Consolidated Annual Summary Report for the Fiscal Year Ended March 31, 2006

May 19, 2006

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Date of Board Meeting for Approval of Consolidated Accounts: May 19, 2006
Application of US GAAP: No

1. Consolidated Annual Performance in Fiscal 2005 (April 1, 2005 - March 31, 2006)

(1) Operations (Amounts less than 1 million yen are discarded.)

	Net Sales		Operating Profit		Ordinary Income	
	(millions of yen)	%	(millions of yen)	%	(millions of yen)	%
FY2005	183,616	1.4	8,686	23.0	4,886	4.0
FY2004	181,112	1.3	7,061	-44.0	4,696	-45.0

	Net Income		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 Ordinary Income Ratio
	(millions of yen)	%	¥	¥	%	%	%
FY2005	6,104	26.2	17.16	15.13	21.0	4.3	2.7
FY2004	4,836	-33.9	16.79	10.50	-	3.7	2.6

Notes:
1. Equity in Earnings (or Losses) from Associated Companies FY2005: - FY2004: ¥45 million
2. Average Number of Shares Outstanding FY2005: 352,294,579 FY2004: 279,360,676
3. Changes to Accounting Principles: None
4. Percentages shown for net sales, operating income, ordinary income and net income indicate changes from the previous fiscal year
5. Shareholders' Equity to Net Income Ratio for the previous fiscal year (ended March 2004) is not displayed because when calculated based on common shareholders' equity at the end of the fiscal year (excluding book value of preferred stock worth ¥25 billion) in accordance with the "Practical Guidelines for Accounting Standards Regarding Net Income Per Share (Practical Guidelines for Corporate Accounting Standards No. 4, September 25, 2003 – Accounting Standards Board of Japan)," the value is negative. Shareholders' Equity to Net Income Ratio for the current year is in accordance with the "Practical Guidelines for Accounting Standards Regarding Net Income per Share" (Practical Guidelines for Corporate Accounting Standards No. 4, September 25, 2002 – Accounting Standards Board of Japan)," and is calculated based on common shareholders' equity at the beginning of the fiscal year (excluding book value of preferred stock worth 12.5 billion yen from the shareholders' equity at the beginning of the fiscal year).

(2) Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity per share
	(millions of yen)	(millions of yen)	%	(yen)
FY2005	109,554	37,486	34.2	101.97
FY2004	116,137	33,132	28.5	66.29

Notes:
1. Number of shares outstanding:
   (Common shares) As of Mar. 31, 2006: 367,037,868 As of Mar. 31, 2005: 307,133,266
   (Class B preferred stock) As of Mar. 31, 2006: - As of Mar. 31, 2005: 31,250,000
2. Number of treasury stock: As of Mar. 31, 2006: 487,127 As of Mar. 31, 2005: 391,729
3. Shareholders' equity per share as of the end of the previous year is in accordance with the "Practical Guidelines for Accounting Standards Regarding Net Income per Share" (Practical Guidelines for Corporate Accounting Standards No. 4, September 25, 2002 – Accounting Standards Board of Japan)," and is calculated based on common shareholders' equity at the end of the fiscal year (excluding book value of preferred stock worth 12.5 billion yen from the shareholders' equity at the end of the fiscal year) and the number of outstanding common shares at the end of the fiscal year (excluding treasury stock).

(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
	(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)
FY2005	12,664	-4,320	-10,673	14,008
FY2004	15,539	-3,513	-30,333	15,875

(4) Number of Consolidated Subsidiaries and Other Affiliated Companies (Equity Method)

Consolidated Subsidiaries: 40

Equity Method:	Non-consolidated Subsidiaries			0
	Affiliates			0

(5) Changes in Number of Consolidated Subsidiaries and Other Affiliated Companies (Equity Method)

Consolidation:	(New)	0	(Excluded)	3
Equity Method:	(New)	0	(Excluded)	0

2. Forecast for FY2006 (ending March 31, 2007)

	Net Sales	Ordinary Income	Net Income
	(millions of yen)	(millions of yen)	(millions of yen)
Interim Period	85,000	2,000	1,500
Full Year	185,000	6,000	5,000

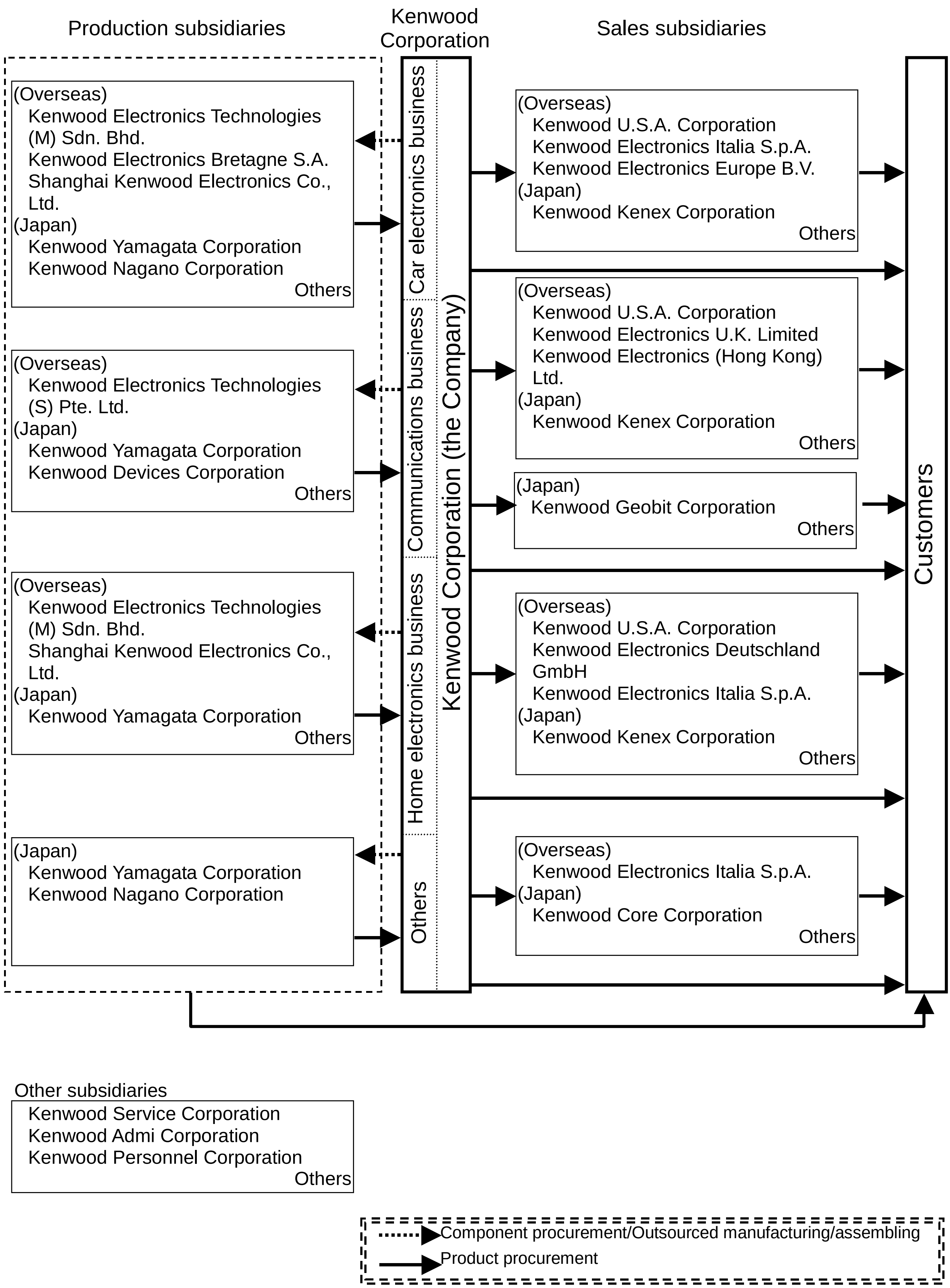
Reference: Projected net income per share (full-year): ¥13.62

Note:
This press release contains forward-looking statements that are based on information such as economic factors and corporate business policy available to the Company at the publishing. As such, the actual financial performance of the Company may differ from the forecast due to a variety of factors. Please refer to pp.5 - 27 for the basic premises underlying the forecast.

Overview of the Kenwood Group

The Kenwood Group comprises Kenwood Corporation (hereinafter "the Company") and its 43 affiliated companies 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 Italia S.p.A. Kenwood Electronics Europe B.V. Kenwood Kenex Corporation (Production companies) Kenwood Electronics Technologies (M) Sdn. Bhd. Kenwood Electronics Bretagne S.A. Shanghai Kenwood Electronics Co., Ltd. Kenwood Yamagata Corporation Kenwood Nagano Corporation
[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 U.K. Limited Kenwood Electronics (Hong Kong) Ltd. 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 U.S.A. Corporation Kenwood Electronics Deutschland GmbH Kenwood Electronics Italia S.p.A. 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 Corporation 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.
Kenwood Electronics Bretagne S.A.
Shanghai Kenwood Electronics Co., Ltd.
(Japan)
Kenwood Yamagata Corporation
Kenwood Nagano 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 Italia S.p.A.
Kenwood Electronics Europe B.V.
(Japan)
Kenwood Kenex Corporation
Others
(Overseas)
Kenwood U.S.A. Corporation
Kenwood Electronics U.K. Limited
Kenwood Electronics (Hong Kong) Ltd.
(Japan)
Kenwood Kenex Corporation
Others
(Japan)
Kenwood Geobit Corporation
Others
(Overseas)
Kenwood U.S.A. Corporation
Kenwood Electronics Deutschland GmbH
Kenwood Electronics Italia S.p.A.
(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

Management Policy

1. Basic Management Policy

Completed the final stage of our reforms on the financial base and capital structure, and began the implementation of new strategies to expand corporate value through the promotion of growth strategies and the reforms of our profit structure.

