Consolidated Summary Report for the First Half of Fiscal Year Ending March 2008

November 13, 2007

Company Name: Kenwood Corporation (Code No.: 6765, Stock Exchange: Tokyo Section1)
URL: http://www.kenwood.co.jp/en/
Representative: Kazuo Shiohata, President and CEO
Inquiries: Hiroyuki Taki, Director of the Board, Executive Vice President & Executive Officer, CFO (TEL: +81-42-646-6724)
Scheduled date of the submission of interim financial statements: December 26, 2007

(Amounts less than JPY 1 million are discarded.)

1. Consolidated Performance for the First Half of Fiscal Year Ending March 2008
(April 1, 2007 - September 30, 2007)

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

	Net Sales		Operating Profit		Ordinary Income		Net Income	
	JPY in Million	%	JPY in Million	%	JPY in Million	%	JPY in Million	%
The first half of FY2007	85,635	4.9	2,615	-17.9	1,580	-15.8	1,209	-3.5
The first half of FY2006	81,660	-9.3	3,185	-9.9	1,877	22.7	1,253	-56.7
FY2006	169,194	-	5,617	-	2,339	-	1,586	-

	Net Income per Share	Net Income per share after adjusting for latent shareholdings
	JPY	JPY
The first half of FY2007	3.30	-
The first half of FY2006	3.42	-
FY2006	4.32	-

Reference:
Equity in Earnings (or Losses) from Associated Companies
As of Sept. 30, 2007: - As of Sept. 30, 2006: - As of Mar. 31, 2007: -

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
	JPY in Million	JPY in Million	%	JPY
The first half of FY2007	134,691	34,643	25.7	94.42
The first half of FY2006	105,918	38,159	36.0	103.98
FY2006	111,220	39,066	35.1	106.46

Reference:
Shareholders' Equity
As of Sept. 30, 2007: JPY 34,643 million As of Sept. 30, 2006: - As of Mar. 31, 2007: JPY 39,066 million

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the end
	JPY in Million	JPY in Million	JPY in Million	JPY in Million
The first half of FY2007	3,529	-31,380	28,922	18,236
The first half of FY2006	5,036	-2,414	-1,491	15,329
FY2006	11,456	-5,218	-3,717	16,934

2. Dividend Status

	Dividend per Share		
Date of Record	End of Interim Period	End of Full Year	Annually
	JPY	JPY	JPY
FY2006	-	2.00	2.00
FY2007	-		
FY2007 (forecast)	-	2.00	2.00

3. Forecast for FY2008 (April 1, 2007 - March 31, 2008)

(Figures shown in percentages are rates of change from the previous year.)

	Net Sales		Operating Profit		Ordinary Income		Net Income		Net Income per Share
	JPY in Million	%	JPY in Million	%	JPY in Million	%	JPY in Million	%	JPY
Full Year	183,000	8.2	8,300	47.8	5,000	113.7	4,000	152.2	10.90

Note:
The forward-looking statements above are based on information such as economic factors and corporate business policy available to the Group at the time of publishing. As such, the actual financial performance of the Group may differ from the forecast due to a variety of factors. Please refer to pp. 3 -12 for the basic premises underlying the forecast.

4. Others

(1) Change in the number of significant subsidiaries during the term (change in the number of specific subsidiaries due to change in the scope of consolidation): None

(2) Changes in accounting principles, procedures, classification, etc. related to the preparation of consolidated financial statements

1) Changes due to revision of accounting standards, etc.: Applicable
2) Changes other than 1): None

(3) Number of outstanding shares (Common stocks)
1) Number of outstanding shares (including treasury stocks)
As of Sept. 30, 2007: 367,524,995 shares As of Sept. 30, 2006: 367,524,995 shares As of Mar. 31, 2007: 367,524,995 shares

2) Number of treasury shares
As of Sept. 30, 2007: 629,464 shares As of Sept. 30, 2006: 525,922 shares As of Mar. 31, 2007: 576,494 shares

Reference: Overview of the Non-Consolidated Performance

1. Financial Performance for the First Half of Fiscal Year ending March 2008
(April 1, 2007 - September 30, 2007)

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

	Net Sales		Operating Profit		Ordinary Income		Net Income	
	JPY in Million	%	JPY in Million	%	JPY in Million	%	JPY in Million	%
The first half of FY2007	59,825	-0.7	113	-88.3	380	-64.1	559	-52.3
The first half of FY2006	60,227	-9.9	965	-31.5	1,058	4.5	1,172	-66.7
FY2006	120,061	-	696	-	574	-	2,034	-

	Net Income per Share
	JPY
The first half of FY2007	1.52
The first half of FY2006	3.19
FY2006	5.54

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per share
	JPY in Million	JPY in Million	%	JPY
The first half of FY2007	116, 644	34,395	29.5	93.75
The first half of FY2006	88,340	39,175	44.3	106.74
FY2006	93,131	39,737	42.7	108.29

Reference:
Shareholders' Equity
As of Sept. 30, 2007: JPY 34,395 million As of Sept. 30, 2006: - As of Mar. 31, 2007: JPY 39,737 million

1. Business Results

(1) Analysis of Business Results

1. Business Results for the First Half of the Fiscal Year Ending March 2008

1) Performance Review for the First Half of the Fiscal Year Ending March 2008

With regard to the global economy in the first half of the fiscal year under review, there were rising concerns about an economic slowdown in the U.S. owing to negative factors such as the subprime loan problem. However, the Asian economy continued to expand, notably in China, and the European economy enjoyed brisk economic growth as well.

