completion during the previous year under review of expansion works at the Shanghai Plant, Kenwood endeavored to enhance its cost competitiveness by shifting production of components such as DVD- and CD-drive mechanisms, etc. from its plant in Japan to Shanghai.

2-2. Communications Equipment Business

- The Group drove closer coordination between sales/applied technology functions and development/design functions, and advanced its digitization-based growth strategy -

The Group sought to achieve closer coordination between the sales/applied technology functions possessed by its subsidiary in the U.S. which is the leading market for the Land Mobile Radio business and the development/design functions possessed by its units in Japan and, at the same time, upgraded and reinforced each of the sales/applied technology functions based in Europe. The Group also expanded sales and won new orders in emerging markets such as Russia and China. In anticipation of future business expansion and growth of the Chinese market, the Group accelerated its growth strategy by having the Shanghai Plant commence production of Land Mobile Radio equipment.

In addition, the Group drove formation of the industrial infrastructure in the field of Digital Land Mobile Radio by starting up a Memorandum of Understanding Group jointly with mobile radio companies in Europe in March 2007 in order to promote establishment of a standard for Digital Land Mobile Radio systems intended for private-sector companies in that region, and by entering into a tie-up with the EADS Group, a leading European aerospace and defense systems, with a view to expanding sales of Digital Land Mobile Radio equipments intended for the public safety sector in North America.

2-3. Home Electronics Business
- The Group drove its high value-added strategy through enhanced line-up of new premium products -

In the wake of the rapid diffusion of digital media and the recovering demand for high-class audio products, the Group has completed selective removal of conventional models by the end of the first half of the fiscal year under review, and simultaneously made active efforts to enhance line-up of the digital audio players capable of reproducing the highest of sound quality with its independent technologies as well as high-class pure audio products intended for those users who attach high priority to sound quality.

Elsewhere, the Group began driving its high added-value strategy by commercializing pure audio products that made it possible to seamlessly integrate various media equipment and help realize the “Seamless Entertainment World.”

3. Initiatives for environmental preservation

Establishing a corporate policy to reduce the impact on the environment and make contributions to “coexistence with the global environment,” the Group is promoting environmental preservation activities. Two major pillars of these activities are: creation of green products that have less impact on the environment; and environmental preservation campaigns (energy conservation, reduction of waste and reduction of office paper) in business activities. We achieved “zero waste emissions” at all major Japanese bases, including the head office and development/design bases, between July and September in 2006.

4. Strengthening brand presence and business promotions through a sales campaign based around the Company’s 60th anniversary

As part of its promotional campaigns and brand strategy commemorating the Company’s 60th anniversary, the Company moved forward with commercialization of “TRIO Model” in both of the “sound” and “wireless communication” fields that inherit the Group’s business tradition. The Group released its limited-edition prestige radio equipment for amateur radio operators in July 2006, and released its limited-edition prestige pure audio systems last December. Also, as a new initiative, the Company commercialized and released limited-edition prestige car audio product, the first car electronics product under the “TRIO” brand in Japan, in April 2007.

For the strengthening of brand presence, the Group renewed its official supplier contract on supply of radio systems with the Team Vodafone McLaren Mercedes that was participating in the Formula One (F1) world auto races that reign the world of motor sports, and began posting its brand logo in addition to the supports it has heretofore provided the team.

(2) Issues that the Group Must Address - for the Fiscal Year Ending March 2008 and for the Medium-term

In May 2005, the Group formulated its “Value Creation Plan,” the mid-term business plan, under which it set the goals of consolidated net sales of JPY220 billion, consolidated operating profit of JPY15 billion (with operating profit ratio of 7%), zero net debt (effectively debt-free management), and an ROE of 20% or higher.

Of these goals, the Group achieved the goal of an ROE of 20% or higher during the previous fiscal year, and effectively achieved zero net debt as of the end of the previous fiscal year.

With respect to net sales and earnings, the Communications Equipment business has achieved results far exceeding the initial plans. However, the Car Electronics and Home Electronics businesses were severely affected by the rapid changes in the consumer electronics market environment characterized by increasing tendencies toward digitization and multimedia and the intensified competition that came with such changes. These circumstances, as discussed in “Earnings Outlook for Fiscal Year Ended March 2008,” have made it difficult for the Group to expect to achieve the goals of consolidated net sales of JPY220 billion and consolidated operating profit of JPY15 billion (with operating profit ratio of 7%) and resulting by current businesses.

