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Member of the
Financial Accounting
Standards Foundation

Consolidated Annual Summary Report for the Fiscal Year Ended March 2008

May 12, 2008

Company Name: Kenwood Corporation (Code Number: 6765, Stock Exchange: Tokyo Section 1)
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Scheduled date of the Ordinary General Meeting of Shareholders: June 27, 2008
Scheduled date of start of dividend payment: June 3, 2008
Scheduled date of submission of financial statements: June 27, 2008

(Amounts less than JPY1 million are discarded.)

1. Consolidated Annual Performance in the FY2007 (April 1, 2007 - March 31, 2008)

(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	%
FY2007	165,262	-2.3	6,259	11.4	3,876	65.7	3,181	100.5
FY2006	169,194	-7.9	5,617	-35.3	2,339	-52.1	1,586	-74.0

	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	%	%	%
FY2007	8.67	-	9.2	3.3	3.8
FY2006	4.32	-	4.1	2.1	3.3

(Reference) Equity in Earnings (or Losses) from Associated Companies
FY2007: -JPY147 Million FY2006: -

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	JPY in Million	JPY in Million	%	JPY
FY2007	126,088	29,925	23.7	81.57
FY2006	111,220	39,066	35.1	106.46

(Reference) Shareholders' Equity
FY2007: JPY29,925 Million FY2006: JPY39,066 Million

(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
FY2007	6,784	-34,589	26,565	14,952
FY2006	11,456	-5,218	-3,717	16,934

2. Dividend Status

(Date of Record)	Dividend per Share			Total Cash Dividends (Annually)	Dividend Payout Ratio (Consolidated)	Dividend on Net Assets (Consolidated)
	End of Interim Period	End of Full Year	Annually			
	JPY	JPY	JPY	JPY in Million	%	%
FY2006	-	2.00	2.00	733	46.3	1.9
FY2007	-	2.00	2.00	733	23.1	2.1
FY2008 (forecast)	2.00	-	2.00		36.7	

3. Forecast for FY2008 (April 1, 2008 - March 31, 2009)

(Figures for full fiscal year and the 2Q consolidated cumulative period shown in percentages are rates of change from the previous fiscal year and those from the previous 2Q 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
2Q Consolidated Cumulative Period	77,500	-9.5	2,400	-8.2	1,000	-36.7	0	-	0.00
Full Year	175,000	5.9	6,500	3.8	3,500	-9.7	2,000	-37.1	5.45

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 pages 3 -12 for the basic premises underlying the forecast.

4. Other

(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): None

(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): Applicable

(3) Number of outstanding shares (Common stocks)
1) Number of outstanding shares (including treasury stocks)
FY2007: 367,524,995 shares FY2006: 367,524,995 shares
2) Number of treasury shares
FY2007: 651,742 shares FY2006: 576,494 shares

Reference: Overview of the Non-Consolidated Performance

1. Non-Consolidated Annual Performance in FY2007 (April 1, 2007 - March 31, 2008)

(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	%
FY2007	119,604	-0.4	217	-68.8	363	-36.7	1,299	-36.1
FY2006	120,061	-10.3	696	-80.1	574	-77.5	2,034	-67.8

	Net Income per Share	Net Income per share After Adjusting for Latent Shareholdings
	JPY	JPY
FY2007	3.54	-
FY2006	5.54	-

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	JPY in Million	JPY in Million	%	JPY
FY2007	111,357	31,802	28.6	86.69
FY2006	93,131	39,737	42.7	108.29

(Reference) Shareholders' Equity
FY2007: JPY31,802 Million FY2006: JPY39,737 Million

1. Operating Results

(1) Analysis of Business Results

1. Operating Results for the Fiscal Year Ended March 2008

1-1. Overview of Fiscal Year Ended March 2008

Concerning the world economy during the fiscal year under review, the U.S. economy has seen a slowdown due to the consequences of the Subprime home mortgage crisis, and European and Asian economies have also showed indications of recession.

Japanese economy has seen a recovery due to favorable business results in the first half, along with stable capital investments. However, price rise in crude oil and materials and yen appreciation for the end of fiscal year has also shown indications of recession.

For Kenwood Group's business results under such circumstances, going into the fourth quarter, the rapid rise of the yen against the dollar had a large effect on net sales, which decreased by 2.3% year-on-year, while on a local currency basis, excluding the effects of currency fluctuations, net sales increased by 4.1% year-on-year.

Furthermore, earnings from our Car Electronics and Home Electronics businesses were improved compared to the previous fiscal year, halving the loss, and as a result, operating profit, ordinary income and net income, on which the impact of currency fluctuations is minor, thanks to the effects of forward exchange, outperformed the previous fiscal years' results, by 11.4%, 65.7% and 100.5%, respectively.

1-2. Consolidated Operating Results

*** Net Sales**

Since Kenwood Group has the accounting policy of converting aggregated foreign currency denominated overseas sales from the beginning of the year into yen currency using the year-end exchange rate, the abrupt yen rise in the fourth quarter impacted the performance for the entire year, including the nine months up to the third quarter of the fiscal year.

As the impact of this yen rise factored in the decline by about JPY10.8 billion compared to the year-beginning plan, consolidated net sales decreased by approximately JPY3.9 billion (or 2.3%) from the previous fiscal year to JPY165,262 million.

