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Notice on the Revision of the Performance Forecast for the Fiscal Year Ended March 2007

April 2, 2007

Company Name: Kenwood Corporation (Code: No. 6765, Stock Exchange: Tokyo Section 1)
URL: http://www.kenwood.co.jp/en/
Representative: Haruo Kawahara, President and CEO
Inquiries: Hiroyuki Taki, Executive Vice President & Executive Officer, CFO
(TEL: +81-42-646-6724)

Kenwood Corporation (hereinafter referred to as the Company) has revised its performance forecast as follows because it anticipates that the consolidated ordinary income and net income, as well as non-consolidated ordinary income and net income, for the fiscal year ended March 2007 (from April 1, 2006 to March 31, 2007) will fall short of the forecasted figures announced on May 19, 2006.

1. Revision of the performance forecast for the fiscal year ended March 2007 (April 1, 2006 to March 31, 2007)

(1) Revision of the consolidated performance forecast

(JPY in Million)

	Net sales	Ordinary income	Net income
Previously announced forecast (A) (Announced on May 19, 2006)	185,000	6,000	5,000
Revised forecast (B)	171,000	1,600	800
Amount of change (B – A)	-14,000	-4,400	-4,200
Rate of change (%)	-7.6%	-73.3%	-84.0%
Previous fiscal year's result (Fiscal year ended March 2006)	183,616	4,886	6,104

* For reference, consolidated operating profit will be below the previous forecast of JPY9 billion by about JPY4 billion.

(2) Revision of the non-consolidated performance forecast

(JPY in Million)

	Net sales	Ordinary income	Net income
Previously announced forecast (A) (Announced on May 19, 2006)	130,000	3,000	2,800
Revised forecast (B)	120,000	100	1,100
Amount of change (B-A)	-10,000	-2,900	-1,700
Rate of change (%)	-7.7%	-96.7%	-60.7%
Previous fiscal year's result (Fiscal year ended March 2006)	133,918	2,547	6,319

2. Reasons for revision of the performance forecast for the fiscal year ended March 2007 (April 1, 2006 to March 31, 2007)

(1) Reason for revision of the consolidated performance forecast

As we mentioned in the "Consolidated Financial and Performance Review for the Third Quarter of the Fiscal Year Ending March 2007" announced on January 26, 2007, earnings for the first half of the fiscal year were in line with our forecast, but net sales and profits for the third quarter fell significantly short of our forecast because of factors such as deterioration in the market conditions for the Car Electronics Consumer business and influence of auto sales market conditions on our Car Electronics OEM business.

The fourth quarter of the fiscal year is the Company's biggest sales season in the year owing to the introduction of new products from the Car Electronics Consumer business to the global market, and sales and profits for March, especially, are large. Given the circumstances, in addition to the fact that earnings in the Communications Equipment business and the Home Electronics business were strong up to the third quarter of the fiscal year, we maintained the full-year earnings forecast in anticipation of the businesses picking up further.

During the fourth quarter of the fiscal year, the Company was able to introduce new products of the Car Electronics Consumer business successfully. Although sales of low-end models in the Car Electronics Consumer (Audio) business were slow, proposal-based mid- and high-priced models, for which the Company had pursued seamlessness with digital media equipment, created new demand and total volume of shipments exceeded the previous fiscal year's result. However, the Company's Car Electronics Consumer (Audio) business continued to be affected, as it did in the third quarter, by greater-than-expected price declines especially in March, and sales and profits in the Car Electronics Consumer (Audio) business decreased drastically. In the Car Electronics Consumer (Multimedia) business, sales of car navigation systems were strong in the overseas market, but those in the domestic market were slow, leading to a sharp decline in profits in the overall Car Electronics Consumer business.

Earnings in the Car Electronics OEM business decreased more than we had anticipated because of the influence of termination of sales of the mainstay auto models.

Earnings in the Communications Equipment business remained stronger than expected because of factors such as the effect of IWCE (International Wireless Communications Expo) held in late March and robust sales of mobile-phone handsets, and Home Electronics business remained almost in line with the forecast on the back of the introduction of new products, but these favorable factors did not compensate for the sharp drop in earnings in the Car Electronics business.