However, investments in strategic development in its existing businesses and alliances with other companies, which the Group poured its efforts and resources into, and the implementation of growth strategy through M&A are producing favorable results. In the fiscal year ending March 2008, we will strive to make these results more obvious. Furthermore, we will promote steady growth of existing businesses and accelerate our growth strategy through business alliances and M&A.

1. Reconstruction and Growth Strategy in Current Businesses

*** Car Electronics Business**

As for the Consumer business, given the market focus has shifted from audio to multimedia for car electronics, the Group is forced to make great efforts on the multimedia business, particularly car navigation systems for overseas markets, for the growth strategy. We will enhance our product line-up of new-concept car navigation systems in overseas markets, make the results of such global expansion apparent and implement a plan for putting this business on a growth track.

In the OEM business, demand for components such as DVD- and CD-drive mechanisms is expected to recover toward the end of the current fiscal year. Therefore, the Group will focus on achieving excellent results from the launch of new line-fitted models, selling dealer-option models and implementing a plan for putting this business on a growth track.

*** Communications Equipment Business**

The Communications Equipment business has achieved the goals of the mid-term business plan one year ahead of schedule. The Group will strive to achieve steady growth of this business by boosting market introduction of Digital Land Mobile Radio equipments.

In addition, we will focus more on growth and development in the PDC phones sales business.

*** Home Electronics Business**

In the Home Electronics business, the Group will launch new premium products, make the results of enhanced line-up become explicit by employing a long-tail strategy, and will implement a plan for putting sales and profits form this business on a growth track aimed at turning a profit for the full term.

2. Growth Strategy through Business Alliances and M&A

In the fiscal year under review, the Group faced several changes in its business environment, including substantial price declines in the car electronics market, particularly in the consumer fields, the fierce competition in mature markets that intensified more than expected, and contraction of the home electronics market. To cope with this, we implemented business alliances and M&A as described below to further accelerate the growth of our businesses, by exceeding the limits of growth on our own through conventional businesses.

In the current fiscal year, the Group will make the results of these initiatives more obvious and add new projects, aiming to accelerate its growth strategy.

*** Communications Equipment Business**

In the Land Mobile Radio business, the Group's largest fundamental business, where it boasts the second largest global market share, we strove to expand the qualitative scope of its business from terminals to system solutions and to further form consortium for digitization. To this end, we converted Zetron, Inc. into a subsidiary as well as established alliances with EADS Group, Icom Inc. and other companies for business and joint development on a global basis, and thus we built the basis for a major leap forward. In the current fiscal year, the Group will make the results from these initiatives become explicit and generate even greater synergies.

In the overall Communications Equipment business, the Group will endeavor to develop a new organizational structure with a view to expanding new businesses based on such system businesses as Zetron's highly reliable radio communications systems, the Japanese radio equipment operations that it acquired from the former Toyo Communication Equipment Co., Ltd. in June 2004, the RFID business operated by Kenwood Core Corp., a wholly owned subsidiary.

*** Car Electronics Business**

The Group aims to expand its sales and profits in the growing businesses of multimedia and OEM by strengthening its partnerships with business partners, including Denso Corp., Garmin International Inc. of the U.S. and Germany's Blaupunkt, a Bosch Group company.

In the Consumer (Audio) business, we will accelerate the exploration of Latin American markets, which are expected to grow from now on, from the perspectives of both production and sales by enhancing our partnership with Visteon Corp. of Brazil.

*** Peripheral Businesses**
The Group will develop new businesses related to its existing businesses through strategic initiatives.

As described above, the Group has completed its revitalization, made investments in strategic and up-front developments until the fiscal year under review, and set the stage for expanding sales and improving profits. We are now about to put our conventional businesses on a new growth track, centering on the core businesses. At this stage, we will leave the Group's future management to a next-generation manager and establish a new position of chairman. And, under the new framework, we will enhance strategic initiatives for expanding corporate value over the medium to long term while accelerating corporate growth.