For reference, on a local currency base, sales of the Car Electronics Consumer business expanded and supplemented the decrease in sales in the OEM business, and in addition, due to the effects of the addition of net sales of Zetron, Inc., ("Zetron") a U.S. systems-based communications company that was converted to a subsidiary on May 10, 2007, in the Communications Equipment business, net sales increased by 4.1% year-on-year.

*** Operating Profit**

Although earnings in the Car Electronics OEM business deteriorated under the impact of the decline in sales, the Car Electronics Consumer business was improved thanks to the effects of the expansion of sales, aiding overall earnings for the Car Electronics business in improving. In addition, earnings in our Home Electronics business also improved due to the effects of the change of strategy, and as a result, consolidated operating profit for the current fiscal year increased by approximately JPY600 million (or 11.4%) from the previous fiscal year to JPY6,259 million.

The impact of currency fluctuations on earnings is minor, thanks to the effects of forward exchange.

*** Ordinary Income**

In addition to the increase in consolidated operating profit, there was non-operating profit relevant to intellectual property rights that was not predicted at the beginning of the year and that improved non-operating profit and the expense balance, and as a result, consolidated ordinary income increased approximately JPY1.5 billion (or 65.7%) from the previous fiscal year to JPY3,876 million.

*** Net Income**

In addition to the effects of the increase in ordinary income, since retirement benefits paid to directors, which were posted as extraordinary loss in the previous fiscal year, did not accrue in the current fiscal year, the extraordinary profit and expense balance was improved, and as a result consolidated net income increased by approximately JPY1.6 billion (or 100.5%) from the previous fiscal year to JPY3,181 million.

(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	94,939	89,666	-5,273	-5.6%
	Operating Profit	-1,975	-1,031	+944	-
Communications Equipment	Net Sales	61,096	62,940	+1,844	+3.0%
	Operating Profit	8,670	7,680	-990	-11.4%
Home Electronics	Net Sales	10,584	9,680	-904	-8.5%
	Operating Profit	-1,125	-545	+580	-
Others	Net Sales	2,575	2,976	+401	+15.6%
	Operating Profit	47	155	+108	+229.8%
Total	Net Sales	169,194	165,262	-3,931	-2.3%
	Operating Profit	5,617	6,259	+642	+11.4%
	Ordinary Income	2,339	3,876	+1,536	+65.7%
	Net Income	1,586	3,181	+1,594	+100.5%

*** Car Electronics Business**

Although on a local currency base net sales were almost the same as those of the previous fiscal year, since the Consumer business, which accounts for a high percentage of overall sales, was affected by the strong yen trend, and since OEM business sales remained sluggish due to the stagnation of automobile sales and sluggishness in the installation rate of genuine products for automobile manufacturers, net sales underperformed those of the previous fiscal year.

For reference, on a local currency base, sales of new-concept car navigation systems through collaboration with Garmin Ltd. (“Garmin”), a U.S. major PND (Portable/Personal Navigation Device) manufacturer, have been strong, centering on overseas markets, and introduction of new audio products lines has been going well, and therefore the results were about the same as those for the previous fiscal year.

Although earnings in the OEM business deteriorated under the impact of the reduction in sales, earnings for the overall Car Electronics business were improved compared to those of the previous fiscal year, with a halving of the loss, thanks to the improvement in Consumer business profits due to the effects of the increase in sales, and, in addition, because of the effects of forward exchange.

*** Communications Equipment Business**

In the aspect of sales, our wireless radio equipments business, a large percentage of which is made up of overseas sales, was affected by the yen rise; however, due to the effects from May 10th of the consolidation of sales of Zetron, which was converted to a subsidiary, net sales outperformed the previous fiscal year’s results.

For reference, on a local currency base, in addition to the increased sales of wireless radio equipments business compared to those of the previous fiscal year’s results and newly consolidated sales of Zetron, as a result of the increase in net sales for the PDC (Personal Digital Cellular phone) business, due to aggressive sales promotion measures by PDC carriers and a change of strategy by Kenwood Group, net sales outperformed the previous fiscal year’s results.

In earnings, in addition to the effects of currency fluctuations as a factor in the decline, due to the effects of the posting of non-permanent expenses pertaining to the conversion of Zetron to a subsidiary, and depreciation cost of intangible fixed assets, earnings for the entire Communications Equipment business undershot those of the previous fiscal year.

*** Home Electronics Business**

Since sales of new products groups did not exhibit strong growth due to the effects of market trends in the third quarter of the current fiscal year, which is the biggest selling season during the year, we were unable to absorb the impact of the previous fiscal year’s strategy change by squeezing out some conventional audio products, and net sales were below the previous fiscal year’s results.

However, in earnings, we attempted to enhance our line-up through the injection of high value-added products, and meanwhile promoted conversion to a high value-added type business structure by extending premium long tail strategies, and as a result, a profit was successfully posted in the second half of the fiscal year, and loss throughout the fiscal year was reduced by half, compared to the previous fiscal year.

