

Interim Earnings Briefing

For Fiscal Year Ending March 2008

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Kenwood Corporation

November 14, 2007

AGENDA

- 1. Overview of Interim Earnings Results for FYE'08/3**
- 2. Management Strategies for FYE'08/3**
- 3. Outlook of Earnings for FYE'08/3**

Disclaimer

Forward-looking statements and charts contained in our documents are based on information currently available to the Kenwood Group. Actual results may significantly differ from projected figures depending on various factors.

Abbreviation in this paper

CE: Car Electronics (Business)

COM: Communications Equipment (Business)

HE: Home Electronics (Business)

FY: Fiscal Year FYE: Fiscal Year Ended or Ending YoY: Year on Year

1. Overview of Interim Earnings Results for FYE'08/3

1. Overview of Interim Earnings Results for FYE'08/3

Consolidated Profit & Loss

Net sales and operating profit were mainly in line with our initial forecast

- Net Sales** Increased JPY4 billion (or 4.9%) from the previous interim period with sales of each business segment in line with our initial forecast.
- Operating Profit** Decreased JPY0.6 billion (or 17.9%) from the previous interim period, falling below our initial forecast by JPY0.2 billion (or 6.6%), because of unexpected expenses.
- Ordinary Income** Decreased JPY0.3 billion (or 15.8%) from the previous interim period, exceeding our initial forecast by JPY0.1 billion (or 5.3%).
- Net Income** Stayed at the same level as the previous interim period, exceeding our initial forecast by JPY0.2 billion (or 20.9%).

Consolidated PL

(JPY in Billions)

	'06/9		Initial Forecast		'07/9		YoY		Difference from Initial Forecast	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Rate	Amount	Rate
Net Sales	81.7		86.0		85.6		+4.0	+4.9%	-4.0	-0.4%
Operating Profit	3.2	3.9%	2.8	3.3%	2.6	3.1%	-0.6	-17.9%	-0.2	-6.6%
Ordinary Income	1.9	2.3%	1.5	1.7%	1.6	1.8%	-0.3	-15.8%	+0.1	+5.3%
Net Income	1.3	1.5%	1.0	1.2%	1.2	1.4%	-0.0	-3.5%	+0.2	+20.9%

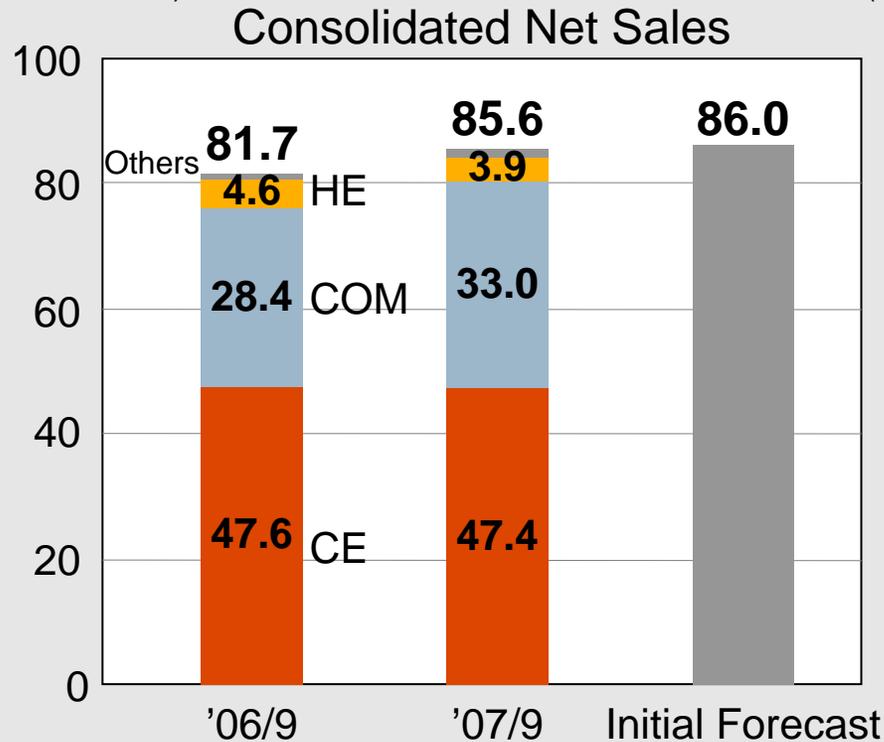
1. Overview of Interim Earnings Results for FYE'08/3