Consolidated Balance Sheet

(as of Mar. 31, 2007)

(JPY in Million)

Item	Previous Fiscal Year (as of Mar. 31, 2006)		Current Fiscal Year (as of Mar. 31, 2007)		Increase/decrease	
	Amount	%	Amount	%	Amount	%
(Assets)						
I Current Assets						
1 Cash and cash equivalents	14,048		16,972		2,923	
2 Trade notes and accounts receivable	29,231		29,891		660	
3 Inventories	25,887		26,404		516	
4 Prepaid expenses	706		634		-71	
5 Deferred tax assets	689		452		-236	
6 Other current assets	3,444		3,960		515	
7 Allowance for doubtful receivables	-732		-751		-18	
Total Current Assets	73,275	66.9	77,563	69.7	4,288	5.9
II Fixed Assets	36,156	33.0	33,618	30.2	-2,537	-7.0
(1) Tangible fixed assets						
1 Building and structures	17,310		17,041		-268	
2 Machinery and equipment	19,039		20,284		1,245	
3 Tools, furniture and fixtures	13,601		14,228		626	
4 Land	9,215		9,443		227	
5 Construction in progress	-		3		3	
Total	59,166		61,001		1,834	
Accumulated depreciation	-37,252		-39,930		-2,678	
Total Fixed Assets	21,914	20.0	21,070	18.9	-844	-3.9
(2) Intangible fixed assets	6,412	5.9	6,567	5.9	154	2.4
(3) Investments and other assets						
1 Investment securities	5,642		3,933		-1,708	
2 Deferred tax assets	744		675		-68	
3 Other investments	1,528		1,457		-71	
4 Allowance for doubtful receivables	-86		-85		0	
Total Investments and other assets	7,828	7.1	5,981	5.4	-1,847	-23.6
III Deferred Assets	122	0.1	38	0.0	-84	-68.9
New stock issuing expenses	122		38		-84	
Total Assets	109,554	100.0	111,220	100.0	1,666	1.5

(JPY in Million)

Item	Previous Fiscal Year (as of Mar. 31, 2006)		Current Fiscal Year (as of Mar. 31, 2007)		Increase/decrease	
	Amount	%	Amount	%	Amount	%
(Liabilities)						
I Current Liabilities						
1 Trade notes and accounts payable	18,132		19,168		1,036	
2 Short term bank borrowings	26,263		3,754		-22,508	
3 Accounts payable (non trade)	5,959		7,567		1,608	
4 Income taxes payable	536		529		-6	
5 Accrued expenses	6,982		7,106		123	
6 Deferred tax liabilities	15		2		-13	
7 Other current liabilities	1,131		1,205		74	
Total Current Liabilities	59,019	53.9	39,334	35.4	-19,685	-33.4
II Long Term Liabilities						
1 Long term debt	-		20,000		20,000	
2 Deferred tax liabilities as a result of land revaluations	2,027		2,027		-	
3 Deferred tax liabilities	1,454		853		-600	
4 Liability for employees' retirement benefits	9,363		9,609		245	
5 Other long term liabilities	202		329		127	
Total Long Term Liabilities	13,048	11.9	32,820	29.5	19,772	151.5
Total Liabilities	72,067	65.8	72,154	64.9	87	0.1
(Shareholders' Equity)						
I Paid-in capital	11,059	10.1	-	-	-	-
II Capital surplus	13,373	12.2	-	-	-	-
III Retained earnings	18,316	16.7	-	-	-	-
IV Land revaluation surplus	2,954	2.7	-	-	-	-
V Net unrealized gain on available-for-sale securities	1,889	1.7	-	-	-	-
VI Foreign currency translation adjustments	-10,020	-9.1	-	-	-	-
VII Treasury stock	-86	-0.1	-	-	-	-
Total Shareholders' Equity	37,486	34.2	-	-	-	-
Total Liabilities and Shareholders' Equity	109,554	100.0	-	-	-	-

(JPY in Million)

Item	Previous Fiscal Year (as of Mar. 31, 2006)		Current Fiscal Year (as of Mar. 31, 2007)		Increase/decrease	
	Amount	%	Amount	%	Amount	%
(Net Assets)						
I Shareholders' Equity						
1 Paid-in capital	-	-	11,059	9.9	-	-
2 Capital surplus	-	-	13,373	12.0	-	-
3 Retained earnings	-	-	19,096	17.2	-	-
4 Treasury stock	-	-	-105	-0.1	-	-
Total Shareholders' Equity	-	-	43,424	39.0	-	-
II Valuation and Translation Adjustment						
1 Unrealized gain and loss on available-for-sale securities	-	-	1,096	1.0	-	-
2 Deferred hedge gain and loss	-	-	71	0.0	-	-
3 Land revaluation surplus	-	-	2,954	2.7	-	-
4 Foreign currency translation adjustment	-	-	-8,480	-7.6	-	-
Total Valuation and Translation Adjustment	-	-	-4,358	-3.9	-	-
Total Net Assets	-	-	39,066	35.1	-	-
Total Liabilities and Net Assets	-	-	111,220	100.0	-	-