1-3. Non-Consolidated Operating Results

*** Net Sales**
Although exchange fluctuations, which were factors in the decrease of consolidated net sales, do not affect non-consolidated net sales, as conversion of Zetron to a subsidiary and an increase in sales for the PDC sales business do not contribute to non-consolidated net sales, non-consolidated net sales remained approximately at the same level as in the same period of the previous fiscal year, decreased by approximately JPY0.5 billion (or 0.4%) from the previous fiscal year to JPY119,064 million.

*** Earnings**
Since in the Car Electronics business, which was a factor in the increase of consolidated operating profit, a large percentage of sales is made up of overseas sales, therefore the contribution to non-consolidated operating profit is small, and, due to the impact of the temporary burden of costs relevant to the conversion of Zetron to a subsidiary and relevant to the management integration with Victor Company of Japan, Limited (“JVC”), non-consolidated operating profit decreased by approximately JPY0.5 billion (or 68.8%) from the previous fiscal year, to JPY217 million, and non-consolidated ordinary income decreased by approximately JPY0.2 billion (or 36.7%) from the previous fiscal year, to JPY363 million. Non-consolidated net income decreased by approximately JPY0.7 billion (or 36.1%) from the previous fiscal year, to JPY1,299 million, due to various reasons including an approximately JPY0.7 billion decrease from reversal of allowance for investment loss from the previous fiscal year.

2. Earnings Outlook for the Fiscal Year Ending March 2009

As stated in “3. Management Policy, (3) Issues that Group Must Address” below, Kenwood Group will work toward an improvement of earnings with regard to the non-profitable businesses, the Car Electronics OEM business and Home Electronics business, and meanwhile work toward reinforcing business competitiveness for further improvements of the results in the Car Electronics Consumer business and Communications Equipment business.

With such efforts, although there is concern about the ongoing impact of the strong yen, in addition to the slowdown of the economy resulting from the Subprime home mortgage loan problem, and spiraling crude oil and raw material prices, we forecast some degree of increase both in sales and profit for the fiscal year ending March 2009.

This outlook assumes a projected exchange rate of JPY100 for U.S. dollars and JPY157 for the EURO.

Consolidated Earnings Outlook (JPY in Million)

		Year-on-year Comparison (%)
Net Sales	175,000	+5.9%
Operating Profit	6,500	+3.8%
Ordinary Income	3,500	-9.7%
Net Income	2,000	-37.1%

As presented in “Management Integration of JVC and Kenwood through the Establishment of a Joint Holding Company (Share Transfer),” disclosed separately on May 12, 2008, we are planning to realize the management integration with JVC targeting October 1, 2008, with the approval of the respective General Meetings of Shareholders held on June 27, 2008. Outlook for the joint holding company after the management integration will be announced, as of the point of time when the management integration is realized.

(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 JPY126,088 million, representing an increase by approximately JPY14.9 billion from the previous fiscal year end, reflecting that fact that, while there was some decline in accounts receivable, etc., due to the increase of intangible fixed assets as a result of conversion of Zetron into a subsidiary, and the increase of investment securities as a result of the subscription to the third-party allocation capital increase of JVC.

As for net assets, while retained earnings increased as a result of the posting of net income, and shareholders' equity increased, because of the impact of the decline in the stock price of investment securities such as JVC stock held by us, unrealized gain and loss on available-for-sale securities decreased, and also the foreign currency translation adjustment account decreased under the effect of exchange fluctuations , and therefore net assets decreased approximately JPY9.1 billion from the previous fiscal year end to JPY29,925 million, as a result.

Accordingly, the shareholders' equity ratio declined by 11.4 percentage points from the end of the previous fiscal year end to finish at 23.7%.

Interest-bearing debts increased by approximately JPY27.7 billion from the previous fiscal year to JPY51,420 million, and net debts also increased approximately JPY29.7 billion from the previous fiscal year to JPY36,432 million, as Kenwood Group procured funds required for the conversion of Zetron into a subsidiary and subscription to the third-party allocation capital increase of JVC through short-term borrowings from financial institutions.

2. Cash Flow Analysis

Cash flows from operating activities under review stood at JPY6,784 million, down by approximately JPY4.7 billion from the previous fiscal year. This was attributable to the fact that there was an increase in required operating funds due to a decrease of accounts payable under the effects of the carrying forward of the settlement to the current year as a result of the fact that the previous fiscal year-end was a holiday, and an increase in inventories, etc., although there were revenues from posting net income.

Cash flows from investing activities increased approximately JPY29.4 billion from the previous fiscal year to JPY34,589 million. This was attributable to expenditures accompanying the acquisition of stock of Zetron and JVC.

Cash flows from financing activities increased by approximately JPY30.3 billion from the previous fiscal year to JPY26,565 million. This was attributable to the fact that Kenwood Group procured funds required for investment activities using short-term borrowings from financial institutions.