In the meantime, the Japanese economy showed a moderate economic recovery because corporate earnings remained strong and capital investment stayed solid.

Under such circumstances, net sales and operating profit of the Kenwood Group during the first half of the fiscal year under review were generally in line with the forecast we made at the beginning of the current fiscal year. This was because we were able to return to increases both in sales and profit in the second quarter as results of various measures including strategic development, into which we had put our energy during the previous fiscal year ended March 2007, began to appear, in addition to the effect of consolidating Zetron, Inc., a U.S.-based system communications company, although we continued to face severe competition in the Consumer Electronics business area.

Also, driven by factors including non-operating profit that eclipsed the forecast, both ordinary income and net income posted results surpassing the forecast made at the beginning of the fiscal year under review.

2) Consolidated Earnings

***Net Sales**

Net sales in each business segment of the Car Electronics, Communications Equipment and Home Electronics were mainly in line with the forecasts we made at the beginning of the current fiscal year, resulting in increase in revenue.

Although net sales of the Car Electronics OEM business declined, net sales of the Car Electronics Consumer business were boosted, as a result of which net sales in the overall Car Electronics business remained unchanged from the same period of the previous fiscal year.

In the meantime, net sales in the Home Electronics business declined year-on-year for reasons such as a strategy change that we implemented in the previous fiscal year. However, we achieved a sales expansion in the Communications Equipment business by acquiring Zetron, and the growth of the Personal Digital Cellular (PDC) phones sales business far exceeded the lower sales in the Home Electronics business. Net sales for the entire Group during the first half of the fiscal year under review increased by approximately JPY 4 billion (or 4.9%) from the same period of the previous fiscal year to JPY 85,635 million.

***Operating Profit**

Although there were depreciation expenses on intangible fixed assets of Zetron that exceeded our estimate by approximately JPY 0.2 billion and various expenses of about JPY 0.1 billion arose in association with capital alliance and our study on management integration with Victor Company of Japan, Limited (JVC), which was not forecasted at the beginning of the current fiscal year, the results of various measures such as strategic development, sales expansion and profit recovery, on which we had focused our efforts during the previous fiscal year, began to appear and we were able to achieve a year-on-year profit increase in the second quarter. Thus, the operating profit for the entire Group fell short of our forecast by nearly JPY 0.2 billion (or 6.6%).

Profits in the Communications Equipment business were on a par with the results of the same period of the previous fiscal year as profit expansion in the PDC phones sales business countered the effects of negative factors such as provisional expenses and depreciation expenses related to the acquisition of Zetron.

In the meantime, the loss in the Home Electronics business fell from the same period of the previous fiscal year owing to the effect of our strategy change. However, because the results in Car Electronics business deteriorated due to the decline in sales of OEM business during the first quarter, operating profit for the first half of the fiscal year under review decreased approximately JPY 0.6 billion (or 17.9%) from the same period of the previous fiscal year to JPY 2,615 million.

***Ordinary Income**

Although ordinary income for the first half of the fiscal year under review exceeded our forecast by approximately JPY 0.1 billion (or 5.3%) because of factors such as non-operating profit related to intellectual property rights exceeding our initial estimate, it decreased almost JPY 0.3 billion (or 15.8%) from the same period of the previous fiscal year to JPY 1,580 million because of the decrease in operating profit.

***Net Income**

Net income for the first half of the fiscal year under review also exceeded our forecast by approximately JPY 0.2 billion (or 20.9%) and was on a par with the same period of the previous fiscal year, posting JPY 1,209 million, because of factors such as ordinary income exceeding our initial forecast, in addition to the absence of retirement allowance to directors that we posted as an extraordinary loss in the previous fiscal year.

(Net Sales and Earnings by Segment)

Consolidated net sales and earnings by segment were as follows:

(JPY in Million)

Segment		Previous 1st half	Current 1st half	Increase or Decrease	
Car Electronics	Net Sales	47,624	47,441	-183	-0.4%
	Operating Profit	106	-691	-797	-
Communications Equipment	Net Sales	28,420	33,022	+4,602	+16.2%
	Operating Profit	3,999	3,970	-29	-0.7%
Home Electronics	Net Sales	4,640	3,885	-755	-16.3%
	Operating Profit	-919	-698	+221	-
Others	Net Sales	976	1,287	+311	+31.9%
	Operating Profit	-1	34	+35	-
Total	Net Sales	81,660	85,635	+3,975	+4.9%
	Operating Profit	3,185	2,615	-571	-17.9%
	Ordinary Income	1,877	1,580	-297	-15.8%
	Net Income	1,253	1,209	-44	-3.5%

***Car Electronics Business**

Net sales of the OEM business declined significantly because of inactive sales of our mainstay line-fitted products. However, net sales of the Car Electronics Consumer (Audio) business maintained sales on a par with the same period of the previous fiscal year amid a shrinking market, notably in Europe and the U.S., and those of the Car Electronics Consumer (Multimedia) business were boosted substantially owing to increased sales of car navigation systems in overseas markets, as a result of which sales of the Car Electronics Consumer business surpassed the same period of the previous fiscal year. Consequently, net sales in the overall Car Electronics business were same as the previous corresponding period, as was generally in line with our forecast.

Although profits of the Car Electronics Consumer (Audio) business were influenced by price reductions, earnings of the Car Electronics Consumer (Multimedia) business improved significantly due to sales increase and thanks to this result, profits of the overall Car Electronics Consumer business were boosted. In the meantime, earnings of the overall Car Electronics business slightly exceeded our forecast but fell significantly below the result of the same period of the previous fiscal year because of negative factor; deteriorated earnings of the OEM business from the influence of lower sales particularly seen during the first quarter of the current fiscal year.