The Kenwood Group completed the final stage of its reforms on the financial base and capital structure based on the Value Creation Plan, the Group's second mid-term business plan announced in May of last year, and has now begun implementing new strategies to expand corporate value through the promotion of growth strategies and the reforms of our proft structure.

These strategies that will expand corporate value, realize further growth and achieve higher profitability are aimed at reaching the goal of becoming a member of the Billion Dollar Club in the earliest possible timeframe.

More specifically, the new strategy consists of the following processes. First, the Kenwood Group plans to enhance stable sales and revenues in core businesses such as Car Electronics Consumer (Audio) and Communications Equipment businesses. At the same time, the profit structure of growing businesses such as Car Electronics OEM and Car Electronics Consumer (Multimedia) will be reformed and overlapped on top of these core businesses. Finally, the structural reform of the Home Electronics business will be promoted to open up new frontiers in "Seamless Sound Entertainment," because the rising popularity of digital media content and the development of digital and network environments are considered to provide new business opportunities.

2. Main Management Strategies for the Current Fiscal Year

(1) Promoting the growth strategies and reforms of profit structure

Aiming to profitable growth through developing earning structure of growing businesses in addition to core businesses

The following measures were taken to reform the profit structure in the Car Electronics Consumer (Multimedia), Car Electronics OEM and Home Electronics businesses. By doing so, the Group was able to achieve the results it had forecast at the beginning of the fiscal year.

1) Growth strategy and profit structure reform by the strategy change of the Car Electronics Consumer (Multimedia) Business

Self development and added product lineups of car navigation systems, and reforming overseas business utilizing new concept car navigasion systems

Having completed the strategy change that was implemented to switch from joint development to self development of car navigation systems in the fiscal year ended March 31, 2005, the Company started full scale operations for self developed on-dashboard type models, and conducted version upgrades in the fiscal year ended March 31, 2006. The Company also improved its product lineups by introducing integrated AV models with high quality sound in February of this year. In addition, the Company introduced new concept products, which integrates the core portion of portable navigation systems and car multimedia systems, to overseas markets, and promoted its growth strategy for car navigation systems both domestically and globally.

Furthermore, the Company stepped up its efforts to strengthen its car multimedia products, including visual devices, which are currently showing strong global growth, and digital broadcast devices, which are anticipated to become more and more popular in the future, completed its strategy change of the Car Electronics Consumer (Multimedia) business as initially planned, significantly improved profitability, and started new growth strategy on a full scale basis.

2) Growth strategy and profit structure reform of the Car Electronics OEM business

Growth strategy by the expansion of the Shanghai Plant and the acquisition of new orders, and the

enhancement of cost reduction through the vertical integration of domestic and overseas plants

In August of last year, the Company completed the construction of its new 11,000m^2 building at the Shanghai Plant (Shanghai Kenwood Electronics Co. Ltd.), one of the core manufacturing plants for car electronics products. This move allowed the Company to double its annual manufacturing capacity to one million car electronics units, primarily DVD mechanisms, acquire new orders, and transfer production from domestic plants. As a result, the Company succeeded in increasing its production capacity and strengthening cost competitiveness.

In addition, the Company promoted vertical integration with the Nagano Plant (Kenwood Nagano Corporation) regarding OEM products and the Yamagata Plant (Kenwood Yamagata Corporation) regarding consumer products to aim for further cost reduction.

3) Reforming the Home Electronics business

Fixed costs reduction by reducing the size of unprofitable overseas business and expansion of profitable domestic businesses

Due to increasingly fierce competition and lower prices in the home theater market resulting from the rise of manufacturers in emerging countries, the Company conducted its strategy change that reduces its business size primarily in the overseas home theater market in the fiscal year ended March 31, 2005. As a result, fixed costs decreased and the profit structure of the home electronics business significantly improved.

The Company took advantage of business opportunities generated by the rising popularity of new digital media content and a recovery in the demand for high-class audio products, and promoted new product strategies utilizing its high quality sound technologies and the proliferation of digital media content, in order to enhance the domestic pure audio and portable audio businesses.

However, this business was not able to make any profit due to the effects of losses incurred as a result of the strategy change, which partially affected the first half of this year, and rapid changes in the digital audio market, although profitability significantly improved.

4) Structural reforms of the US sales system

In the US, the Company shut down those firms affiliated with outlet sales operations because the Company judged them to be non-viable as business reforms continued. In June of last year, the Company established the Kenwood Americas Headquarters headed by the US sales subsidiary, and has begun full-fledged implementation of strategies by focusing on strengthening its business in the US and Canada, and expanding sales in emerging markets such as Mexico and other Central and South American countries.

With the effects of improved revenue including increased sales of wireless radio equipment, the revenue of the US sales subsidiary significantly increased, and the gain on reversal of allowance for investment losses on subsidiaries on a non-consolidated basis was significantly larger than expected. As a result, the Company made an upward revision of its net income on a non-consolidated basis on April 28.

(2) Completing Reforms of Financial Base and Capital Structure

Completed the final stage of reforms on financial and capital structures that started in fiscal year ended March 2003 by fully redeeming preferred stocks

The Company conducted an onerous redemption of 50% of its preferred stocks in the fiscal year ended March 31, 2005, and redeemed the remaining preferred stocks in the current fiscal year ended March 31, 2006. As a result, the Company became Japan’s first company to fully redeem preferred stocks through a debt-for-equity swap, and completed the final stage of the reforms on financial and capital structures and also finished a series of its structural reforms.

These reforms on financial and capital structures contributed to the financial results for the current fiscal year. Compared to the previous fiscal year, financial results significantly improved. Specifically, consolidated shareholders’ equity for the current fiscal year finished at JPY37.5 billion, shareholders’ equity ratio settled at approximately 34.2%, consolidated retained earnings totaled approximately JPY18.3 billion, and net debt was approximately JPY12.2 billion.

Additionally, the Company returned to the national government certain past service pension assets that it had been managing within the employees' pension fund in July of this year, and generated an extraordinary profit of approximately JPY4.9 billion. As a result, the amount of retirement benefit liabilities fell by approximately half, and these measures are also projected to significantly reduce future liabilities.

1) Redemption of all preferred stocks due to elimination of all negative legacies, and reducing the dilution impact to shareholders

In August of last year, the Company completed the redemption of its Class B Preferred Stock by returning JPY15.0 billion to the preferred shareholder (Resona Bank). In order to do this, approximately JPY11.0 billion was raised through a public offering, and combined with approximately JPY4.0 billion of cash on hand. By doing so, the Company was able to return more than the book value of the stock (JPY12.5 billion) to its Class B Preferred Shareholder, similar to payments made to the Class A Preferred Shareholder in the previous fiscal year. Moreover, all of the preferred stocks issued as a result of the debt-for-equity swap carried out in December 2002 were redeemed, allowing the Company to reduce the dilution impact on shareholder value to 40% of the dilution that would have been seen if all of the preferred stocks had been converted to common stock.

As shown above, the Company succeeded in improving its financial base and capital structure, eliminating all negative legacies left behind from prior years, and completing the series of structural reforms that it has been implementing since the fiscal year ended March 31, 2003. At this time, we would like to again thank all the shareholders and creditors, with a special thank you to financial institutions, for their support and patience through this transitional time.

2) Extraordinary Profit due to returning to the national governmental certain past service pension assets and reduction of retirement benefit liabilities by half

Following on from the Company obtaining approval to be released from paying future portions of certain past service pension assets managed by the Kenwood Pension Fund on April 1, 2004, the Company received permission to return to the national government a certain portion of these assets on July 1 of last year. As expected, the Company generated an extraordinary profit of approximately JPY4.9 billion during the interim period as a result of this move. As a result, the amount of retirement benefit liabilities fell by approximately half from JPY38.4 billion at the end of the previous fiscal year to JPY18.6 billion at the end of the current fiscal year, and future related liabilities were also reduced significantly.

3) Completed reforms on financial and capital structures at subsidiary firms

Following on from the completion of reforms on the financial base and capital structure at sales subsidiaries in France and Germany in the fiscal year ended March 31, 2005, the Company carried out similar drastic reforms on its US sales subsidiary during the fiscal year ended March 31, 2006. Specifically, a debt-for-equity swap was carried out for approximately JPY5.3 billion, the amount loaned to the subsidiary by the parent company, boosting the capital base of the subsidiary. In addition, the Company completed measures to boost capital for sales subsidiaries in Belgium and the Netherlands. As a result, we were able to eliminate our negative legacies from prior years on a consolidated basis.

(3) Promotion of Environmentally Sustainable Measures

The Company made further inroads into green product development, and since RoHS instructions* will be applied to products that will be sold in the European Union starting from July 1, 2006, we have prepared for complete compliance to these rules by responding to all guidelines regarding environmental substances in all of our production processes, starting with the procurement of parts and components. We have also improved our infrastructure to respond to the WEEE instructions* related to the product recycling regulations that are being promoted in Europe.

* RoHS instruction: This is an abbreviation of the Restrictions on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment, which is being implemented by the European Union. This law regulates the use of harmful and toxic substances in electrical and electronics equipment products. The use of six substance groups consisting of lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyl (PBB) and polybrominated biphenyl ether (PBDE) will be regulated for products sold in the 15 member nations of the European Union starting

on July 1, 2006.

*WEEE instructions: WEEE is an abbreviation of Waste Electrical and Electronic Equipment, and these instructions are recycling instructions for scrapped electrical and electronic equipment.