(Ref.) Changes in Cash Flow-Related Indices

	FY2003	FY2004	FY2005	FY2006	FY2007
Shareholders' Equity Ratio (%)	14.9	28.5	34.2	35.1	23.7
Shareholders' Equity Ratio at Market Value (%)	52.2	60.6	91.5	59.1	32.0
Ratio of Interest-Bearing Debts to Cash Flow (%)	244.6	200.1	207.4	207.3	757.9
Interest Coverage Ratio (times)	12.6	13.6	19.9	22.4	11.7

(Calculation Method)
- Shareholders' equity ratio = Net assets / Total assets
- Shareholders' equity ratio at market value = Market capitalization / Total assets
- Ratio of interest-bearing debts to cash flow = 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 sheets. As for cash and cash equivalents, "Cash and cash equivalents" in the consolidated balance sheets is used.
- As for operating cash flows 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 FY2006 and FY2007

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 consideration 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, Kenwood Group proposes to pay a year-end dividend of two yen per share for FY2007, the same amount as in the previous fiscal year (FY2006), from the perspective of paying stable dividends on an ongoing basis.

Kenwood Group plans to commence payment of the year-end dividends on June 3, 2008.

As for the fiscal year ending March 2009, prior to the management integration with JVC targeting October 1, 2008, as presented in "Management Integration of JVC and KENWOOD through the Establishment of a Joint Holding Company (Share Transfer)," disclosed separately on May 12, 2008, Kenwood Group is planning to advance the year-end dividend and pay the same amount as the yearly dividend for FY2007, two yen per share, as the interim-term dividend.

(4) Risk Factors

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

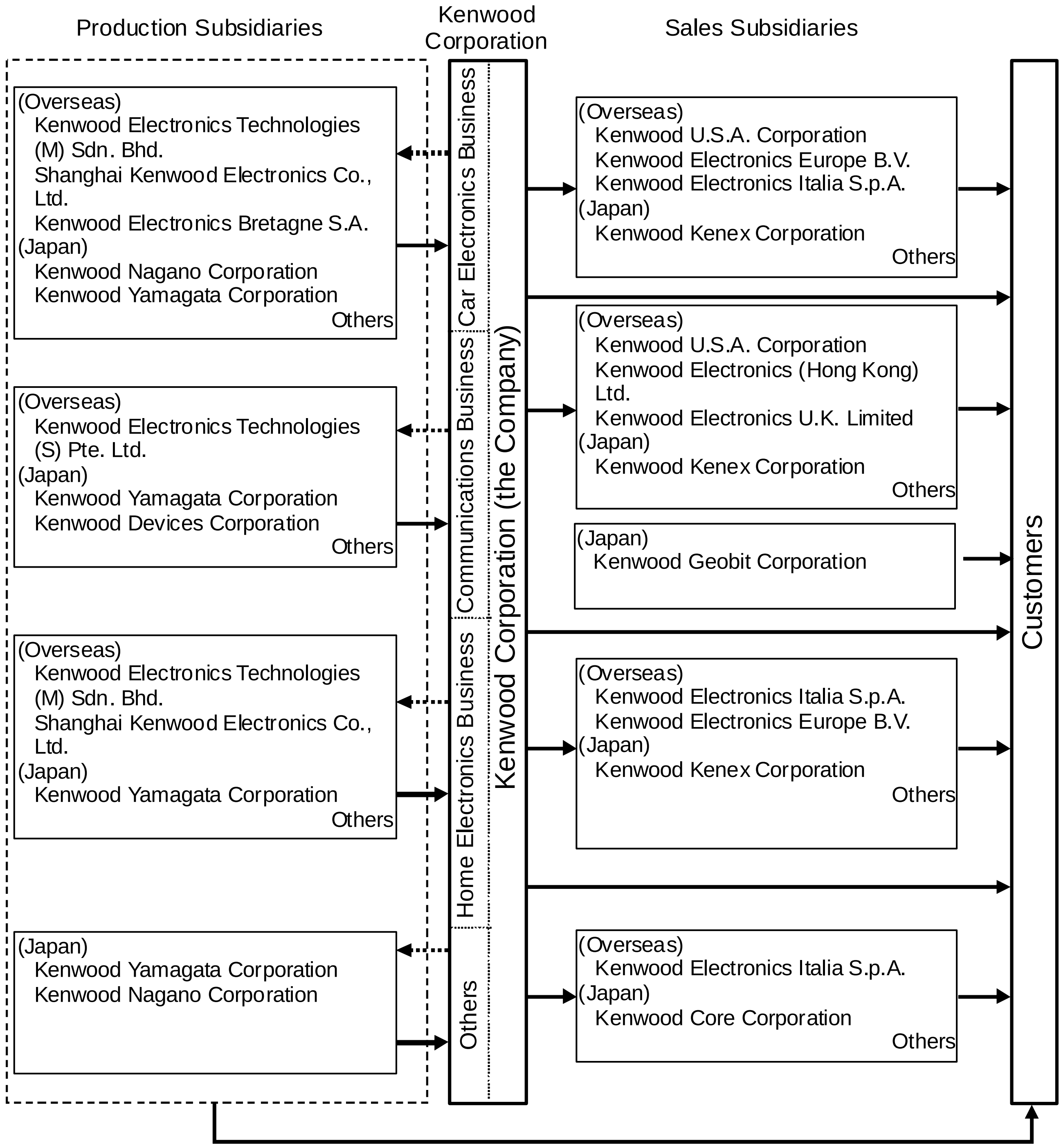
1. Abrupt and drastic change in political and economic environment, economic trend, consumer spending trend, business conditions of corporate customers, tastes and fashion of individual customers in Japanese and overseas markets;
2. Significant market contraction arising from market maturation, and significant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

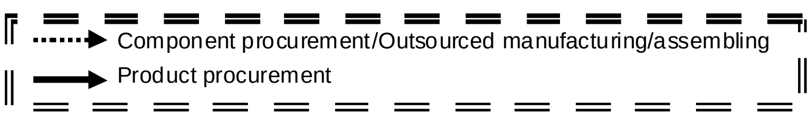
Kenwood Group comprises Kenwood Corporation and its 46 affiliated companies (as of March 31, 2008) engaged mainly in production and marketing of car electronics, communications and home electronics equipment, as well as other related businesses.