***Communications Equipment Business**

Net sales of the overall Communications Equipment business substantially exceeded those of the same period of the previous fiscal year as was in line with our forecast because of the significant increase of sales in the PDC phones sales business as a result of the accompanying aggressive sales promotion measures implemented by PDC carriers and a strategy change by the Kenwood Group, in addition to the consolidation of sales of Zetron from May 10 in the mainstay Land Mobile Radio equipment business.

In terms of earnings, profits of the Communications Equipment business remained on a par with the same period of the previous fiscal year, although profits of the overall Communications Equipment business fell slightly below our forecast because the Group posted provisional expenses related to the acquisition of Zetron and depreciation expenses on its intangible fixed assets that exceeded our estimates. However, profits in the PDC phones sales business expanded accompanying sales increases, and offset the above decrease in profit.

***Home Electronics Business**

Net sales in the Home Electronics business were generally in line with our forecast but were lower than the result of the same period of the previous fiscal year because we reduced the line-up of existing audio products on account of the strategy change we implemented in the previous fiscal year.

However, earnings improved further as a result of our strategy change and losses decreased from those of the same period of the previous fiscal year, as was generally in line with our forecast, despite lower sales.

(3) Non-Consolidated Operating Results

***Net Sales**

As the acquisition of Zetron, which contributed to consolidated earnings, and the growth in the PDC phones sales business are reflected in the earnings of our consolidated subsidiaries and do not affect our non-consolidated earnings, non-consolidated sales stayed at the same level as the same period of the previous fiscal year and decreased approximately JPY 0.4 billion (or 0.7%) from the same period of the previous fiscal year to JPY 59,825 million.

***Earnings**

For reasons similar to those for consolidated earnings, operating profit decreased about JPY 0.9 billion (or 88.3%) year-on-year to JPY 113 million, ordinary income declined approximately JPY 0.7 billion (or 64.1%) year-on-year to JPY 380 million and net income was down about JPY 0.6 billion (or 52.3%) from the same period of the previous fiscal year to JPY 559 million.

2. Earnings Outlook for the Fiscal Year Ending March 2008

With regard to the global economy in the future, there are concerns about the effect of the subprime loan problem in the U.S. and skyrocketing oil prices, which are causing growing uncertainty over the economic climate down the road.

Under such circumstances, the Kenwood Group is concerned that the negative factors that occurred during the first half of the fiscal year under review, such as trends in mainstay line-fitted products sales in the OEM business of the Car Electronics business and various expenses related to conducting a study on a capital and business alliance and management integration with JVC, which we did not expect at the beginning of the current fiscal year, may continue to affect earnings for the second half of the fiscal year under review.

However, our earnings outlook for the fiscal year ending March 2008 remains unchanged from the beginning of the period with net sales of JPY 183 billion, operating profit of JPY 8.3 billion, ordinary income of JPY 5 billion and net income of JPY 4 billion. This is because expected benefits from the effects of various measures for strategic development, sales expansion and profit recovery, on which we focused in the fiscal year ended March 2007, are expected to gradually become apparent in the second half of the current fiscal year and beyond; the Car Electronics Consumer business, which is the mainstay of the Car Electronics business, expects to have the largest sales opportunity in a year in the fourth quarter; and Zetron, which the Group converted into its subsidiary, is expected to increase its sales and profits in the third quarter and beyond.

Note that while the synergistic effects from the capital and business alliance with JVC will begin to become successively apparent from the second half of the current fiscal year, we expect the effects will start to contribute to earnings on a full-scale basis from the fiscal year ending March 2009 and beyond.

[Notes on Earnings Outlook]

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

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

(2) Analysis of Financial Position

1. Analysis of Assets, Liabilities and Net Assets

Total assets at the end of the first half of the fiscal year ending March 2008 increased approximately JPY 23.5 billion from the end of the previous fiscal year to JPY 134,691 million mainly because of increases in intangible fixed assets accompanying the acquisition of Zetron and in investment securities as a result of stock acquisition for third party allotment of new shares by JVC.

Net assets decreased approximately JPY 4.4 billion from the end of the previous fiscal year to JPY 34,643 million, although shareholders' equity increased as a result of a rise in retained earnings, because unrealized gain and loss on available-for-sale securities decreased approximately JPY 5.1 billion owing to the effect of a decline in prices of investment securities which are held by the Group.

As a result, shareholders' equity ratio declined by 9.4 percentage points compared with the end of the previous fiscal year to 25.7%.

Interest-bearing debt increased approximately JPY 30.1 billion from the end of the previous fiscal year to JPY 53,844 million because the Group appropriated short term borrowings from financial institutions for purposes such as funding the acquisition of Zetron and stock acquisition for third-party allotment of new shares. Net debt rose approximately JPY 28.8 billion from the end of the previous fiscal year to JPY 35,568 million.

In the "Consolidated Financial and Performance Review for the First Quarter of Fiscal Year Ending March 2008", which we released on July 27 this year, most of the increases in intangible fixed assets as a result of the acquisition of Zetron were posted as goodwill. However, we thereafter revalued the assets of Zetron at fair value and decided to record approximately half of the increases in the above-mentioned assets as other intangible fixed assets.

The increase in intangible fixed assets that is a combined total of goodwill and other intangible fixed assets will remain unchanged. However, other intangible fixed assets are written off over a shorter period compared with goodwill, and therefore, depreciation expenses will increase on a short-term basis and affects earnings. In fact, depreciation expenses on intangible fixed assets of Zetron with regard to operating profit for the first half of the fiscal year under review exceeded our estimate at the beginning of the period because of this effect.