Consolidated Net Sales

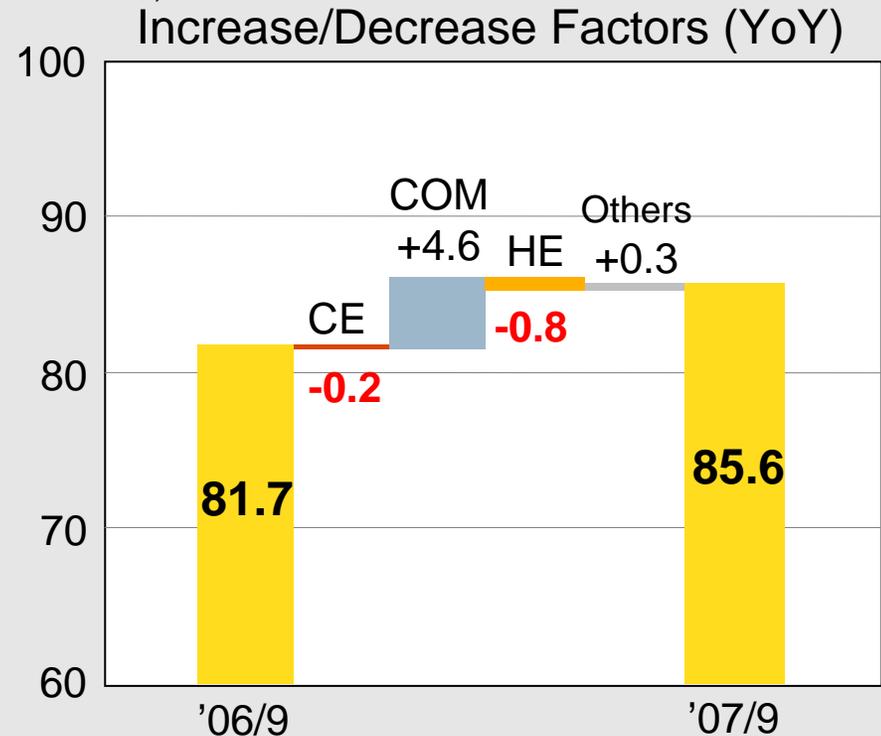
Consolidated net sales were in line with our initial forecast and increased 4.9% from the previous interim period.

- * Net sales in the CE remained unchanged from the previous interim period with lower sales in the CE OEM being offset by higher sales in the CE Consumer.
- * The increase of net sales in the COM significantly exceeded the decrease of net sales in the HE, resulting in increased net sales for the entire Group.

(JPY in Billions)



(JPY in Billions)



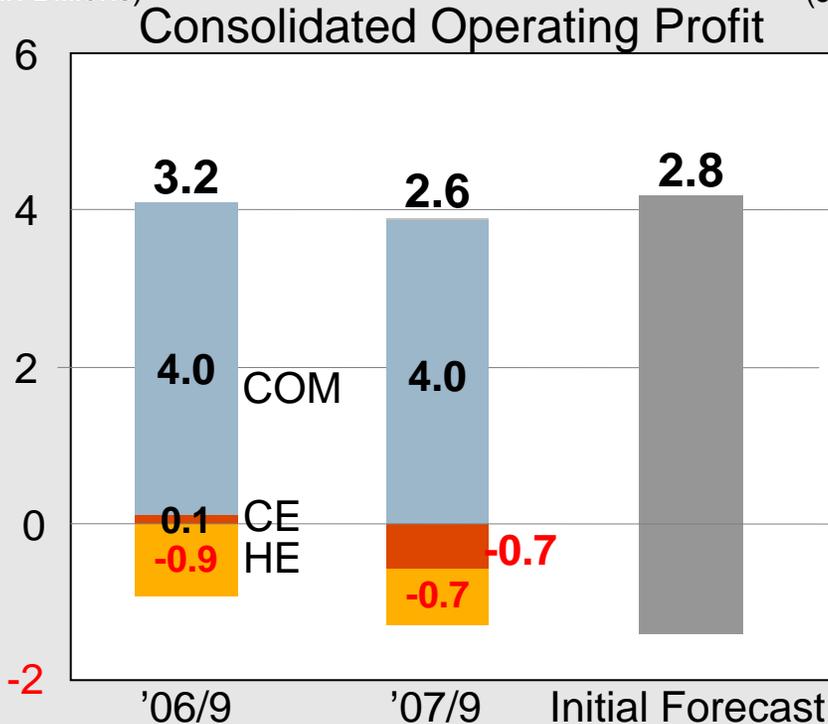
1. Overview of Interim Earnings Results for FYE'08/3