Consolidated Statements of Income

(JPY in Million)

Item	Previous Fiscal Year (4/1/2005-3/31/2006)		Current Fiscal Year (4/1/2006-3/31/2007)		Increase/decrease	
	Amount	%	Amount	%	Amount	%
I Net Sales	183,616	100.0	169,194	100.0	-14,421	-7.9
II Cost of Sales	139,441	75.9	127,796	75.5	-11,644	-8.4
Gross Profit	44,174	24.1	41,397	24.5	-2,777	-6.3
III Selling, General and Administrative Expenses	35,487	19.4	35,780	21.2	292	0.8
Operating Profit	8,686	4.7	5,617	3.3	-3,069	-35.3
IV Non-operating Profit						
1 Interest income	164		267		102	
2 Dividends income	38		46		8	
3 Other non-operating profit	462		435		-27	
Total Non-operating Profit	665	0.4	749	0.4	83	12.5
V Non-operating Expense						
1 Interest expense	624		526		-98	
2 Other non-operating expenses	3,841		3,500		-341	
Total Non-operating Expense	4,465	2.4	4,026	2.3	-439	-9.8
Ordinary Income	4,886	2.7	2,339	1.4	-2,547	-52.1
VI Extraordinary Profit						
1 Gain on sales of fixed assets	206		86		-119	
2 Reversal of allowance for doubtful receivables	9		1		-7	
3 Gain on sales of investment securities	1,829		588		-1,241	
4 Amount of certain pension assets returned to the government	4,850		-		-4,850	
5 Reversal of losses arising from the reorganization of affiliated companies	21		-		-21	
Total Extraordinary Profit	6,916	3.7	676	0.4	-6,240	-90.2
VII Extraordinary Loss						
1 Loss on revision of profit and loss of previous year	68		95		26	
2 Loss on devaluation of golf membership	0		0		0	
3 Retirement allowance paid to directors	7		260		253	
4 Loss on devaluation of investment securities	249		42		-207	
5 Loss on sales of fixed assets	14		2		-11	
6 Loss on disposal of fixed assets	2,773		98		-2,674	
7 Loss on devaluation of fixed assets	81		-		-81	
8 Impairment loss	988		-		-988	
9 Lease cancellation losses	38		-		-38	
10 Extraordinary loss on disposal of inventories	528		-		-528	
Total Extraordinary Loss	4,749	2.6	499	0.3	-4,250	-89.5
Income before Income Taxes	7,053	3.8	2,516	1.5	-4,537	-64.3
Corporate Tax, Corporate Inhabitant Tax and Corporate Enterprise Tax	740	0.4	621	0.4	-118	-16.1
Deferred Corporate Tax	129	0.1	-	-	-129	-
Corporate Tax and Other Adjustment	78	0.0	308	0.2	229	292.4
Net Income	6,104	3.3	1,586	0.9	-4,518	-74.0

Consolidated Statements of Retained Earnings

(JPY in Million)

Item	Previous Fiscal Year (4/1/2005-3/31/2006)	
(Capital Surplus)		
I Beginning balance of capital surplus		13,373
II Increase in additional capital surplus		-
III Decrease in additional capital surplus		-
III Ending balance of capital surplus		13,373
(Retained Earnings)		
I Beginning balance of retained earnings		13,199
II Increase in retained earnings		
1 Net Income	6,104	
2 Transfer from land revaluation surplus arising from impairment of land	167	
3 Transfer from land revaluation surplus arising from sale of land	45	6,317
III Decrease in retained earnings		
1 Dividends	1,148	
2 Compensation paid to directors	46	
3 Employee fellowships	5	1,199
IV Ending balance of retained earnings		18,316