2. Cash Flow Analysis

Cash flows from operating activities in the first half of the fiscal year ending March 2008 stood at JPY 3,529 million, down approximately JPY 1.5 billion from the same period of the previous fiscal year. This was mainly attributable to the growing need of operation funds due to increases in inventories and trade notes and accounts receivable accompanied by sales increase compared to the same period of the previous fiscal year.

Cash flows from investing activities increased approximately JPY 29 billion from the same period of the previous fiscal year to JPY 31,380 million, primarily because of the expenditure related to acquiring the shares of Zetron and JVC.

Cash flows from financing activities increased approximately JPY 30.4 billion from the same period of the previous fiscal year to JPY 28,922 million. This was mainly attributable to appropriation of borrowings from financial institutions for funds applied toward investment activities.

(Ref.) Changes in Cash Flow-Related Indices

	Fiscal Year ended March 2006		Fiscal Year ended March 2007		Fiscal Year ending March 2008
	End of 1st half	End of fiscal year	End of 1st half	End of fiscal year	End of 1st half
Shareholder's equity ratio (%)	29.2	34.2	36.0	35.1	25.7
Shareholder's equity ratio at market value (%)	74.4	91.5	78.0	59.1	44.1
Ratio of cash flow to interest-bearing debts (%)	-	207.4	-	207.3	-
Interest coverage ratio (times)	15.2	19.9	20.3	22.4	13.9

(Calculation Method)

- Shareholder's equity ratio = Net assets / Total assets
- Shareholder's equity ratio at market value = Market capitalization / Total assets
- Ratio of interest-bearing debts to cash flows = Interest-bearing debts / Operating cash flows (No disclosure in interim period)
- Interest coverage ratio = Operating cash flows / Interest payment

Notes:

- Each index is calculated based on consolidated financial figures.
- Market capitalization is calculated by multiplying closing stock price at the end of the fiscal period under review by the number of outstanding shares at the end of the fiscal period under review (after deducting the number of treasury shares).
- Interest-bearing debts include all debts whose interests are paid in the Consolidated Balance Sheet. As for

cash and cash equivalents, “Cash and cash equivalents” in the Consolidated Balance Sheet is used.

・ As for operating cash flow and interest payment figures, “Cash flows from operating activities” and “Interest paid” of the Consolidated Statements of Cash Flows are used.

(3) Basic Policy on Profit Distribution and Dividends for Fiscal Years Ending March 2008

Kenwood considers one of its most critical management challenges to be ensuring a stable return of profit to its shareholders, and is committed to deciding upon dividends of surplus and other appropriations by giving due and comprehensive consideration to its earnings capabilities and financial position.

Based on this policy, and bearing in mind that we should use our surplus for strategic investments aimed at our future growth, the Group has already announced at the beginning of the current fiscal year that we plan to pay a year-end dividend of two yen per share, the same as in the previous fiscal year, from the perspective of paying stable dividends on an ongoing basis. According to this plan, we decided not to pay an interim dividend for the fiscal year ending March 2008.

(4) Business and Other Risks

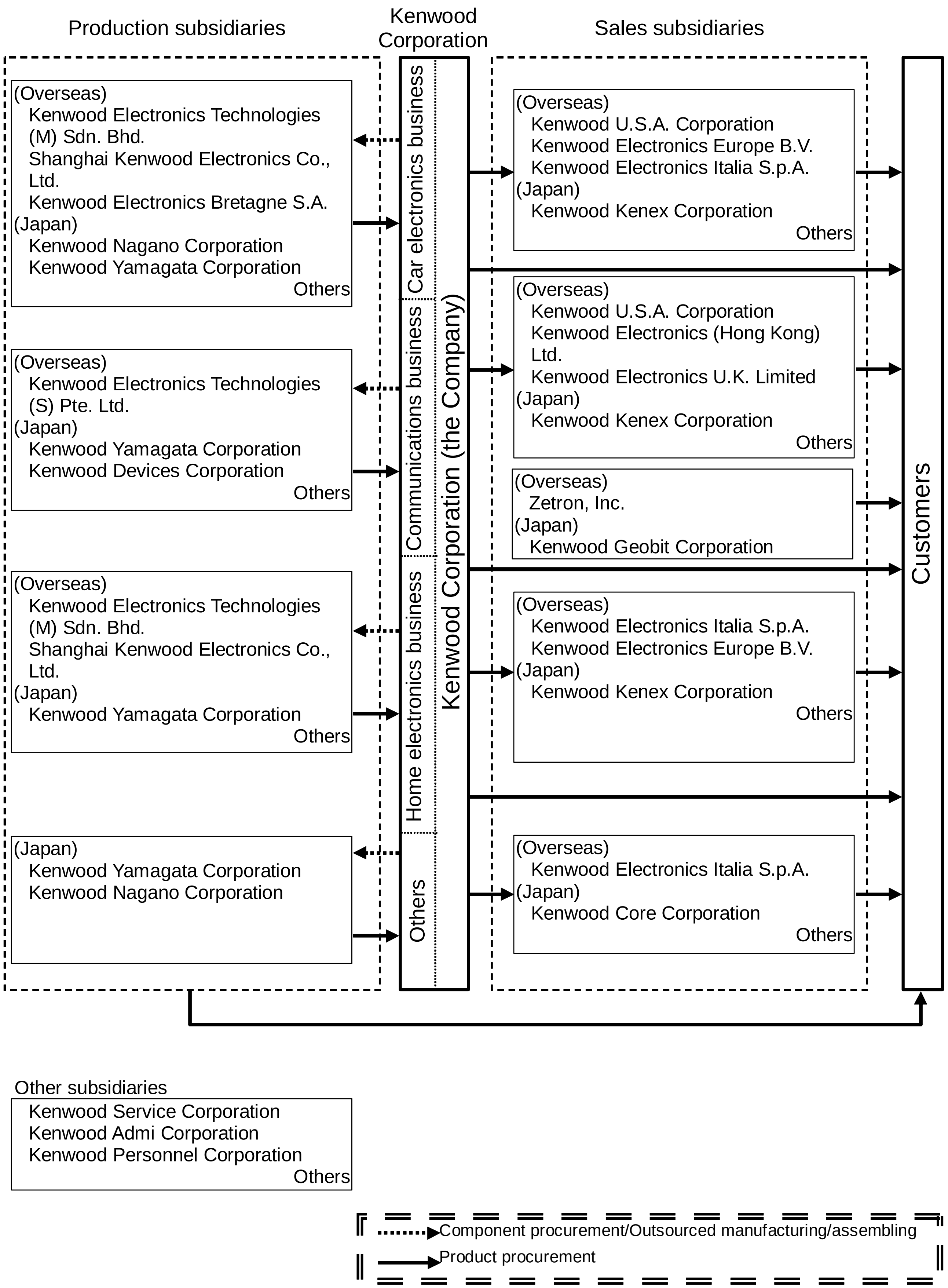
Of the matters concerning the operating performance, share price and financial position of the Kenwood Group, risks which may exert material influences on the judgment of investors include:

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

2. Overview of the Kenwood Group

The Kenwood Group comprises Kenwood Corporation (hereinafter “the Company”) and its 45 affiliated companies (as of September 30, 2007) engaged mainly in production and marketing of car electronics, communications and home electronics equipment, as well as other related businesses.
The Group’s business sectors, major products and affiliates are as follows:

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


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

3. Management Policy

(1) Basic Management Policy

In May 2005, the Kenwood Group developed the mid-term business plan, "Value Creation Plan", with the aim of pushing forward with initiatives for creating and expanding its corporate value.

For the fiscal year ending March 2008, which is the last year of the Value Creation Plan, we have set a policy of making apparent the results of investments in strategic development, which we pressed ahead with during the fiscal year ended March 2007, and forging ahead with efforts for achieving a steady growth in each of the ongoing businesses of Car Electronics, Communications Equipment and Home Electronics businesses, as well as working on a medium- to long-term growth strategy through M&A and business alliance.

In order to implement this policy, the Group established a new position of chairman effective June 28, 2007. Under this new framework, we will enhance strategic initiatives for creating and expanding corporate value over the medium to long term.

(2) Issues that the Group must Address and Efforts over the Medium to Long Term

1. Efforts for Reconstructing and Achieving Growth in the Existing Businesses

*** Car Electronics Business**

In the Car Electronics Consumer business, the market size of the Consumer (Multimedia) business exceeded that of the Consumer (Audio) business, as a result of which navigation systems targeting overseas markets, where the market expansion is especially remarkable, have become important. In the Car Electronics Consumer (Multimedia) business, the Group enhanced its line-up of car navigation systems that we develop with the new concept we had introduced to overseas markets in the previous fiscal year, with the aim of pushing forward with full-scale global business expansion, in addition to pursuing the joint development of portable navigation systems. In the Car Electronics Consumer (Audio) business, we have been working on exhaustive cost reductions, as well as shifting our product line-up to high value-added models.

In the OEM business, the Group is focusing on expanding sales by launching new products for line-fitted models, as well as releasing new products for dealer-option models. In addition, we are putting our energies into improving the production systems and reducing costs in response to the start of shipping of DVD and CD drives for which we received large orders, scheduled to start at the end of the fiscal year ending March 2008.

*** Communications Equipment Business**

Having achieved the goals of the mid-term business plan for the Communications Equipment business in the previous fiscal year, the Group will strive to achieve steady growth of this business by boosting market introduction of Digital Land Mobile Radio equipment which have resulted from investments in strategic development.

In addition, we are focusing on efforts for further growth in the PDC sales business by expanding the number of directly-operated shops and franchise shops in view of the proactive measures implemented by PDC carriers.

*** Home Electronics Business**

Having finished reducing the line-up of unprofitable audio parts in the previous fiscal year, we are striving to enhance our product line-up by launching new premium products to press forward with the premium long-tail strategy. At the same time, we are making full-fledged efforts for establishing a "Seamless Entertainment".

While we have promoted product development and sales with the focus on the Japanese market during the process of cutting down the line-up of existing models, we are enhancing our line-up of products for overseas markets, notably in Europe and Oceania, and working on a full-scale basis toward sales expansion and profit improvement.

2. Growth Strategy through Business Alliance and M&A

In view of changes in business environment including price declines in the car electronics market and increases in development costs and the shrinkage of the home electronics market, we will implement the following business alliance and M&A to achieve a strategic growth that exceeds the self-sustained growth of the existing businesses. From the second half of the current fiscal year and beyond, we will press ahead with efforts for maximizing the effect of such growth strategy at an early date.

*** Communications Equipment Business—acceleration of growth strategy**

The Group is promoting a growth strategy in order to expand the business domains from supply of radio terminals to supply of wireless system solutions in the Land Mobile Radio business, the largest core business of the Group, and for which the Group has the second largest share of the global market. Kenwood Group acquired Zetron, a U.S.-based system communications company, to convert it into its subsidiary on May 10. In addition, the Group established a Communications System Division effective October 1 and established an optimal organizational system for promoting communications system business, which differs from the radio terminals business.