(4) Actions to Strengthen Product Design Capability in Company's Three Major Locations in the World

The Kenwood Group has established design offices in Los Angeles and Paris, and started design and development activities in three major locations for the purpose of creating product design value that can provide customers with the enjoyment of life. In addition, the Kenwood Group plans to face these issues by focusing on students' fresh and free ideas and through partnerships and exchanges with designers, design students and educational institutions in the world as well as in Japan, and has started industry-university joint research cooperation with Tama Art University in Japan and Ecole Nationale Superieure de Creation Industrielle in Paris.

3. Basic Policy for Distribution of Profits

At Kenwood, we believe that providing stable dividends is one of the most important topics facing management, and we calculate the amount of earnings to appropriate after considering profitability and financial conditions in general.

Under this basic policy, the Company was able to achieve one of the key objectives of the first mid-term business plan, the "Excellent Kenwood Plan," one year ahead of schedule in June of last year. This objective, the resumption of dividend payments, was made possible because the Company generated its first retained earnings in ten fiscal years during the fiscal year ended in March 31, 2005. In addition, it marked the first time that the Company had distributed dividends in six fiscal years.

The Company plans to supplement its strategic investment funds by using certain cash on hand that increased in the fiscal year ended March 31, 2006, in order to achieve growth in the future. The Company also plans to pay stable dividends on a continuous basis, and will pay an annual dividend of 2 yen as forecasted, which is the same amount as the previous fiscal year.

In addition, the Company plans to change the articles of incorporation related to dividends due to the enactment of the revised Corporation Law, but will not change its current policies for a while.

4. Medium to Long Term Management Strategy

Promoting the strategy to expand corporate value based on the second mid-term business plan, the "Value Creation Plan"

Realizing a Seamless Entertainment World by taking advantage of business opportunities generated by the rising popularity of digital media content

As mentioned previously, the Company announced its second mid-term business plan, the "Value Creation Plan" in May of last year. This plan is set to be implemented from fiscal year ended March 2006 through fiscal year ending March 2008, and will focus on the promotion of growth strategies and the reforms of its current profit structure, and aim to expand corporate value.

5. Issues that the Company Must Address, and Management Policies for the Fiscal Year ending March 31, 2007

The fiscal year ending March 31, 2007 is the mid fiscal year of the mid-term business plan, "Value Creation Plan," which started in the fiscal year ended March 31, 2006, and the Company will implement the following strategies, including the active execution of investments in strategic development, in order to achieve the plan.

The "Zero Net Debt," one of our goals, has already been achieved with debt falling to a sufficiently low level, so we have excluded this goal from our targets as we expect to make increased investments for future growth.

(1) Improving Competitiveness in Businesses

1) Improving competitiveness in businesses by investments in strategic development, and new organization systems

a) Responding to technological innovation by investments in strategic development, and implementing new product strategies

The Company plans to focus on strategic development of new technologies and products in the fiscal year ending March 31, 2007, and make investments in strategic development amounting to JPY4 billion per annum, in addition to research and development activities that we conduct each year, so that it can swiftly respond to rapid changes in management environments caused by technological innovations such as the rising popularity of digital media content and the progress of digital/network environments, and implement new product strategies of the next generation by looking at these changes as major business opportunities.

Such plan mainly consists of strategic development of car multimedia products, i.e., development of the core of global navigation system, development and application of mobile multimedia tuners for ground-wave digital broadcasting, satellite digital broadcasting, construction of the “Seamless Entertainment World” for digital media integrating car electronics and home electronics that the Kenwood Group proposed for the first time at IFA (an international consumer electronics exhibition) held in Europe in September 2003, development of a new digital method for wireless radio equipment, and new consortium activities (joint development by the Company, Icom Inc. and Trident Microsystems, Inc.: announced on May 16 in the U.S. before IWCE (International Wireless Communications EXPO held on May 17 this year in the U.S.).

b) Strengthening the business base under a new organization system

For rapidly changing consumer electronics, the Company reorganized its current Consumer Business Sector, effective April 1 this year, to form the “Consumer Business Sector” and “Car Electronics OEM Sector” in order to activate speedy organization activities, promote the realization of the “Seamless Entertainment World” for the strengthening of the business bases of the next generation, expand the OEM business further, and accelerate the growth strategies further based on the second mid-term business plan.

The Consumer Business Sector will place the Car Electronics Consumer (Audio) Division, Car Electronics Consumer (Multimedia) Division and Home Electronics Division under its control, each of which handles consumer business, and will seek to enhance the competitiveness and growth of these businesses. With regard to the speaker system business, the current Speaker System Division will be reorganized to reinforce the structure for contributing to these three consumer divisions.

The Car Electronics OEM Sector will place the Car Electronics OEM Division under its control, newly establish the Device Business Division, expand its mechanics and device businesses for DVDs, CDs, and the like, and aim to make a further leap forward.

2) Improving competitiveness of the core businesses

a) Improving competitiveness of the Car Electronics Business

*** Fully-fledged operations for the new line-up of audio products for 2006**

Because the delay in the closing of former products in the entire consumer market has had lasting effects until the introduction of our new products, the Company will start its fully-fledged operations for the 2006 line-up of car audio products whose introduction to the global market has been delayed, aim to gain the top market share in the entire world as it did with the 2005 line-up, actively cultivate new emerging markets, with the emphasis on the BRICs markets, strengthen the sales system, and increase revenues of the Car Electronics Consumer (Audio) Division.

*** Improving the product line-ups of car multimedia devices for the consumer market**

In the domestic market, the Company will start fully-fledged operations for self developed products, whose line-ups have been improved after the product launch in February of this year, and in the overseas market it will focus on mass-merchandised products, the shipment of which began in February of this year under the Company’s new concept. Through these measures, the Company plans to accelerate growth strategy by increasing sales and carrying out reform measures for profitability in the Car Electronics Consumer (Multimedia) business, in which the product line-ups have temporarily stalled due to strategy changes.

*** Improving profits in the OEM and multimedia businesses through production increases at the Shanghai**

Plant

As previously mentioned, the expansion of the Shanghai Plant has allowed fully-fledged production increases and strengthened cost competitiveness for car electronics components and OEM car audio products. As a result, the Car Electronics OEM business and the Car Electronics Consumer (Multimedia) business have both been able to increase productivity while significantly reducing processing costs, and the two businesses can engage in the implementation of growth strategies with a renewed level of competitiveness.

b) Improving competitiveness of the Communications Equipment Business

Business expansion by strengthening communication between the marketing and design sections, and fully-fledged introduction of digital wireless radio equipment

The Company will strengthen communication between the marketing and research sections headquartered in Atlanta, US, and the domestic development and design sections, and promote business expansion in Europe, Asia, China, and other emerging countries, as well as in the main market of the U.S. The Company will also utilize technological and capital alliances with Icom Inc. in the increasingly digitized commercial wireless radio equipment business, and accelerate the growth strategy of the Communications Equipment business by specifically promoting new consortiums including Trident Microsystems, Inc., and conducting research on digital wireless methods and development of digital wireless radio equipment and network systems in order to strengthen the Network System business.

c) Improving competitiveness of the Home Electronics Business

Improving high quality sound models that utilize high quality sound technologies

The Company will take advantage of the rising popularity of digital media content and a recovery in demand for high-class audio products as business opportunities, and implement product strategies that utilize Kenwood’s own high quality sound technologies. More specifically, the Company will increase its product lineups, mainly consisting of high value-added models, corresponding to the rapidly changing audio market in recent years, and promote the structural reforms of the Home Electronics Business. These products include high quality sound digital portable audio players and high-class Hi-Fi audio systems that have been produced by the “Sound Meister,” Kenwood’s sound officer, and the sales of the current models of these products have been strong.

3) Strengthening cost competitiveness through design, procurement and “Production Innovation”

Reducing processing costs at plants in France and Shanghai, and strengthening global procurement functions.

Since February 2003, the Company has started to globally implement “Production Innovation” that was a significant success with regard to the reforms on profitability and cash flows, and realized a significant reduction in processing costs at plants in France (Kenwood Electronics Bretagne S.A.) and Shanghai, as well as in domestic plants in Yamagata and Nagano.

The Company also reinforced IPO (International Procurement Office) functions of the Shanghai and Singapore Plants, and newly established an IPO in Hong Kong, in order to strengthen global procurement functions.

In addition, the entire Company will conduct new operational innovation activities for designs related to planning, systems and products and for production technologies by focusing more on plant operations, and strengthen cost competitiveness in order to respond to lower prices resulting from increasingly fierce market competition.

(2) Business and Capital Investments

The Company has considered making several business investments and corporate mergers in the past, and will also be actively making various effective investments to increase its corporate value in the future.

As for capital investments, in the fiscal year ended March 31, 2006 the Company made investments in the Technology Center development at the Nagano Plant and the construction of a test course with various road surfaces to be used for development purposes. The Company will purchase neighboring idle land (approximately 12,800 m^2), establish experiment, research and customer service facilities, and improve environments for employees' activities in the fiscal year ending March 31, 2007.

The Company will also take actions for new social environments including strengthened security measures.

(3) Strengthening Brand Presence and Business Promotions Through a Sales Campaign Based around the Company's 60th Anniversary

The Kenwood Group will celebrate its 60th anniversary in December of this year and the Company regards the period until December 21, the anniversary date, as the 60th anniversary campaign period. A campaign consisting of various business promotions will focus on expanding the Company's brand strategy to various parts of the globe.

Operating Results and Financial Position

1. Overview of Fiscal Year Ended March 2006

In the current fiscal year, the world economy was strong on the back of solid domestic demand in the U.S. and China despite decelerating factors such as soaring crude oil prices. The European and Asian economies were also strong in general, supported by the said solid demand.