Consolidated Statement of Changes in Shareholders' Equity

Current Fiscal Year (4/1/2006-3/31/2007) (JPY in Million)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	11,059	13,373	18,316	-86	42,663
Changes during the consolidated fiscal year					
Payment of dividends (Note)			-734		-734
Directors' bonus (Note)			-59		-59
Net income			1,586		1,586
Acquisition of treasury stocks				-19	-19
Establishment of an employee welfare and fellowship fund			-13		-13
Changes (net amount) of items other than shareholders' equity during the year					
Total changes during the year	-	-	779	-19	760
Balance as of March 31, 2007	11,059	13,373	19,096	-105	43,424

	Valuation and translation adjustment					Total net assets
	Unrealized gain and loss on available-for-sale securities	Deferred hedge gain and loss	Land revaluation surplus	Foreign currency translation adjustment	Total valuation and translation adjustment	
Balance as of March 31, 2006	1,889	-	2,954	-10,020	-5,176	37,486
Changes during the consolidated fiscal year						
Payment of dividends (Note)						-734
Directors' bonus (Note)						-59
Net income						1,586
Acquisition of treasury stocks						-19
Establishment of an employee welfare and fellowship fund						-13
Changes (net amount) of items other than shareholders' equity during the year	-793	71	-	1,540	818	818
Total changes during the year	-793	71	-	1,540	818	1,579
Balance as of March 31, 2007	1,096	71	2,954	-8,480	-4,358	39,066

Note: They are items in appropriation of earnings resolved in General Meeting of Shareholders held on June 2006.

Consolidated Statements of Cash Flows

(JPY in Million)

Item	Previous Fiscal Year (4/1/2005-3/31/2006) Amount	Current Fiscal Year (4/1/2006-3/31/2007) Amount
I Cash Flows from Operating Activities:		
1 Income before income taxes	7,053	2,516
2 Depreciation	7,403	6,949
3 Impairment loss	988	-
4 Amortization	58	-
5 Amortization of goodwill	-	58
6 Decrease in allowance for doubtful accounts	-102	-18
7 Increase (decrease) in allowance for employees' retirement	-4,141	209
8 Interest revenue and dividend income	-203	-313
9 Interest expense	624	526
10 Gain on sale of investment securities	-1,829	-588
11 Loss on devaluation of investment securities	249	42
12 Loss on devaluation of golf membership	0	0
13 Loss on disposal of fixed assets	2,773	98
14 (Gain) loss on sales of fixed assets	-192	-83
15 Loss on devaluation of fixed assets	81	-
16 Decrease in trade notes and accounts receivable	4,379	826
17 Decrease in inventories	669	388
18 Increase (decrease) in accounts payable	-4,988	1,474
19 Increase (decrease) in consumption tax payable	-61	86
20 Decrease in consumption tax refunds receivable	190	17
21 Amount paid as bonuses to directors	-46	-59
22 Others	870	195
Sub-Total	13,778	12,327
23 Interest and dividends received	201	313
24 Interest paid	-637	-512
25 Income taxes paid	-670	-647
26 Disbursement to directors for retirement	-7	-24
Net cash provided by operating activities	12,664	11,456
II Cash Flows from Investing Activities:		
1 Increase in (deposit to) time deposits	-2	-
2 Decrease in (withdrawal from) time deposits	30	6
3 Capital investment (real estate, plants and equipment)	-3,570	-2,408
4 Proceeds from sale of property, plant and equipment	1,535	480
5 Purchase of intangible fixed assets	-4,306	-4,102
6 Purchase of investment securities	-23	-1
7 Proceeds from sales of investment securities	2,017	806
8 Payment for loan receivables	-0	-
9 Proceeds from collection of loan	0	0
10 Execution of long-term loan receivables	-1	-0
11 Proceeds from collection of long-term loan	0	0
Net cash used in investing activities	-4,320	-5,218
III Cash Flows from Financing Activities:		
1 Decrease in short-term bank borrowings, net	-4,276	-22,795
2 Proceeds from long-term bank borrowings	-	19,925
3 Repayments of long-term debt	-1,154	-0
4 Proceeds from issuance of common stock	11,004	-
5 Outflow by redemption (with compensation) of class-B preferred stock	-15,000	-
6 Dividend payments	-1,148	-729
7 Others	-99	-117
Net cash used in financing activities	-10,673	-3,717
IV Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents	462	404
V Net Increase (decrease) in Cash and Cash Equivalents	-1,866	2,925
VI Cash and Cash Equivalents at beginning of year	15,875	14,008
VII Cash and Cash Equivalents at end of year	14,008	16,934