In addition, the Group will reinforce the communications system business for government and other public offices, which was handed over to the Group by Toyo Communication Equipment Co., Ltd. (now Epson Toyocom Corporation) in June 2004 and the RFID (Radio Frequency Identification) business, which is operated by Kenwood Core Corporation, its wholly-owned subsidiary, with the aim of expanding the communications system business.

We will also strengthen our cooperation with Icom Inc., European wireless communications companies and the EADS Group and promote efforts for sales expansions in the area of land mobile radio equipment.

*** Car Electronics Business**

The Kenwood Group is strengthening its alliance with companies including Denso Corporation, Garmin Ltd. (U.S.) and Braupunkt GmbH of the Bosch Group (Germany) to press forward with efforts for growth in sales and profits in the growing fields of the Car Electronics Consumer (Multimedia) business and OEM business.

In the Car Electronics Consumer (Audio) business, the Group is reinforcing its alliance with Visteon Corporation (Brazil), in an effort to develop the Latin American market, which has good growth prospects, from the viewpoint of both production and sales.

3. Efforts for Realigning Japanese Specialized Manufacturers

The Kenwood Group considers M&As and business alliances to be effective measures to achieve strategic growth that exceeds self-sustained growth and create and enhance corporate value in mature industries where competition is intense. According to this concept, we have examined all kinds of approaches with an eye toward industry realignment.

*** Investing in and forming a strategic business alliance with Victor Company of Japan, Limited – Established a joint technology development company and started to work on collaborative projects**

To resolve the situation where we incurred operating loss in the Car Electronics business, which accounts for approximately 60 percent of the sales of the Kenwood Group, and in which we had not been able to bring the Home Electronics business to profitability in the fiscal year ended March 2006, we promoted various measures to enhance new products and competitiveness through investments in strategic development in the fiscal year ended March 2007. Consequently, the result of our self-sustained efforts for improving earnings began to become apparent in the fiscal year ending March 2008.

However, as we view it an essential strategy to form a capital and business alliance with JVC, which excels in image technology, aiming for management integration for our medium- to long-term growth and survival of Japanese specialized manufacturers to respond drastically to the shift in growth fields in the market accompanying the progress of digitalization and multimedialization, we strongly promoted that strategy and accomplished it.

*** Investment based on capital and business alliance**

On July 24, the Company signed a capital and business alliance agreement with JVC with the focus on collaboration in the Car Electronics business and Home & Portable Audio business as well as the launch of a study of management integration between both companies to take the first step toward realignment of Japanese specialized manufacturers.

As the first step, we completed payment for stock acquisition for third party allotment of new shares by JVC on August 10, with the aim of supporting structural reform of JVC. Further we clarified the details of collaboration centering on mutual promotion of technology development and manufacturing services, joint procurement of parts, joint development of comprehensive IT infrastructure for design and production throughout the two companies and mutual utilization of intellectual property rights, with the aim of realizing early and significant effects for both companies.

*** Launch of joint development of new technologies through the establishment of J&K Technologies Corp.**

On October 1, Kenwood established J&K Technologies Corp., a joint venture company for technological development, through a 50-50 investment with JVC, and launched joint development projects of new technologies by using the resources of both companies such as navigation engines, platforms of car multimedia, car audio and home audio products. Taking this opportunity, we started across-the-board collaboration in the Car Electronics Consumer (Audio) business, in which combining the two companies sales would result in the largest share of the global market; in the Car Electronics Consumer (Multimedia) business, which is a growing field centering on car navigation systems; and in the Home Electronics business, characterized by the outstanding digitalization of home & portable audio equipment; and started activities for our new growth strategy.

***   Toward management integration with JVC**

As the second step, both companies have started studying concrete plans toward management integration in conjunction with the Management Integration Study Committee that was established by the two firms. As the planned integration of management progresses, JVC and Kenwood aim to create and expand their corporate values by respecting the brand products developed by both companies over many years, and by pursuing synergistic effects throughout the management operations of both companies.

Interim Consolidated Balance Sheets

(JPY in Million)

Item	End of Previous Interim Period (as of Sep. 30, 2006)		End of Current Interim Period (as of Sep. 30, 2007)		End of Previous Fiscal Year (as of Mar. 31, 2007)	
	Amount	%	Amount	%	Amount	%
(Assets)						
I Current Assets						
1 Cash and cash equivalents	15,365		18,276		16,972	
2 Trade notes and accounts receivable	25,626		28,138		29,891	
3 Inventories	26,553		28,003		26,404	
4 Prepaid expenses	884		850		634	
5 Deferred tax assets	692		465		452	
6 Other current assets	2,901		4,040		3,960	
7 Allowance for doubtful receivables	-782		-763		-751	
Total Current Assets	71,240	67.2	79,010	58.6	77,563	69.8
II Fixed Assets						
(1) Tangible fixed assets						
1 Building and structures	16,921		16,976		17,041	
2 Machinery and equipment	19,378		20,515		20,284	
3 Tools, furniture and fixtures	13,898		14,154		14,228	
4 Land	9,210		9,437		9,443	
5 Construction in progress	2		60		3	
Total	59,412		61,124		61,001	
Accumulated depreciation	-38,297		-40,314		-39,930	
Total Fixed Assets	21,114	19.9	20,810	15.5	21,070	18.9
(2) Intangible fixed assets						
1 Goodwill	-		3,942		201	
2 Software	5,649		5,942		5,942	
3 Other intangible fixed assets	761		3,655		423	
Total Intangible Fixed Assets	6,410	6.1	13,539	10.1	6,567	5.9
(3) Investments and other assets						
1 Investment securities	4,848		19,056		3,933	
2 Deferred tax assets	724		831		675	
3 Other investments	1,585		1,506		1,457	
4 Allowance for doubtful receivables	-86		-82		-85	
Total Investments and Other Assets	7,072	6.7	21,311	15.8	5,981	5.4
Total Fixed Assets	34,597	32.7	55,661	41.4	33,618	30.2
III Deferred Assets	79	0.1	18	0.0	38	0.0
New stock issuing expenses	79		18		38	
Total Assets	105,918	100.0	134,691	100.0	111,220	100.0