The Japanese economy showed signs of gentle recovery that can be attributed to improving corporate profits, increased capital investment and higher levels of personal consumption.

The consumer electronics market continued to be a very competitive in the current fiscal year. More specifically, the size of the audio market prolonged its shrinking trend as intensified competition put downward pressure on prices and as part of the market switched to digital media sectors. However, sales of car navigation systems remained strong in the car electronics market and the popularity of portable digital audio players rose in the home electronics market.

Amid these conditions, the Kenwood Group was able to achieve higher revenue for two consecutive years. This was mainly driven by the Car Electronics OEM business and the Communications Equipment business which continued to expand in line with the growth strategy. Operating profit increased 20% and more year-on-year due to effects of increased revenue resulting from increased sales of the Communications Equipment business, and the reforms on the revenue structure of the Car Electronics Consumer (Multimedia) and Home Electronics businesses.

2. Sales and Income

(1) Consolidated Operating Results

*** Net sales – Increased 1.4% year-on-year, resulting in increased sales for two consecutive years**

Net sales generated by the Car Electronics OEM business increased significantly for three consecutive years in line with the growth strategy. In addition, the Communications Equipment business surpassed the results posted in the previous fiscal year because of increased sales of wireless radio equipment, a main product, due to favorable economic conditions in the US market.

Sales of the Car Electronics Consumer (Audio) business were below our expectations due to effects of the closing of former products in the entire consumer market that was delayed until the company introduced new products, although such closing of the Company's former products went smoothly for the third quarter and the Company prepared to introduce new products in the fourth quarter. However, the performance of this business improved compared with the previous fiscal year amid the continuous shrinkage of the market due to the strategy for high value-added products and the introduction of global strategy models.

Sales of the Car Electronics Consumer (Multimedia) and Home Electronics businesses tentatively decreased due to the strategy change made in prior fiscal year for the purpose of responding to technological innovation and rapid market changes. Consolidated sales of the entire Group increased 1.4% from the previous fiscal year (or an approximately JPY2.5 billion increase), as anticipated, to JPY 183,616 million, the second consecutive increase, because such the fall in provisional sales was offset by increased sales of the Car Electronics OEM, Communications Equipment and Car Electronics Consumer (Audio) businesses.

*** Operating Profit - Increased 23.0% year-on-year, a significant increase**

Operating profit of the Communications Equipment business significantly increased from the previous fiscal year due to higher sales of wireless radio equipment and exchange rate influence, while losses of the Car Electronics Consumer (Multimedia) and Home Electronics businesses significantly decreased due to the strategy change made in prior years.

Operating profit of the Car Electronics OEM business decreased from the previous fiscal year due to an increase in up-front investments for future business expansion and increased sales of unprofitable product types.

In addition, operating profit of the Car Electronics Consumer (Audio) business decreased from the previous fiscal year because sales did not grow as expected in the fourth quarter, particularly in March, the time when the Company is usually at its most profitable as described before.

These factors for a tentative decrease in profit were offset by increased sales of the Communications Equipment business, based on the growth strategy, and of the Car Electronics Consumer (Multimedia) and Home Electronics business, based on the strategy change. The consolidated operating profit of the entire Group was up 23.0% from the previous fiscal year (or an approximately JPY1.6 billion), standing at JPY8,686 million, although it was less than we had expected. Nevertheless, we considered this to be a significant increase in profit.

*** Ordinary income - Increased 4.0% year-on-year amid the structural reforms of assets**

Consolidated ordinary income increased 4.0% from the previous fiscal year (approximately JPY0.2 billion) to JPY4,886 million as revised on April 28. This figure was mainly because overseas inventories decreased more than our expectations as a result of sales activities, and tentative non-operating losses were not as large as we anticipated although the Company actively made the structural reforms of its assets during the current year such as the review of inventories in relation to the strategy change of the Home Electronics business and for the purpose of minimizing future risk factors.

*** Net income – Increased 26.2% year-on-year, the second highest level increase ever**

The Company posted extraordinary income associated with the repayment of certain past service pension assets to the national government and gain on sales of investment securities. The Company also posted losses on former software as a result of the strategy change in car navigation systems, and impairment of fixed assets. As a result, consolidated net income increased 26.2% from the previous fiscal year (or approximately JPY1.3 billion) to JPY6,104 million, the second best increase ever, after the fiscal year ended March 31, 2004.

Net Sales and Earnings by Business Segment
Consolidated sales and earnings conditions in each business segment are as follows:

(JPY in million)

Segment		Previous Fiscal Year	Current Fiscal Year	Increase or Decrease	
Car Electronics	Net Sales	104,772	107,723	+2,951	+2.8%
	Operating Profit	2,214	1,827	-387	-17.5%
Communications Equipment	Net Sales	55,064	58,639	+3,575	+6.5%
	Operating Profit	6,833	8,336	+1,503	+22.0%
Home Electronics	Net Sales	18,867	14,897	-3,970	-21.0%
	Operating Profit	-1,923	-1,420	+503	-
Others	Net Sales	2,409	2,357	-52	-2.2%
	Operating Profit	-63	-57	+6	-
Total	Net Sales	181,112	183,616	+2,504	+1.4%
	Operating Profit	7,061	8,686	+1,625	+23.0%
	Ordinary Income	4,696	4,886	+190	+4.0%
	Net Income	4,836	6,104	+1,268	+26.2%

*** Car Electronics Business**

Net Sales

Sales of the entire Car Electronics business rose 2.8% from the previous fiscal year (approximately JPY3 billion) to JPY107,723 million because a temporary fall in sales of the Car Electronics Consumer (Multimedia) business caused by the strategy change was covered by an increase in sales of the Car Electronics OEM business based on the growth strategy.

The Car Electronics OEM business, which has been actively implementing a growth strategy, continued to enjoy strong performance as anticipated in the current fiscal year, and posted a significant sales increase for the third consecutive year.

In the Car Electronics Consumer (Audio) business, the Company smoothly discontinued some products in the third quarter, and prepared to introduce new products in the fourth quarter. Sales, however, did not grow as expected due to a delay in the discontinuance of these products throughout the entire market, and the Company waited to introduce new products. However, sales were greater than the previous fiscal year's results while the market size continued to shrink due to the strategy for high value-added product lineups for 2005, global strategic models introduced in the third quarter, and exchange rate influence.

Sales of the Car Electronics Consumer (Multimedia) business were lower than the previous fiscal year results because the number of product lineups tentatively decreased after the strategy change to develop car navigation systems from a joint development system to a self only system in prior years to strengthen competitiveness, and the sales increase slowed for visual products such as TV/DVD receivers after the third quarter due to the rising popularity of portable navigation systems. This drop in sales, however, was compensated for by increased sales of the Car Electronics Consumer (Audio) business, and overall sales of this business were slightly less than the previous fiscal year.

Earnings

Operating profit of the entire Car Electronics business was down 17.5% from the previous fiscal year (or approximately JPY0.4 billion) and stood at JPY1,827 million, which was below expectations, due to increased losses of the Car Electronics OEM business that were not covered because some effects of introducing new consumer products are expected to persist until the fiscal year ending March 31, 2007, due to effects of the market trends and sales of the Car Electronics Consumer business did not increase as we had expected.

Operating profit of the Car Electronics Consumer (Audio) business decreased from the previous fiscal year because sales did not grow as expected during the fourth quarter, as described above, although annual sales plans normally estimate the highest sales in the year to occur during this quarter. Operating profit of the Car Electronics Consumer (Multimedia) business improved significantly due to higher cost competitiveness resulting from the strategy change, and covered the decreased profit of the Car Electronics Consumer (Audio) business. As a result, sales of this business were higher than the previous fiscal year while those of the entire Car Electronics Consumer business fell slightly.

Losses of the Car Electronics OEM business expanded due to the effects of increased up-front investments for business expansion, and sales of unprofitable product types, for which the Company strategically received advance orders in anticipation of improved profit.

*** Communications Equipments Business**

Net Sales

Sales of the entire Communications Equipment business were better than our expectations, and rose 6.5% from the previous fiscal year (approximately JPY3.6 billion) to JPY58,639 million because sales of wireless radio equipment, a main product, were strong on the back of favorable economic conditions in the US market, and significantly increased from the previous fiscal year due to increased sales in Europe and emerging countries including China, although sales of mobile phone lines decreased due to the movements of mobile phone companies.

Earnings

Operating profit of the entire Communications Equipment business was significantly higher than we had predicted and increased 22.0% from the previous fiscal year (or approximately JPY1.5 billion) to JPY8,336 million because increased sales of wireless radio equipment compensated for decreased sales of mobile phone lines and factors for decreased sales including investments in development of digital wireless radio equipment.

*** Home Electronics Business**

Net Sales

Sales of high-class pure audio products, portable HDD players, and other main products for the domestic market were strong in line with the new product strategy utilizing the Company's high quality sound technologies and the rising popularity of digital media products.

On the other hand, sales of the entire Home Electronics business were lower than our expectations, and decreased

21.0% from the previous fiscal year (or approximately JPY4 billion) to JPY14,897 million because in prior years the Company had made a strategic change to reduce the size of the home theater business mainly for the overseas market, and the size of the conventional-type audio market represented by portable MD players and compact stereos of the mass-merchandise type significantly decreased due to rapid changes in the market, as a result of increasingly fierce competition and decreasing prices in the home theater market, a market in which manufacturers of emerging countries are gaining ground.

Earnings

The effects of reducing fixed costs after the reduction of the size of the unprofitable home theater business in the previous fiscal year have become clear, and the Company was able to improve profitability as initially planned.

On the other hand, sales of conventional-type models fell after the rapid changes in the conventional-type audio market due to the rising popularity of digital media content and lower prices, and the decrease of these sales has offset strong sales of high-class pure audio products and portable HDD players. As a result, profitability of the portable audio and pure audio businesses worsened.