The Group's business sectors, major products and affiliates are as follows:

Business Sectors and Major Products	Major Affiliates
[Car Electronics Business] 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 Equipment Business] Communications-related products such as amateur radio and land mobile radio (LMR), low-power radio equipment, etc., and sales of radio communication instruction and control systems, radio network systems, personal digital cellular phone (PDC) line	(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 Business] 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. Shanghai Kenwood Electronics Co., Ltd. Kenwood Yamagata Corporation
[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



Other Subsidiaries
- Kenwood Service Corporation
- Kenwood Admi Corporation
- Kenwood Personnel Corporation
- Others



3. Management Policy

(1) Basic Management Policy

Kenwood Group will see the results of investments in strategic development promoted in FY2006, and will promote efforts toward the restructuring and growth of our existing Car Electronics, Communications Equipment and Home Electronics businesses, and meanwhile, in order to overcome our limitations in realizing growth in a mature business with stiff competition, and to create new corporate value, we will strive for a medium-to-long term growth strategy through M&A and business alliances, keeping in our sights the reorganization of industry.

(2) Management Strategy for Medium-to-long Term

1. Formulation of a New Medium-term Business Plan

Kenwood Group promoted various measures including strategic development, sale expansion, and recovery of profits, etc. in accordance with our medium-term business plan “Value Creation Plan,” starting in FY2005, and has succeeded in growing profits through the results of the partial actualization of these in FY2007.

We have now formulated a new medium-term business plan, aiming at promoting steady growth of our existing businesses and expansion of corporate value, through actualization of the results of measures to the maximum extent for FY2008 and thereafter.

Specifically, we will focus our efforts as presented in “(3) Issues that the Group Must Address” below, setting goals for net sales of JPY200 billion and for operating profit of JPY9 billion for FY2010.

2. Effort toward Reorganization of Specialized Manufacturers of Japan—On the Management Integration with JVC

Kenwood Group entered into a capital alliance agreement with JVC on July 24, 2007, with an ultimate goal of management integration, in order to survive in a competitive environment that has, along with advance of digitalization, become even tougher through reorganization of Japanese AV specialized manufacturers, and in order to attempt to expand and create corporate value.

Kenwood Group considers this capital alliance as a first step in Japanese AV specialized manufacturer reorganization and accepted third-party allocation for the capital increase carried out by JVC on August 10, 2007, in support of the structural reform of JVC, and meanwhile have also began pursuing an alliance in the Car Electronics and Home/Portable Audio segments, working on enhancing their product competitiveness.

Furthermore, in parallel with this, Kenwood Group have also considered and begun planning a management integration as the second step.

And now, because (i) JVC will complete the implementation of major structural reforms of its display and home audio businesses with a goal of stabilizing its management infrastructure, and Kenwood Group will complete its own structural reforms that will make its consumer electronics business profitable with the reform of its car electronics OEM business, and (ii) both companies can expect greater synergy through the integration of their management resources and can achieve greater insight into prospective growth strategies, both companies have agreed to implement the proposed management integration on October 1, 2008.

For details, see “Management Integration of JVC and Kenwood through the Establishment of a Joint Holding Company (Share Transfer)” announced at the same time.

(3) Issues that the Group Must Address

1. Structural Reform toward Improvement of Earnings

Kenwood Group has been striving for the following structural reform with an aim at improving earnings for our unprofitable Car Electronics OEM business and Home Electronics business.

In addition, we will make efforts to reinforce our business competitiveness for further improvements of results in our strong Car Electronics Consumer and Communications Equipment businesses.

1-1. Car Electronics OEM Business (Announced on April 15, 2008)

Sales in the Car Electronics OEM business for FY2007 were sluggish due, in addition to the stagnation of automobile sales, to the significantly-shorter-than-expected installation rate of genuine products for automobile manufacturers. As it is projected that such conditions will continue in the medium term, we will strive for improved earnings while maintaining and even expanding net sales through structural cost reforms of the genuine products business and structural business reform via an expansion of the Dealer Option business oriented to automobile dealers and the Device business, which is not strongly affected by automobile sales market trends, aiming at making the business profitable at an early stage.

For details, please see “Notice on the Revision of the Performance Forecast for the Fiscal Year Ended March 2008” and “Notice on Business Structural Reform of Car Electronics OEM Business and Reorganization of Manufacturing Subsidiaries in Japan” announced on April 15, 2008.

1-2. Home Electronics Business (Announced on March 21, 2008)

We finished up our focus on non-profitable models and sales areas in FY2006, and in FY2007 promoted conversion to a high value-added type business structure through the injection of high value-added products, and as a result, the earnings structure was greatly improved and a profit was successfully posted in the second half of the fiscal year.