The Company had planned to post an up-front development cost of about JPY1.1 billion for Car Electronics OEM products for automobiles, for which sales will start in the fiscal year ending March 2008, in the period when the product will be launched. However, as a result of accounting deliberation, we decided to post it in the fiscal year ended March 2007. This will lead to a decrease in development costs and contribute to an earnings increase in the fiscal year ending March 2008 and beyond, but it was another reason why consolidated operating profit decreased in the fiscal year ended March 2007.

In addition, the Company continued to be affected by foreign exchange market conditions in Singapore and Malaysia, where it has production bases, in the fourth quarter of the fiscal year, the extent of which was greater than the effect of yen appreciation against the euro, generating another factor of profit decrease.

As a result of the above, consolidated net sales and operating profit for the fiscal year ended March 2007 are expected to underachieve the previous forecast of the Company by about JPY14 billion and JPY4 billion, respectively.

In the meantime, consolidated ordinary income and net income are both anticipated to fall short of previous forecast by nearly JPY4 billion because of a decrease in operating profit.

The above performance forecast is based on a preliminary forecast of the Company as of the end of March 2007, and actual results at account settlement may differ to some degree.

(2) Reason for revision of the non-consolidated performance forecast

Non-consolidated net sales and ordinary income are expected to fall below the previous forecast by about JPY10 billion and JPY3 billion, respectively, because of factors similar to those for the consolidated performance forecast.

Non-consolidated net income is anticipated to fall short of the previous forecast by a little less than JPY2 billion as the Company will post gains on sales of investment securities and gains on reversal of provision for loss from investment in subsidiaries, and it will not change the expected dividends of JPY2 per share annually.

3. Prospective policy for the fiscal year ending March 2008

For the fiscal year ending March 2008, which will be the last fiscal year of the Second Medium-term Business Plan that the Company initiated from the fiscal year ended March 2006, the Company proceeds with a plan to start growing again, with the fiscal year ended March 2007 as the bottom of its performance. For instance, the Company implemented strategic development investment and posted up-front development costs in the Car Electronics OEM business in the fiscal year ended March 2007 as described above, and other measures such as a growth strategy will be expected to yield results. In addition, the Company will strive to achieve drastic cost reductions and address foreign exchange and tariff issues.

The Company will release its performance forecast for the fiscal year ending March 2008 at the time of earnings announcement, which is expected to be in May 2007. For the time being, we expect that the following main measures will yield results in the fiscal year ending March 2008:

*** Car Electronics Business**

The Company expects the severe conditions in the market for the Car Electronics Consumer (Audio) business to continue. But we expect earnings in the business will recover as a result of efforts such as development of emerging markets and drastic cost reductions, as well as on the back of the demand-stimulating effect of proposal-based med- and high-priced models that we launched on the global market in the fourth quarter of the fiscal year.

In the Car Electronics Consumer (Multimedia) business, the Company expects that the effect of line-ups expansion of car navigation systems for both domestic and overseas markets through strategic development investment and expanding sales area in the fourth quarter of the fiscal year will contribute to its performance on a full-year basis.

In the Car Electronics OEM business, we expect to benefit from the effect of vertical integration between the Nagano Factory and Shanghai Factory that the Company forged ahead with in the fiscal year ended March 2007, in addition to expected recovery in the sales volume and profitability of Car Electronics OEM products for automobiles that will start sales in the fiscal year ending March 2008. In addition, the Company will post up-front investment costs in the fiscal year ended March 2007 as described above. As a result of these factors, the Company forecasts that the burden of development costs will decrease dramatically in the fiscal year ending March 2008 and beyond.

*** Communications Equipment Business**

Because of the implementation of strategic development investment, the Company expects effects from the development of Land Mobile Radio equipment, which it pressed ahead with in the fiscal year ended March 2007, and synergetic effects of tie-ups with EADS Group and European radio companies.

*** Home Electronics Business**

In the Home Electronics business, the Company expects that it will benefit on a full-year basis from measures such as reducing the line-ups of unprofitable models and expanding product line-ups of high-class pure audio systems and portable digital audio players through strategic development investment that it implemented in the fiscal year ended March 2007.

Note on Performance Forecast

The performance forecast discussed above is a future estimate based on the judgments of Kenwood Corporation obtained from currently available information. Actual results may differ materially from the performance forecast for a variety of reasons. Accordingly, the Company recommends that investment decisions are not made solely on the basis of the performance forecast.