Operating loss of the entire Home Electronics business decreased 26.2% from the previous fiscal year (or approximately JPY0.5 billion) to JPY1,420 million due to the effects of improved profit after the strategy change although the performance was not profitable.

(2) Non-Consolidated Operating Results

Net Sales

Similar to the reasons mentioned for consolidated results, sales increased 2.7% from the previous fiscal year (approximately JPY3.5 billion) as previously expected to JPY133,918 million.

Earnings

Similar to the reasons mentioned for consolidated results, operating profit finished at JPY3,502 million, a 13.3% increase from the previous fiscal year (up approximately JPY0.4 billion).

Ordinary income fell by 32.4% from the previous fiscal year (a decrease of approximately JPY1.2 billion) to finish at JPY 2,547 million as a result of the Company’s structural reforms of assets.

Net income increased 34.2% from the previous fiscal year (up approximately JPY1.6 billion) to finish at JPY6,319 million, the highest net income ever, because the gain on reversal of allowance for investment losses on subsidiaries posted in prior years was significantly larger than expected due to the improved performance of certain overseas subsidiaries as revised on April 28, and because of the reasons mentioned for consolidated results.

3. Consolidated Financial Position

(1) Assets, Liabilities and Shareholders’ Equity at the End of the Current Fiscal Year

Total assets at year end fell by JPY 6.6 billion from the previous fiscal year end to JPY109,554 million although the Company booked retained earnings as a result of strong business performance during the current fiscal year, because we succeeded in redemption of the preferred stocks through a public offering and a capital reduction with compensation, as mentioned previously.

In addition, interest-bearing liabilities fell by approximately JPY4.8 billion from the end of the previous fiscal year to finish at JPY26,263 million. This was despite the fact that approximately JPY4.0 billion of funds on hand were appropriated towards the disposal of preferred stock with compensation. Net debt also fell by approximately JPY2.9 billion to JPY12,215 million.

Shareholders’ equity increased approximately JPY4.4 billion from the end of the previous fiscal year to JPY37,486 million, mainly as a result of the issuance of new shares worth JPY11.1 billion and the addition of net income during the current fiscal year. This increase also factors in a capital reduction with compensation worth JPY15 billion as a result of the disposal of the First Tranche Class B Preferred Stock. Consequently, the shareholders’ equity ratio improved 5.7 percentage points from the end of the previous fiscal year to finish at 34.2%.

Moreover, retained earnings increased by approximately JPY5.1 billion from the end of the previous fiscal year to JPY18,316 million as a result of strong business performance during the current fiscal year.

(JPY in millions)

	Previous Fiscal Year	Current Fiscal Year	Increase or Decrease
Total Assets	116,137	109,554	-6,583
Interest-Bearing Liabilities	31,088	26,263	-4,825
Net Debt	15,147	12,215	-2,932
Shareholders' Equity	33,132	37,486	+4,354
Shareholders' Equity Ratio	28.5%	34.2%	+5.7%
Retained Earnings	13,199	18,316	+5,117
Interest Coverage Ratio (Note)	13.64	19.88	+6.24

Note: Interest coverage ratio is calculated by dividing the cash flow from operating activities by interest payments.

(2) Cash Flow Conditions in the Current Fiscal Year

Cash flow from operating activities saw a net spending of approximately JPY12,664 million or a decrease of approximately JPY2.9 billion compared with the previous fiscal year because accounts payable decreased more than the decrease of accounts receivable compared with the previous fiscal year.

Cash flow from investing activities saw a net spending of approximately JPY4,320 million or approximately JPY0.8 billion more than the previous fiscal year. This was mainly because of a significant decline in the revenues associated with the payback of fixed deposits despite an increase in income from sales of investment securities and reduced spending for the acquisition of investment securities and tangible and intangible fixed assets.

Cash flow from financing activities saw a net spending of JPY10,673 million or approximately JPY19.7 billion less than the previous fiscal year, mainly because there was no significant cash outflow in the current fiscal year associated with the repayment of loans carried out in the previous fiscal year, although the cash inflow from the issuance of new shares to dispose of Class B Preferred Stock with compensation decreased from the previous fiscal year.

(JPY in million)

	Previous Fiscal Year	Current Fiscal Year	Increase or Decrease
Cash Flow from Operating Activities	15,539	12,664	-2,875
Cash Flow from Investing Activities	-3,513	-4,320	-807
Cash Flow from Financial Activities	-30,333	-10,673	+19,660
Effect of Exchange Rate Changes on Cash and Cash Equivalents	406	462	+56
Net Increase (Decrease) of Cash and Cash Equivalents	-17,901	-1,866	+16,035
Cash and Cash Equivalents at Beginning of the Fiscal Year	33,698	15,875	-17,823
Net Increase (Decrease) in Cash and Cash Equivalents in Accordance with the Change of Consolidated Subsidiaries	78	-	-78
Cash and Cash Equivalents at the End of the Fiscal Year	15,875	14,008	-1,867

4. Earnings Outlook for Fiscal Year Ending March 2007

(1) Consolidated Outlook

*** Net Sales**

We anticipate sales of the Car Electronics OEM business to steadily increase as a result of up-front investments, and the Car Electronics Consumer (Multimedia) business is expected to expand because we have completed our strategy change . This sales increase and the business conditions offset the effects of structural reforms of the

Home Electronics business, which aim to improve profitability through converting products to high value-added models, and we forecast consolidated sales of JPY185 billion.

*** Operating Profit**

The Company plans to focus on strategic development of new technologies and new products and make investments in strategic development amounting to JPY4 billion during the current fiscal year. The Company conducts these activities, in addition to yearly research and development, so that it can quickly respond to rapidly changing management environments that are caused by technological innovations such as the rising popularity and progress of digital media content. The Company develops new product strategies for the next generation by regarding these management environments as business opportunities.

The majority of these investments in strategic development made to achieve the goals of the mid-term business plan will be factors causing income to fall for the fiscal year ending March 31, 2007, but recovered revenues of the Car Electronics business and improved revenues of the Home Electronics business will be able to cover such reduced revenue, and overall we forecast a consolidated operating profit of JPY9 billion, which is higher than the current fiscal year's performance, although this forecast is only a reference figure based on such investments in strategic development.

*** Ordinary Income**

We forecast non-operating income for the fiscal year ending March 31, 2007 to improve and consolidated ordinary income to increase to JPY6 billion from the current fiscal year, because we completed the structural reforms of assets, such as reviews of inventories in relation to our strategic change and the minimization of future risks, in the fiscal year ended March 31, 2006.

*** Net Income**

The Company posted extraordinary income associated with the repayment of certain past service pension assets to the national government and gain on sales of investment securities for the fiscal year ended March 31, 2006, but because the increase of this extraordinary income is only provisional and such income is normalized in the fiscal year ending March 31, 2007, we expect consolidated net income to fall to JPY5 billion from the current fiscal year.

Consolidated earnings outlook

(JPY in million)

	Outlook for fiscal year ending March 2007	Results for fiscal year ended March 2006	Increase or Decrease
Net Sales	185,000	183,616	+1,384
Ordinary Income	6,000	4,886	+1,114
Net Income	5,000	6,104	-1,104

Note: For reference purposes, we anticipate consolidated operating profit to increase 3.6% from the current fiscal year (approximately JPY 0.3 billion) to JPY9 billion.

Outlook for sales and profit and losses by segment

*** Car Electronics Business**

We expect sales of the Car Electronics OEM business to continuously increase as a result of up-front investments based on the growth strategy, and we also anticipate sales of the Car Electronics Consumer (Multimedia) business to increase as a result of the completion of our change in strategy. The Company expects the market for the Car Electronics Consumer (Audio) business to continuously shrink, but there may be sales increases through fully-fledged operations for new product lineups for 2006, introduction of global strategy models, and sales expansion in emerging countries, mainly BRICs. As a result, we predict sales of the entire Car Electronics business will increase.

As for profit and losses, the Company forecasts a recovery of profitability as a result of sales increases of the Car Electronics Consumer (Audio) business, improved profitability as a result of the strategy change of the Car Electronics Consumer (Multimedia) business, and the completion of up-front investments and model changes of unprofitable product types of the Car Electronics OEM business. As a result, we expect profit of the entire Car Electronics business to increase amid the progress of investments in strategic development mainly for car multimedia products.

*** Communications Equipments Business**

The Company expects sales of the entire Communications Equipment business to remain at the same level because we expect the management environment of mobile phone companies to become favorable as a result of the conversion of management systems and the introduction of number portability in the mobile phone business, although there will probably be effects from the completion of the demand cycle in the U.S. mainly for the main wireless radio equipment business.

The Company expects profit to slightly decrease because the Company plans to make fully-fledged investments in strategic development related to digital wireless communication and network systems for the wireless radio equipment business.

*** Home Electronics Business**

We expect sales of the Home Electronics business to fall due to the effects of promoting structural reforms based on the rising popularity of digital media content and the conversion to high value-added models utilizing high quality sound technologies, in anticipation of the rapid shrinkage of the conventional-type audio market on a continuous basis.

The Company foresees a reduction in losses due to improved profitability resulting from structural reforms while the Company makes investments in strategic development to establish the “Seamless Entertainment World.”

(2) Non-consolidated Outlook

For reasons similar to those given in the consolidated outlook section, the Company expects to have sales of JPY130 billion, ordinary income of JPY3 billion and net income of JPY2.8 billion.