Toward even further reforms of the profit structure for FY2008, Kenwood reorganized the existing business department system as of April 1, 2008 aiming at turning a profit for the full year, and meanwhile consigned a portion of development resources to new business fields where future growth is expected, and also through activation of the results of joint development with JVC, we will explore new fields for growth.

2. Reinforcement of Competitiveness in Business toward Improvement of Results

2-1. Car Electronics Consumer Business

In the Car Audio business where the market environment is tough, we will strive to reinforce its cost competitiveness through exploration of new emerging markets and alliance with JVC (with which a management integration is planned as of October 1, 2008), and meanwhile in the Car Multimedia business we will make efforts for business expansion and profit improvement in Japanese and overseas markets.

*** Audio Business Reinforcement (Partially announced on May 1, 2008)**

We will reconsider the alliance relationship with the Brazilian major automobile goods manufacturer, Visteron Corporation (head office: Michigan State, U.S.), Visteron Sistemas Automotivos Ltda, and start direct sales of car electronics consumer products in Brazil upon succeeding to the sales network of the relevant company, aiming at expansion of sales in that market through direct entry into the entire South American market. Additionally, in Russia as well, our registration having been completed, we will start full-scale operation of a distributor company, in promoting exploration of emerging markets where future growth can be predicted.

Moreover, through activation of alliance with JVC (with which a management integration as of October 1, 2008 is planned), we will work toward reinforcement of cost competitiveness by lightening development costs through joint development of platforms, etc., and alliance in production and procurement aspects, and reinforcement of presence in markets.

*** Sales Expansion and Reinforcement of Profitability in Multimedia Business (Announced on March 25, 2008)**

In the Multimedia business, which is a growing field for us, we are striving to enhance our line-up of new concept flash memory car navigation systems upon the integration of Kenwood’s automobile-installed audio and video systems (TV/DVD/CD receiver) and Garmin’s PND navigation core parts, and have expanded sales territories from Europe and United States to Asia, Middle East and Oceania, etc., with the number of units shipped worldwide for FY2007 surpassing the year-beginning plan, to approximately 120,000 units, which is about double that of the previous fiscal year.

Moreover, aiming at finding even stronger synergies, on December 2007 Kenwood entered into an exclusive sales agreement on an AV-integrated car navigation system with Garmin in December 2007. Going forward we will reinforce our car navigation systems for the Japanese market and aim at business expansion and enhancement of profitability in the Car Multimedia business.

2-2. Communications Equipment Business

In the LMR (Land Mobile Radio) business, Kenwood Group's largest fundamental business, where it boasts the second largest global market share, based on stable sales of analog lLMR equipment, it will strive to expand sales of digital LMR equipment, where take-up has been growing, centered on Zetron of U.S., which was converted into a subsidiary in May 2007.

*** Promotion of Digitalization (Announced partially on December 21, 2007)**

In the United States, which is the largest market for LMR equipment, digitization of radio formats has been progressing and digital LMR equipment based on P25, a digital radio format for the Public Safety market, including police and fire stations, is spreading. We will promote exploration of new customers through the activation of EADS Secure Networks North America*, and meanwhile attempt to expand sales of digital LMR equipment based on P25.

Additionally, we have developed digital LMR equipment in accordance with a new digital radio format optimum, not P25, for the Business & Industry (private-sector industry) market, where future growth is anticipated, and started sales in December 2007. Going forward, making use of the characteristics of the capability to easily transfer from analog systems resulting from the capability to build systems on a small-to-medium scale, we will make full-scale efforts for sales expansion and also expand this into other areas including Europe.

* wholly-owned subsidiary of EADS North America, the North America base of major European aerospace defense corporation EADS (European Aeronautic Defense and Space Company) Group.

*** Expansion of Business Areas from Land Mobile Radio Terminal to Land Mobile Radio System Solution (Announced on October 1, 2007)**

In parallel with promotion of digitalization, in order to expand the business area from supply of LMR terminals to supply of LMR system solutions, we converted Zetron, Inc., a U.S. systems-based communications company, to a subsidiary in May 2007. In October 2007, we newly established the Communications System Division, and integrated the LMR system business for which we accepted assignment from Toyo Communications Equipment Co., Ltd. (present Epson Toyocom Corporation) in June 2004, and other businesses, and built an optimal organizational system for promotion of land mobile radio systems that is different from land mobile radio terminals.

For the future, we will integrate our resources on expansion of business worldwide centering on LMR terminals, and resources of technologies and know-how assigned from Zetron and Toyo Communications Equipment, aiming at a 10 to 20% expansion per year of net sales of LMR system business through synergies.