(JPY in Million)

Item	End of Previous Interim Period (as of Sep. 30, 2006)		End of Current Interim Period (as of Sep. 30, 2007)		End of Previous Fiscal Year (as of Mar. 31, 2007)	
	Amount	%	Amount	%	Amount	%
(Liabilities)						
I Current Liabilities						
1 Trade notes and accounts payable	14,675		16,642		19,168	
2 Short term bank borrowings	5,773		33,844		3,754	
3 Accounts payable (non trade)	5,001		6,681		7,567	
4 Income taxes payable	727		740		529	
5 Accrued expenses	7,180		7,872		7,106	
6 Deferred tax liabilities	2		2		2	
7 Other current liabilities	1,274		1,604		1,205	
Total Current Liabilities	34,634	32.7	67,388	50.0	39,334	35.4
II Long Term Liabilities						
1 Long term debt	20,000		20,000		20,000	
2 Deferred tax liabilities as a result of land revaluations	2,027		2,027		2,027	
3 Deferred tax liabilities	1,160		809		853	
4 Liability for employees' retirement benefits	9,546		9,519		9,609	
5 Other long term liabilities	389		302		329	
Total Long Term Liabilities	33,123	31.3	32,659	24.3	32,820	29.5
Total Liabilities	67,758	64.0	100,048	74.3	72,154	64.9
(Net Assets)						
I Shareholders' Equity						
1 Paid-in capital	11,059	10.5	11,059	8.2	11,059	9.9
2 Capital surplus	13,373	12.6	13,373	9.9	13,373	12.0
3 Retained earnings	18,763	17.7	19,572	14.6	19,096	17.2
4 Treasury stock	-94	-0.1	-115	-0.1	-105	-0.1
Total Shareholders' Equity	43,102	40.7	43,889	32.6	43,424	39.0
II Valuation and Translation Adjustment						
1 Unrealized gain and loss on available-for-sale securities	1,457	1.4	-3,989	-3.0	1,096	1.0
2 Deferred hedge gain and loss	-	-	-	-	71	0.0
3 Land revaluation surplus	2,954	2.8	2,954	2.2	2,954	2.7
4 Foreign currency translation adjustment	-9,354	-8.8	-8,211	-6.1	-8,480	-7.6
Total Valuation and Translation Adjustment	-4,942	-4.7	-9,246	-6.9	-4,358	-3.9
Total Net Assets	38,159	36.0	34,643	25.7	39,066	35.1
Total Liabilities and Net Assets	105,918	100.0	134,691	100.0	111,220	100.0

Interim Consolidated Statements of Income

(JPY in Million)

Item	Previous Interim Period (4/1/2006-9/30/2006)		Current Interim Period (4/1/2007-9/30/2007)		Previous Fiscal Year (4/1/2006-3/31/2007)	
	Amount	%	Amount	%	Amount	%
I Net Sales	81,660	100.0	85,635	100.0	169,194	100.0
II Cost of Sales	60,721	74.4	63,750	74.4	127,796	75.5
Gross Profit	20,938	25.6	21,884	25.6	41,397	24.5
III Selling, General and Administrative Expenses	17,752	21.7	19,269	22.5	35,780	21.2
Operating Profit	3,185	3.9	2,615	3.1	5,617	3.3
IV Non-operating Profit						
1 Interest income	134		132		267	
2 Dividends income	32		20		46	
3 Other non-operating profit	263		508		435	
Total Non-operating Profit	430	0.5	661	0.8	749	0.4
V Non-operating Expense						
1 Interest expense	263		335		526	
2 Other non-operating expenses	1,476		1,360		3,500	
Total Non-operating Expense	1,739	2.1	1,696	2.0	4,026	2.3
Ordinary Income	1,877	2.3	1,580	1.9	2,339	1.4
VI Extraordinary Profit						
1 Gain on sales of fixed assets	56		36		86	
2 Reversal of allowance for doubtful receivables	0		38		1	
3 Gain on sales of investment securities	117		16		588	
Total Extraordinary Profit	174	0.2	91	0.1	676	0.4
VII Extraordinary Loss						
1 Loss on revision of profit and loss of previous year	-		-		95	
2 Loss on devaluation of golf membership	0		-		0	
3 Retirement allowance paid to directors	260		-		260	
4 Loss on devaluation of investment securities	39		44		42	
5 Loss on sales of fixed assets	0		3		2	
6 Loss on disposal of fixed assets	30		88		98	
Total Extraordinary Loss	331	0.4	135	0.2	499	0.3
Income before Income Taxes	1,720	2.1	1,536	1.8	2,516	1.5
Corporate Tax, Corporate Inhabitant Tax and Corporate Enterprise Tax	447	0.6	496	0.6	621	0.4
Corporate Tax and Other Adjustment	18	0.0	-170	-0.2	308	0.2
Net Income	1,253	1.5	1,209	1.4	1,586	0.9