Non-consolidated earnings outlook (JPY in million)

	Outlook for fiscal year ending March 2007	Results for fiscal year ended March 2006	Year-on-year change
Net sales	130,000	133,918	-3,918
Ordinary income	3,000	2,547	+453
Net income	2,800	6,319	-3,519

Note on Earnings Outlook

The earnings outlook discussed above for the consolidated fiscal year ending March 31, 2007 is a future estimate based on judgments of the Kenwood Group obtained from currently available information. Actual results may differ materially from these earnings outlooks for a variety of reasons. Accordingly, the Kenwood Group recommends that you do not base your investment decisions solely on these outlooks.

In the electronics industry, which is the core business field of the Company’s group, operating results are prone to sharp fluctuations due to changes in technologies, demand, prices, competition, economic environment, foreign exchange rates, and numerous other factors. For information on the risks and uncertainties concerning the Company’s operating results and other conditions (including matters considered to be important for investment decisions), please refer to Section 5. “Business and Other Risks” included in this document.

5. Business and Other Risks

The risks inherent in matters relating to the operating results, stock price and financial position of the Kenwood Group that may exert a material affect on investors’ decisions are discussed below.

(1) Affect of economic conditions

For the Company and affiliates of the Company (referred to below as “the Company group”), a half of the home electronics products, car electronics products and communications equipment that are core products (“the Company group’s products”) assume the main purchaser segment will be individual consumers. The Company group’s other products include many products supplied to the market in the form of OEM products; that is, products such as car stereo products which are sold through customer firms (OEM customer firms) and target individual customers as the main assumed final purchaser segment, and other items such as wireless radio equipment used for business purposes which are mainly supplied to municipal offices and various private-sector companies. For the individual customers who are end users of the Company group's products, in many cases purchasing the Company group's products cannot be considered necessary or indispensable. Accordingly, the sales trends for the Company group's products have a propensity to fluctuate substantially because of economic conditions, business trends, personal consumption trends and other factors in the sales region, and the Company group's operating results or financial position might be affected adversely if these various factors do not work to the advantage of the Company group.

In addition, the majority of the Company group's products are characterized by the fact the sales volume in markets where the products are offered can be affected easily depending upon preferences and trends among the individual customers who are the products' end users. Accordingly, the Company group's operating results or financial position might be affected adversely if the Company group cannot develop and manufacture on a timely basis Company group products aligned with individual customer's preferences and trends or in response to these trends, or if the Company group cannot supply the Company group's products to the market at the appropriate time.

Moreover, although comparatively few in number, the Company group's products also include categories whose main buyers are public entities and corporate customers, such as radio equipment products used in government and municipal offices and private-sector companies in various countries and regions of the world. The sales volume of these Company group products also will vary according to the economic conditions, business trends, and political and fiscal policy trends in the countries and regions where the end users are located, and the Company group's operating results or financial position might be affected adversely by these factors.

(2) Response to technological innovation

As its main business, the Company group is engaged in the manufacture and sale of products that require rapidly evolving advanced technology. Because the pace of technological innovation in the markets for the Company group's products is extremely fast, however, there is a danger some of the Company group's products will lag the latest technological innovations and suffer from product obsolescence in the marketplace. The sales volume of such products may decline precipitously, and the Company group's operating results or financial position might be affected adversely as a result.

Because the speed of technological innovation in the markets for the Company group's products is remarkably fast, the traditional competitive framework among similar products can change within a short time period, and the competitive position of the Company group in the market for the products in question might be endangered depending upon the Company group's response to technological innovation trends. The Company group's operating results or financial position might be affected adversely as a result.

Furthermore, in the radio equipment products sector of communications equipment in particular, with regard to the direction and pace of the recent trend in digitalization, there is no guarantee the activities of the Company group to develop products that support digitalization will proceed appropriately to a position of competitive dominance in a form that will lead future digitalization trends.

(3) Product quality competition and price competition in the market

In markets for the Company group's products, aggressive competition to develop new products is growing. For the Company group's products such as car audio products and home audio products in particular, although the Company group seeks mainly to develop new, high-quality products that deliver superior sound quality, some domestic and foreign competitors also have adopted policies identical to the new product development policy of the Company group. There is a danger that demand for the Company group's products will fall, and the value of the Company group's brand name decline, if the Company group cannot prevail against these competitors, and the Company group's operating results or financial position might be affected adversely as a result.

On the other hand, although the Company group also had aimed at manufacturing and selling products such as car audio products and home audio products for the low-price bracket targeting young individuals in particular, for these kinds of products the price competition with even lower-priced same-category products being manufactured and sold mainly by China and Southeast Asian countries in particular has intensified, and currently the Company group has reduced its manufacturing and sales activities for these kinds of low-price bracket products. Although the Company group has determined that devoting its capital and resources to markets for high-quality products will be more profitable for the Company group than maintaining the size of its presence in the market for low-price bracket products, this judgment does not guarantee that the operating results or financial position of the Company group will develop steadily in the future. Conversely, if the market for low-price bracket products expands remarkably in the future, the Company group will be forced to accept an inferior competitive position relative to its competitors in this market, and the Company group's operating results or financial position might be affected adversely as a result.

(4) Affect of foreign exchange market fluctuations

Overseas sales account for the majority of the Company group's consolidated net sales. Because items denominated in local currencies, including the net sales, expenses and assets in each country and region are converted into yen to prepare the consolidated financial statements, their value after being converted into yen will be affected by exchange rates at the time of conversion. In general, appreciation of the yen against other currencies (particularly when the yen appreciates against the U.S. dollar and the euro, which account for a high percentage of the items denominated in local currencies) reduces the consolidated net sales of the Company group, and has the opposite effect of increasing consolidated net sales when the yen weakens.

An increase in the value of the currencies of countries and regions where the Company group conducts its manufacturing and sales activities may push up the costs of manufacturing and procurement in those countries and regions. An increase in costs may lower the consolidated profit margins and price competitiveness of the Company group, and this may have an adverse affect on operating results and financial position. Although the Company group employs currency hedge transactions using forward exchange contracts to keep the adverse effects caused by short-term fluctuations in the exchange rates between the yen and leading currencies such as the U.S. dollar and the euro to a minimum, in some situations the Company group cannot steadily implement its planned procurement, manufacturing, logistics and sales activities because of medium to long-term exchange rate fluctuations. Thus fluctuations in exchange rates may have an adverse affect on the Company group's operating results or financial position (particularly consolidated net sales).

(5) Defects in the Company group's products

Trust in the brand names of the Company group's products and the Company group may decline remarkably or be lost if defects occur the Company group's products after sale to the end users.

In addition to this reputation risk, depending upon the circumstances end users may pursue product liability actions or similar alternatives against the Company group. Although the Company group has taken measures such as purchasing product liability insurance to prepare for such contingencies, there is no guarantee the full amount of compensation or other payments for which the Company group would be responsible will in fact be covered by such insurance.

In the event an unforeseen defect has occurred in the Company group's products and caused the risks such as reputation risk and risk of a lawsuit described above to be realized in this manner, the Company group's operating results or financial position might be affected seriously as a result.

(6) Probability of achieving the mid-term business plan

Last year the Company group publicly released a summary of "Value Creation Plan," the group's new second mid-term business plan, and began efforts to achieve the plan's objectives. Nevertheless, in the event the Company group is unable to proceed according to the initial objectives outlined in this plan, for example, or if it becomes clear actual conditions and results differ from those initially assumed in the plan, the Company group might be unable to achieve the results for operating results or financial position initially set in the business plan.

(7) Research and development activities

In order to bring products that are aligned with the preferences and trends of its main purchaser segments to the market in a timely manner, the Company group must continually invest capital and resources in new technological research and new product development. Nevertheless, there is no guarantee the Company group will be able to stably invest sufficient capital and resources in the future for research and development activities, and there also is no guarantee the sales volume of the Company group's products will always increase as a result of investing such capital and resources. Moreover, because the Company group is pressed by the need to look ahead and discern end user preferences and trends when pursuing its research and development activities, and because there are also times when its activities will suffer setbacks at the research and development stage prior to the manufacture and sale of a specific product, the research and development activities by the Company group also do not necessarily ensure the development and sale of products that are aligned with end user preferences and trends. Accordingly, the Company group's research and development activities may represent unproductive expenses and the Company group's operating results or financial position might be affected adversely as a result.

Moreover, if the capable, skilled engineers who support these research and development activities leave the Company group for some reason (including, but not limited to, being hired by competitors, a relative decline in the wage level and/or benefits offered by the Company group, and deterioration of the Company group's R&D environment), this may have a negative affect on the future research and development activities of the Company group and the Company group's operating results or financial position might be affected adversely.

(8) Outsourcing of key device and software development, products, etc.

The Company group's product development and manufacturing activities depend to a certain extent on outsourcing of purchasing, production and other activities to device suppliers, product development and product manufacturing firms, software developers, and parts developers and manufacturers that are outside of the Company group, or on joint development with such vendors. In the event of circumstances such as the deterioration of relationships with these outside vendors, or delays in the development and supply or termination of supply of goods including key devices, software, parts and products by these outside vendors, or a business slump at these outside vendors, the Company group's product development and manufacturing activities might be hindered and the Company group's operating results or financial position affected seriously as a result.

Moreover, some goods including key devices, software, parts and products on which the Company group's products depend are being developed and manufactured by only a limited number of vendors. If a situation arises in which these outside vendors become subsidiaries of competitors or conclude a monopoly or exclusive licensing agreement, continuous supply agreement or other contract with a competitor, the Company group will be pressed by the need to search for other suppliers of these goods including key devices, software, parts and products and make important changes to the development and manufacturing processes for the Company group's products. The Company group's operating results or financial position might be seriously and continually adversely affected as a result.