Consolidated Balance Sheets
(as of Mar. 31, 2008)

(JPY in Million)

Item	Previous Fiscal Year (as of Mar. 31, 2007)		Current Fiscal Year (as of Mar. 31, 2008)		Increase/decrease	
	Amount	%	Amount	%	Amount	%
(Assets)						
I Current Assets						
1 Cash and cash equivalents	16,972		14,988		-1,983	
2 Trade notes and accounts receivable	29,891		28,467		-1,424	
3 Inventories	26,404		27,119		715	
4 Prepaid expenses	634		810		175	
5 Deferred tax assets	452		529		76	
6 Other current assets	3,960		4,486		526	
7 Allowance for doubtful receivables	-751		-583		168	
Total Current Assets	77,563	69.8	75,818	60.1	-1,745	-2.2
II Fixed Assets						
(1) Tangible fixed assets						
1 Building and structures	17,041		16,753		-288	
2 Machinery and equipment	20,284		19,525		-758	
3 Tools, furniture and fixtures	14,228		13,738		-489	
4 Land	9,443		9,414		-29	
5 Construction in progress	3		-		-3	
Total	61,001		59,431		-1,569	
Accumulated depreciation	-39,930		-39,522		408	
Total Tangible Fixed Assets	21,070	18.9	19,908	15.8	-1,161	-5.5
(2) Intangible fixed assets						
1 Goodwill	201		6,009		5,808	
2 Software	5,942		5,654		-288	
3 Other intangible fixed assets	423		1,299		876	
Total Intangible Fixed Assets	6,567	5.9	12,963	10.3	6,396	97.4
(3) Investments and other assets						
1 Investment securities	3,933		15,947		12,013	
2 Deferred tax assets	675		379		-295	
3 Other investments	1,457		1,129		-327	
4 Allowance for doubtful receivables	-85		-59		25	
Total Investments and other assets	5,981	5.4	17,397	13.8	11,416	190.9
Total Fixed Assets	33,618	30.2	50,269	39.9	16,650	49.5
III Deferred Assets						
1 New stock issuing expenses	38		-		-38	
2 Stock issuing expenses	-		0		0	
Total Deferred Assets	38	0.0	0	0.0	-37	-98.3
Total Assets	111,220	100.0	126,088	100.0	14,868	13.4

(JPY in Million)

Item	Previous Fiscal Year (as of Mar. 31, 2007)		Current Fiscal Year (as of Mar. 31, 2008)		Increase/decrease	
	Amount	%	Amount	%	Amount	%
(Liabilities)						
I Current Liabilities						
1 Trade notes and accounts payable	19,168		15,675		-3,492	
2 Short term bank borrowings	3,754		31,420		27,665	
3 Accounts payable (non trade)	7,567		6,899		-668	
4 Income taxes payable	529		569		40	
5 Accrued expenses	7,106		7,655		549	
6 Deferred tax liabilities	2		-		-2	
7 Other current liabilities	1,205		1,611		405	
Total Current Liabilities	39,334	35.4	63,831	50.6	24,497	62.3
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	853		364		-489	
4 Liability for employees' retirement benefits	9,609		9,622		13	
5 Other long term liabilities	329		316		-13	
Total Long Term Liabilities	32,820	29.5	32,331	25.7	-488	-1.5
Total Liabilities	72,154	64.9	96,162	76.3	24,008	33.3
(Net Assets)						
I Shareholders' Equity						
1 Paid-in capital	11,059	9.9	11,059	8.8	-	-
2 Capital surplus	13,373	12.0	13,373	10.6	-	-
3 Retained earnings	19,096	17.2	21,534	17.1	2,437	12.8
4 Treasury stock	-105	-0.1	-118	-0.1	-13	12.4
Total Shareholders' Equity	43,424	39.0	45,848	36.4	2,424	5.6
II Valuation and Translation Adjustment						
1 Unrealized gain and loss on available-for-sale securities	1,096	1.0	-7,319	-5.8	-8,416	-767.4
2 Deferred hedge gain and loss	71	0.0	-	-	-71	-
3 Land revaluation surplus	2,954	2.7	2,954	2.3	-	-
4 Foreign currency translation adjustment	-8,480	-7.6	-11,558	-9.2	-3,077	36.3
Total Valuation and Translation Adjustment	-4,358	-3.9	-15,923	-12.7	-11,564	265.4
Total Net Assets	39,066	35.1	29,925	23.7	-9,140	-23.4
Total Liabilities and Net Assets	111,220	100.0	126,088	100.0	14,868	13.4

Consolidated Statements of Income

(JPY in Million)