Interim Consolidated Statements of Changes in Shareholders' Equity

Previous Interim Period (4/1/2006-9/30/2006) (JPY in Million)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	11,059	13,373	18,316	-86	42,663
Changes during the interim consolidated fiscal period					
Payment of dividends (Note)			-734		-734
Directors' bonus (Note)			-59		-59
Net income			1,253		1,253
Acquisition of treasury stocks				-8	-8
Establishment of an employee welfare and fellowship fund			-13		-13
Changes (net amount) of items other than shareholders' equity during the period					
Total changes during the period	-	-	447	-8	438
Balance as of September 30, 2006	11,059	13,373	18,763	-94	43,102

	Valuation and translation adjustment				Total net assets
	Unrealized gain and loss on available-for-sale securities	Land revaluation surplus	Foreign currency translation adjustment	Total valuation and translation adjustment	
Balance as of March 31, 2006	1,889	2,954	-10,020	-5,176	37,486
Changes during the interim consolidated fiscal period					
Payment of dividends (Note)					-734
Directors' bonus (Note)					-59
Net income					1,253
Acquisition of treasury stocks					-8
Establishment of an employee welfare and fellowship fund					-13
Changes (net amount) of items other than shareholders' equity during the period	-432	-	666	234	234
Total changes during the period	-432	-	666	234	672
Balance as of September 30, 2006	1,457	2,954	-9,354	-4,942	38,159

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

Current Interim Period (4/1/2007-9/30/2007) (JPY in Million)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	11,059	13,373	19,096	-105	43,424
Changes during the interim consolidated fiscal period					
Payment of dividends			-733		-733
Net income			1,209		1,209
Acquisition of treasury stocks				-9	-9
Changes (net amount) of items other than shareholders' equity during the period					
Total changes during the period	-	-	475	-9	465
Balance as of September 30, 2007	11,059	13,373	19,572	-115	43,889

	Valuation and translation adjustment					Total net assets
	Unrealized gain and loss on available-for-sale securities	Deferred hedge gain and loss	Land revaluation surplus	Foreign currency translation adjustment	Total valuation and translation adjustment	
Balance as of March 31, 2007	1,096	71	2,954	-8,480	-4,358	39,066
Changes during the interim consolidated fiscal period						
Payment of dividends						-733
Net income						1,209
Acquisition of treasury stocks						-9
Changes (net amount) of items other than shareholders' equity during the period	-5,086	-71	-	268	-4,888	-4,888
Total changes during the period	-5,086	-71	-	268	-4,888	-4,422
Balance as of September 30, 2007	-3,989	-	2,954	-8,211	-9,246	34,643

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

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

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

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

Interim Consolidated Statements of Cash Flows

(JPY in Million)

Item	Previous Interim Period (4/1/2006-9/30/2006)	Current Interim Period (4/1/2006-9/30/2006)	Current Fiscal Year (4/1/2006-3/31/2007)
	Amount	Amount	Amount
I Cash Flows from Operating Activities:			
1 Income before income taxes	1,720	1,536	2,516
2 Depreciation	3,415	3,588	6,949
3 Amortization of goodwill	29	140	58
4 Increase (decrease) in allowance for doubtful accounts	36	-2	-18
5 Increase in allowance for employees' retirement	164	122	209
6 Interest revenue and dividend income	-166	-153	-313
7 Interest expense	263	335	526
8 Gain on sale of investment securities, etc.	-117	-16	-588
9 Loss on devaluation of investment securities	39	44	42
10 Loss on devaluation of golf membership	0	-	0
11 Loss on disposal of fixed assets	30	88	98
12 (Gain) loss on sales of fixed assets	-55	-33	-83
14 Decrease in trade notes and accounts receivable	4,222	2,652	826
15 (Increase) decrease in inventories	-312	-859	388
16 Increase (decrease) in accounts payable	-4,770	-3,619	1,474
17 Increase (decrease) in consumption tax payable	-1	47	86
18 (Increase) decrease in consumption tax refunds receivable	203	-162	17
19 Amount paid as bonuses to directors	-59	-	-59
20 Others	760	201	195
Sub-Total	5,401	3,909	12,327
21 Interest and dividends received	166	153	313
22 Interest paid	-248	-253	-512
23 Income taxes paid	-283	-280	-647
24 Amount paid as retirement allowance to directors	-	-	-24
Net cash provided by operating activities	5,036	3,529	11,456
II Cash Flows from Investing Activities:			
1 Decrease in (withdrawal from) time deposits, net	5	0	6
2 Capital investment (real estate, plants and equipment)	-1,019	-1,380	-2,408
3 Proceeds from sale of property, plant and equipment	433	21	480
4 Purchase of intangible fixed assets	-1,977	-1,757	-4,102
5 Proceeds from sale of intangible fixed assets	-	1	-
6 Purchase of investment securities	-0	-20,260	-1
7 Proceeds from sales of investment securities	143	19	806
8 Purchase of shares of consolidated subsidiaries due to change in the scope of consolidation	-	8,024	-
9 Others	0	0	0
Net cash used in investing activities	-2,414	-31,380	-5,218
III Cash Flows from Financing Activities:			
1 Increase (decrease) in short-term bank borrowings, net	-20,639	29,705	-22,795
2 Proceeds from long-term bank borrowings	19,925	-	19,925
3 Dividend payment	-726	-717	-729
4 Others	-50	-65	-117
Net cash used in financing activities	-1,491	28,922	-3,717
IV Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents	191	230	404
V Net Increase in Cash and Cash Equivalents	1,321	1,301	2,925
VI Cash and Cash Equivalents at beginning of period	14,008	16,934	14,008
VII Cash and Cash Equivalents at end of account settlement period	15,329	18,236	16,934