(9) Intellectual property rights

The Company group itself does not necessarily own and has not necessarily registered all of the intellectual property rights necessary to develop and manufacture the Company group's products. Rather, under current conditions the Company group uses the majority of these rights by paying licensing fees as value to the third-party owners, based on licensing or other agreements concluded with the third parties that own and have registered the intellectual property rights. Therefore, in some cases the Company group must always continue paying licensing fees to these third parties even when, for example, the Company group is unable to use the intellectual property rights received under license from the third parties to efficiently develop and produce new products. Moreover, there is no guarantee the Company group will be able to continuously use the intellectual property rights received under license from the third parties without change in the future or at the present licensing fee level. If a licensing agreement or other agreement between the Company group and a third party is terminated for some reason in the future and the Company group becomes unable to use the intellectual property right subject to said agreement, the Company group will be pressed by the need to develop alternative intellectual property rights itself, or search for another third party to supply this right, or make important changes to the development and manufacturing processes for the Company group's products. The Company group's operating results or financial position might be seriously and continually adversely affected as a result.

The Company group may not always be aware of all the intellectual property rights third parties own or have registered, and the Company group cannot assert there is no probability it is not unknowingly violating the intellectual property rights owned or registered by a third party by using such rights without permission, for example, or that such circumstances will not occur in the future. In the event such circumstances have arisen, the Company group might be requested by the third party to pay a licensing fee as value for the use of that intellectual property right, or face a lawsuit or legal action such as payment of compensation for damages or termination of use by the Company group based on the intellectual property right in question. As a result, the value of the Company group's brand name may fall, or the Company group may face a contingent liability for the equivalent value, and the Company group's operating results or financial position might be affected adversely.

With regard to intellectual property rights owned or registered by the Company group, the Company group might be unable to effectively prevent or eliminate violations such as unauthorized use or imitation by third parties. Among the Company group's products, problems have occurred frequently with radio equipment products for the Chinese market in particular, including manufacturers of similar products or other firms in China imitating the brand names of the Company group's products and selling inferior-quality, low-priced products. The value of the Company group's brand name may decline and the Company group's operating results or financial position might be adversely affected as a result.

(10) Industry trends and reorganization

Currently the manufacturing and sales industries for the Company group's products are obscuring the potential for new market development and growth as a result of the merger of product segments based on the creation of networks that cross the boundaries between industries and the proliferation of broadband. Nevertheless, these internal industry trends may redefine the structure of competition in the manufacturing and sales industries for the Company group's products within a short period of time. There is no guarantee the Company group will be able to maintain its current position in the industry following such change in the competitive structure. If the Company group cannot maintain its present position in the industry, the Company group's operating results or financial position might be affected adversely.

Although no mergers and acquisitions of conspicuous scale or content, technology or capital tie-ups, joint venture promotions or M&A activities can be noted in the manufacturing and sales industries for the Company group's products at the present time, such mergers and acquisitions may occur often in the future. Should such mergers and acquisitions actually occur frequently, the Company group might be unable to skillfully take advantage of this trend and will be unable to maintain its present position in the industry, and the Company group's operating results or financial position might be affected adversely as a result.

Moreover, if the Company group decides to pursue mergers and acquisitions and technology or capital tie-ups, and promote joint venture and OEM businesses and other M&A activities in the industry independently in the future, there is no guarantee the Company group will be able to skillfully bring such transactions to a successful conclusion. Depending on the consequences of such transactions, the Company group might be unable to maintain its present position in the industry, and the Company group's operating results or financial position might be affected adversely.

(11) Tax loss carry-forward amount

The Company group currently does not pay corporation taxes in Japan because it has a substantial tax loss carry-forward amount, and as a result of the loss carry-forward the amount of its loss during each business fiscal year exceeds earnings. If the carry-forward of the loss amount held by the Company group is no longer permitted in the future for reasons such as tax system reform, and the amount of earnings exceeds the amount of losses including the loss amount carry-forward for the earnings calculation during the business fiscal year, the Company group will have to begin payment of corporation taxes within Japan as well. This may affect the Company group's earnings and cash flow.

(12) Retirement pension benefit obligation

The Company group's employee retirement benefit expense and obligation are calculated based on assumptions such as the discount rate that are set for mathematical principle calculations, and the expected rate of return of pension assets. Because the affects are cumulative when actual results differ from the assumptions or when the assumptions have been changed, and these affects will be recognized regularly during future years, normally they will affect the expense recognized in future periods and the obligation recognized for accounting purposes. Reductions in the discount rate or deterioration of the investment yield may have an adverse affect on the Company group's operating results or financial position.

(13) Security

With the digitalization and rapid development of social data in recent years, the threat of various problems and crimes based on illegal access or lack of proper control of various data that firms possess has gradually increased and emerged has a major social concern. The Company group also must respond to these social and technological trends appropriately and on a timely basis, and is pursuing measures such as preparing and strengthening its controls for personal data. It must be noted, however, that constructing a perfect defense plan to prevent network crimes and foil criminal conduct by individuals and groups with malicious intent, which are becoming more sophisticated and escalating with each passing day, is extremely difficult, and the Company group's brand or social evaluation might be affected adversely by an incident, such as circumstances under which various types of data in the Company group's possession is divulged outside the group.

(14) Affect of large-scale disasters, political unrest, etc.

The normal operations and work of the Company group's facilities and employees or those of various vendors, customers and logistics firms might be hampered by the occurrence of various disasters including large-scale disasters such as earthquakes and tsunami, the outbreak of an epidemic such as SARS, political unrest, terrorist activities, fires, flood damage and the disruption of community lifelines such as electricity. Technically and economically, it is difficult to respond to every type of conceivable disaster by preparing appropriate disaster recovery measures or equipment. Accordingly, the Company's activities might be affected temporarily or for a certain period of time if a disaster such as those mentioned above occurs.

(15) Public laws and regulations

The Company group's businesses are conducted from the worldwide offices that develop each business and are subject to application of the laws and various regulations in each country. For example, the Company group's businesses are subject to application of commercial regulations, regulations prohibiting monopolies, import restrictions to protect national security, tax systems, consumer protection regulations, environmental protection regulations, business and investment permits and licenses, and other regulations. In addition, the obligation to ensure safe management for the protection of personal data of customers and other parties has been imposed on firms. Although the Company group endeavors to comply with all laws and regulations, if the Company group is unable to observe such laws and regulations for unanticipated reasons the Company group's business activities might be restricted, and this might lead to higher costs. These regulations might have an adverse affect on the Company group's operating results or financial position.

(16) Environmental protection

To respond appropriately to environmental protection regulations on firms' business activities and products and services, which are being strengthened around the world, the Company group recognizes the social responsibility imposed on firms to address environmental problems and is working positively and continuously to protect the global environment and resources and supply environmentally-friendly products. Nevertheless, it is impossible to guarantee the Company group will completely prevent or mitigate discharges into the environment of restricted materials that exceed environmental standards because of an accident or other incident. Moreover, the Company group also cannot completely eliminate the possibility of being held responsible for removal and clean-up costs if restricted materials remain in the soil at factory sites or other locations in excess of legal standards, or the possibility this will negatively affect site sales prices, and the Company group's operating results or financial position might be affected adversely by these costs.

(17) Matters related to changes in financial position, etc.

i) Valuation of investment securities

The Company group owns stock and other instruments of other firms, including financial institutions with which it conducts transactions, and holds other negotiable securities with market value (the total acquisition cost was JPY2.3 billion and the balance sheet value was approximately JPY5.5 billion at the end of the current fiscal year). Because the Company group values these other negotiable securities at market price using the market price valuation method based on average market prices for the one month period prior to the end of the consolidated fiscal year, there is a possibility that the amount shown on the balance sheet will change depending on the average stock prices for that one month period. The Company group's operating results or financial position might be affected adversely by these factors.

ii) Latent losses on land

The Company revalued land at market prices at the end of the fiscal year based on the Law Concerning Revaluation of Land, and the revalued figure was approximately JPY2.6 billion less than the book value. This latent loss will be realized if the land is sold or otherwise disposed of, and this might adversely affect the Company group's operating results or financial position.

iii) Asset impairment accounting for fixed assets

There is a possibility that the fixed assets including tangible fixed assets, intangible fixed assets, investment and other assets held by the Company group might become subject to asset impairment accounting. In such a case, the Company group's operating results or financial position might be affected adversely.

Consolidated Balance Sheet

(as of Mar. 31, 2006)

(Unit: Millions of yen)

Item	Previous Fiscal Year		Current Fiscal Year		Increase/decrease	
	Amount	%	Amount	%	Amount	%
(Assets)						
I Current Assets	77,619	66.8	73,275	66.9	(4,344)	(5.6)
Cash and cash Equivalents	15,941		14,048		(1,893)	
Trade notes and accounts receivable	31,501		29,231		(2,270)	
Inventories	25,257		25,887		630	
Prepaid expenses	597		706		109	
Deferred tax assets	692		689		(2)	
Other current assets	4,414		3,444		(969)	
Allowance for doubtful receivables	(785)		(732)		52	
II Fixed Assets	38,400	33.1	36,156	33.0	(2,243)	(5.8)
(1) Tangible fixed assets	23,555	20.3	21,914	20.0	(1,641)	(7.0)
Building and structures	18,090		17,310		(780)	
Machinery and equipment	17,054		19,039		1,984	
Tools, furniture and fixtures	12,780		13,601		821	
Land	10,796		9,215		(1,581)	
Construction in progress	148		-		(148)	
Total	58,871		59,166		295	
Accumulated depreciation	(35,315)		(37,252)		(1,936)	
(2) Intangible fixed assets	8,335	7.2	6,412	5.9	(1,922)	(23.1)
Consolidated adjustment account	183		125		(58)	
Software	7,124		5,525		(1,598)	
Other intangible fixed assets	1,027		761		(265)	
(3) Investments and other assets	6,509	5.6	7,828	7.1	1,319	20.3
Investment securities	3,913		5,642		1,728	
Long term loans	68		-		(68)	
Deferred tax assets	899		744		(155)	
Other investments	1,710		1,528		(181)	
Allowance for doubtful receivables	(83)		(86)		(3)	
III Deferred Assets	117	0.1	122	0.1	5	4.5
New stock issuing expenses	117		122		5	
Total Assets	116,137	100.0	109,554	100.0	(6,583)	(5.7)