	Item	Previous Fiscal Year (4/1/2006-3/31/2007)		Current Fiscal Year (4/1/2007-3/31/2008)		Increase/decrease	
		Amount	%	Amount	%	Amount	%
I	Net Sales	169,194	100.0	165,262	100.0	-3,931	-2.3
II	Cost of Sales	127,796	75.5	122,634	74.2	-5,162	-4.0
	Gross Profit	41,397	24.5	42,628	25.8	1,230	3.0
III	Selling, General and Administrative Expenses	35,780	21.2	36,368	22.0	588	1.6
	Operating Profit	5,617	3.3	6,259	3.8	642	11.4
IV	Non-operating Profit						
1	Interest income	267		258		-9	
2	Dividends income	46		34		-12	
3	Other non-operating profit	435		823		388	
	Total Non-operating Profit	749	0.4	1,116	0.6	367	49.0
V	Non-operating Expense						
1	Interest expense	526		800		274	
2	Other non-operating expenses	3,500		2,698		-801	
	Total Non-operating Expense	4,026	2.3	3,498	2.1	-527	-13.1
	Ordinary Income	2,339	1.4	3,876	2.3	1,536	65.7
VI	Extraordinary Profit						
1	Gain on sales of fixed assets	86		53		-33	
2	Reversal of allowance for doubtful receivables	1		33		32	
3	Gain on sales of investment securities	588		472		-115	
	Total Extraordinary Profit	676	0.4	560	0.4	-116	-17.2
VII	Extraordinary Loss						
1	Loss on revision of profit and loss of previous fiscal year	95		-		-95	
2	Loss on devaluation of golf membership	0		-		-0	
3	Retirement allowance paid to directors	260		-		-260	
4	Loss on devaluation of investment securities	42		46		3	
5	Loss on sales of fixed assets	2		7		4	
6	Loss on disposal of fixed assets	98		310		212	
	Total Extraordinary Loss	499	0.3	363	0.2	-135	-27.2
	Income before Income Taxes	2,516	1.5	4,072	2.5	1,556	61.8
	Corporate Tax, Corporate Inhabitant Tax and Corporate Enterprise Tax	621	0.4	806	0.5	184	29.7
	Corporate Tax and Other Adjustment	308	0.2	84	0.1	-223	-72.5
	Net Income	1,586	0.9	3,181	1.9	1,594	100.5

Consolidated Statements of Changes in Shareholders' Equity

Previous 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 Changes in Shareholders' Equity

Current Fiscal Year (4/1/2007-3/31/2008) (JPY in Million)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	11,059	13,373	19,096	-105	43,424
Changes during the consolidated fiscal year					
Payment of dividends			-733		-733
Net income			3,181		3,181
Acquisition of treasury stocks				-13	-13
Establishment of an employee welfare and fellowship fund			-9		-9
Changes (net amount) of items other than shareholders' equity during the year					
Total changes during the year	-	-	2,437	-13	2,424
Balance as of March 31, 2008	11,059	13,373	21,534	-118	45,848

	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, 2007	1,096	71	2,954	-8,480	-4,358	39,066
Changes during the consolidated fiscal year						
Payment of dividends						-733
Net income						3,181
Acquisition of treasury stocks						-13
Establishment of an employee welfare and fellowship fund						-9
Changes (net amount) of items other than shareholders' equity during the year	-8,416	-71	-	-3,077	-11,565	-11,565
Total changes during the year	-8,416	-71	-	-3,077	-11,565	-9,140
Balance as of March 31, 2008	-7,319	-	2,954	-11,558	-15,923	29,925

Consolidated Statements of Cash Flows

(JPY in Million)

	Item	Previous Fiscal Year (4/1/2006-3/31/2007) Amount	Current Fiscal Year (4/1/2007-3/31/2008) Amount
I	Cash Flows from Operating Activities:		
1	Income before income taxes	2,516	4,072
2	Depreciation	6,949	6,896
3	Amortization of goodwill	58	394
4	Decrease in allowance for doubtful accounts	-18	-142
5	Increase in allowance for employees' retirement	209	12
6	Interest revenue and dividend income	-313	-292
7	Interest expense	526	800
8	Gain on sale of investment securities	-588	-472
9	Loss on devaluation of investment securities	42	46
10	Investment loss by equity method	-	147
11	Loss on devaluation of golf membership	0	-
12	Loss on disposal of fixed assets	98	310
13	(Gain) loss on sales of fixed assets	-83	-46
14	(Increase) decrease in trade notes and accounts receivable	826	-32
15	(Increase) decrease in inventories	388	-1,532
16	Increase (decrease) in accounts payable	1,474	-2,678
17	Increase in consumption tax payable	86	100
18	Decrease in consumption tax refunds receivable	17	71
19	Amount paid as bonuses to directors	-59	-
20	Other	195	89
	Sub-Total	12,327	7,745
21	Interest and dividends received	313	292
22	Interest paid	-512	-582
23	Income taxes paid	-647	-671
24	Disbursement to directors for retirement	-24	-
	Net cash provided by operating activities	11,456	6,784
II	Cash Flows from Investing Activities:		
1	Increase in (deposit to) time deposits	-	-0
2	Decrease in (withdrawal from) time deposits	6	0
3	Capital investment (real estate, plants and equipment)	-2,408	-2,526
4	Proceeds from sale of property, plant and equipment	480	39
5	Purchase of intangible fixed assets	-4,102	-3,471
6	Purchase of investment securities	-1	-21,306
7	Proceeds from sales of investment securities	806	702
8	Acquisition of stock of subsidiaries accompanying change of scope of consolidation	-	-8,024
9	Other	0	-2
	Net cash used in investing activities	-5,218	-34,589
III	Cash Flows from Financing Activities:		
1	Increase (decrease) in short-term bank borrowings, net	-22,795	27,385
2	Proceeds from long-term bank borrowings	19,925	-
3	Dividend payments	-729	-721
4	Other	-117	-98
	Net cash used in financing activities	-3,717	26,565
IV	Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents	404	-743
V	Net Increase (decrease) in Cash and Cash Equivalents	2,925	-1,982
VI	Cash and Cash Equivalents at beginning of year	14,008	16,934
VII	Cash and Cash Equivalents at end of year	16,934	14,952