(Unit: Millions of yen)

Item	Previous Fiscal Year		Current Fiscal Year		Increase/decrease	
	Amount	%	Amount	%	Amount	%
(Liabilities)						
I Current Liabilities	66,735	57.5	59,019	53.9	(7,716)	(11.6)
Trade notes and accounts payable	18,461		18,132		(329)	
Short term bank borrowings	31,088		26,263		(4,825)	
Accounts payable (non trade)	8,586		5,959		(2,626)	
Income taxes payable	451		536		84	
Accrued expenses	6,668		6,982		313	
Deferred tax liabilities	7		15		7	
Other current liabilities	1,470		1,131		(339)	
II Long Term Liabilities	16,269	14.0	13,048	11.9	(3,221)	(19.8)
Long term debt	0		-		(0)	
Deferred tax liabilities as a result of land revaluations	2,173		2,027		(146)	
Deferred tax liabilities	565		1,454		889	
Liability for employees' retirement benefits	13,492		9,363		(4,128)	
Other long term liabilities	37		202		164	
Total Liabilities	83,004	71.5	72,067	65.8	(10,937)	(13.2)
(Shareholders' Equity)						
I Paid-in capital	14,947	12.9	11,059	10.1	(3,888)	(26.0)
II Capital surplus	13,373	11.5	13,373	12.2	-	-
III Retained earnings	13,199	11.4	18,316	16.7	5,117	38.8
IV Land revaluation surplus	3,167	2.7	2,954	2.7	(213)	(6.7)
V Net unrealized gain on available-for-sale securities	619	0.5	1,889	1.7	1,270	205.2
VI Foreign currency translation adjustments	(12,109)	(10.4)	(10,020)	(9.1)	2,088	(17.2)
VII Treasury stock	(64)	(0.1)	(86)	(0.1)	(21)	33.0
Total Shareholders' Equity	33,132	28.5	37,486	34.2	4,354	13.1
Total Liabilities and Shareholders' Equity	116,137	100.0	109,554	100.0	(6,583)	(5.7)

Consolidated Statements of Income

(Unit: Millions of yen)

Item	Previous Fiscal Year (4/1/2004-3/31/2005)		Current Fiscal Year (4/1/2005-3/31/2006)		Increase/decrease	
	Amount	%	Amount	%	Amount	%
Net Sales	181,112	100.0	183,616	100.0	2,503	1.4
Cost of Sales	137,663	76.0	139,441	75.9	1,778	1.3
Gross Profit	43,448	24.0	44,174	24.1	725	1.7
Selling, General and Administrative Expenses	36,387	20.1	35,487	19.4	(899)	(2.5)
Operating Profit	7,061	3.9	8,686	4.7	1,625	23.0
Non-operating Profit						
Interest income and dividends	126		203		77	
Other non-operating profit	1,335		462		(873)	
Sub-total	1,461	0.8	665	0.4	(796)	(54.5)
Non-operating Expense						
Interest expense	1,247		624		(623)	
Other non-operating expenses	2,578		3,841		1,262	
Sub-total	3,826	2.1	4,465	2.4	639	16.7
Ordinary Income	4,696	2.6	4,886	2.7	190	4.0
Extraordinary Profit						
Gain on sales of fixed assets	215		206		(8)	
Reversal of allowance for doubtful receivables	38		9		(29)	
Gain on sales of investment securities	599		1,829		1,230	
Reversal of patent fees from previous year	149		-		(149)	
Adjusted amount from affiliated companies	16		-		(16)	
Amount of certain pension assets returned to the government	-		4,850		4,850	
Reversal of losses arising from the reorganization of affiliated companies	-		21		21	
Sub-total	1,018	0.5	6,916	3.7	5,897	579.0
Extraordinary Loss						
Loss on devaluation of golf membership	6		0		(6)	
Retirement allowance paid to directors	12		7		(5)	
Loss on devaluation of investment securities	13		249		236	
Loss on sales of fixed assets	21		14		(7)	
Loss on disposal of fixed assets	211		2,773		2,562	
Loss on devaluation of fixed assets	-		81		81	
Impairment loss	-		988		988	
Lease cancellation losses	-		38		38	
Losses arising from the reorganization of affiliated companies	172		-		(172)	
Impairment losses from overseas subsidiaries	14		-		(14)	
Extraordinary loss on disposal of inventories	-		528		528	
Loss on revision of profit and loss of previous year	-		68		68	
Sub-total	452	0.2	4,749	2.6	4,297	950.7
Income before Income Taxes	5,263	2.9	7,053	3.8	1,790	34.0
Corporate Tax, Corporate Inhabitant Tax and Corporate Enterprise Tax	404	0.2	740	0.4	336	83.2
Deferred Corporate Tax			129	0.1	129	
Corporate Tax and Other Adjustment	22	0.0	78	0.0	55	242.3
Net Income	4,836	2.7	6,104	3.3	1,268	26.2

Consolidated Statements of Retained Earnings

(Unit: Millions of yen)

Item	Previous Fiscal Year (4/1/2004-3/31/2005)		Current Fiscal Year (4/1/2005-3/31/2006)	
(Capital Surplus)				
I Beginning balance of capital surplus		-		13,373
II Increase in additional capital surplus				
1 Issuance of new shares through an increase in capital	11,514		-	
2 Increase by capital reduction	1,859	13,373	-	-
III Ending balance of capital surplus		13,373		13,373
(Retained Earnings)				
I Beginning balance of retained earnings		(9,777)		13,199
II Increase in retained earnings				
1 Net Income	4,836		6,104	
2 Increase by capital reduction	18,140		-	
3 Transfer from land revaluation surplus arising from impairment of land	-		167	
4 Transfer from land revaluation surplus arising from sale of land	-	22,976	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		13,199		18,316

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

Item			Previous Fiscal Year (4/1/2004-3/31/2005) Amount	Current Fiscal Year (4/1/2005-3/31/2006) Amount
I	Cash Flows from Operating Activities:			
	1	Income before income taxes	5,263	7,053
	2	Depreciation	7,821	7,403
	3	Impairment loss	-	988
	4	Amortization	62	58
	5	Decrease in allowance for doubtful accounts	(267)	(102)
	6	Increase (decrease) in allowance for employees' retirement	1,693	(4,141)
	7	Interest revenue and dividend income	(126)	(203)
	8	Interest expense	1,247	624
	9	Investment gain by equity method	(45)	-
	10	Gain on sale of investment securities	(599)	(1,829)
	11	Loss on devaluation of investment securities	13	249
	12	Loss on devaluation of golf membership	6	0
	13	Loss on disposal of fixed assets	211	2,773
	14	(Gain) loss on sales of fixed assets	(193)	(192)
	15	Loss on devaluation of fixed assets	-	81
	16	Loss on impairment from overseas subsidiaries	14	-
	17	Gain on closing of affiliated companies	(16)	-
	18	Loss from reorganizing of affiliated companies	172	-
	19	Decrease in trade notes and accounts receivable	424	4,379
	20	Decrease in inventories	0	669
	21	Increase (decrease) in accounts payable	982	(4,988)
	22	Decrease in consumption tax payable	(21)	(61)
	23	(Increase) decrease in consumption tax refunds receivable	(69)	190
	24	Amount paid as bonuses to directors	-	(46)
	25	Others	582	870
		Sub-Total	17,156	13,778
	26	Interest and dividends received	127	201
	27	Interest paid	(1,139)	(637)
	28	Income taxes paid	(592)	(670)
	29	Disbursement to directors for retirement	(12)	(7)
		Net cash provided by operating activities	15,539	12,664
II	Cash Flows from Investing Activities:			
	1	Increase in (deposit to) time deposits	(407)	(2)
	2	Decrease in (withdrawal from) time deposits	4,032	30
	3	Capital investment (real estate, plants and equipment)	(4,216)	(3,570)
	4	Proceeds from sale of property, plant and equipment	2,208	1,535
	5	Purchase of intangible fixed assets	(4,700)	(4,306)
	6	Purchase of investment securities	(1,122)	(23)
	7	Proceeds from sales of investment securities	625	2,017
	8	Payment for loan receivables	(0)	(0)
	9	Proceeds from collection of loan	64	0
	10	Execution of long-term loan receivables	-	(1)
	11	Proceeds from collection of long-term loan	2	0
		Net cash used in investing activities	(3,513)	(4,320)
III	Cash Flows from Financing Activities:			
	1	Decrease in short-term bank borrowings, net	(22,404)	(4,276)
	2	Repayments of long-term debt	(14,688)	(1,154)
	3	Proceeds from issuance of common stock	22,941	11,004
	4	Outflow by redemption (with compensation) of class-A preferred stock	(16,100)	-
	5	Outflow by redemption (with compensation) of class-B preferred stock	-	(15,000)
	6	Dividend payments	-	(1,148)
	7	Others	(82)	(99)
		Net cash used in financing activities	(30,333)	(10,673)
IV	Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents		406	462
V	Net Incresase (Decrease) in Cash and Cash Equivalents		(17,901)	(1,866)
VI	Cash and Cash Equivalents at beginning of year		33,698	15,875
VII	Net Increase in Cash and Cash Equivalents in accordance with change of consolidated subsidiaries		78	-
VIII	Cash and Cash Equivalents at end of year		15,875	14,008