Consolidate Operating Profit

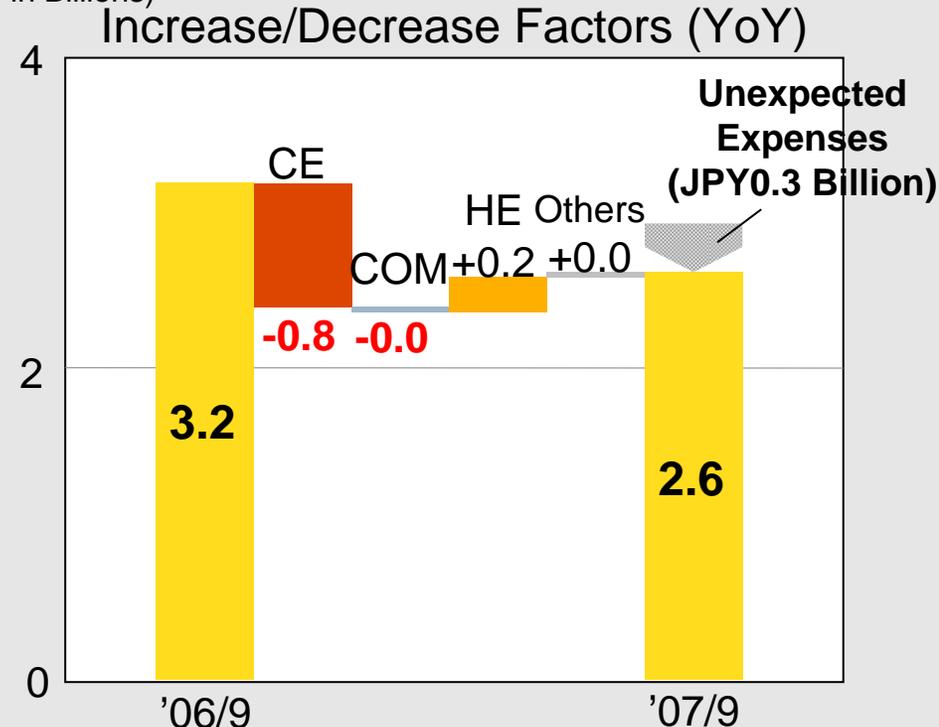
Consolidated operating profit decreased 17.9% from the previous interim period, falling below our initial forecast by JPY0.2 billion.

- *CE Operating profit decreased because the profit increase in the CE Consumer was canceled out by the earnings deterioration in the CE OEM.
- *COM Operating profit was on a par with the previous interim period because unexpected expenses were compensated by the profit increase in the PDC*.
- *HE Operating loss decreased from the effect of a strategy change.

(JPY in Billions)



(JPY in Billions)



*PDC...Personal Digital Cellular phone

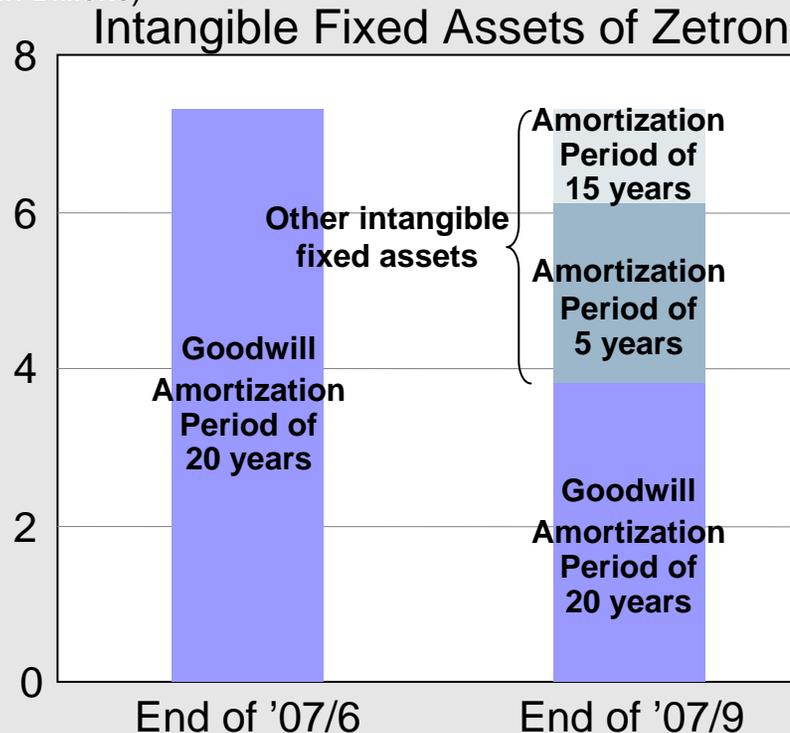
1. Overview of Interim Earnings Results for FYE'08/3

Factors behind lower-than-expected operating profit

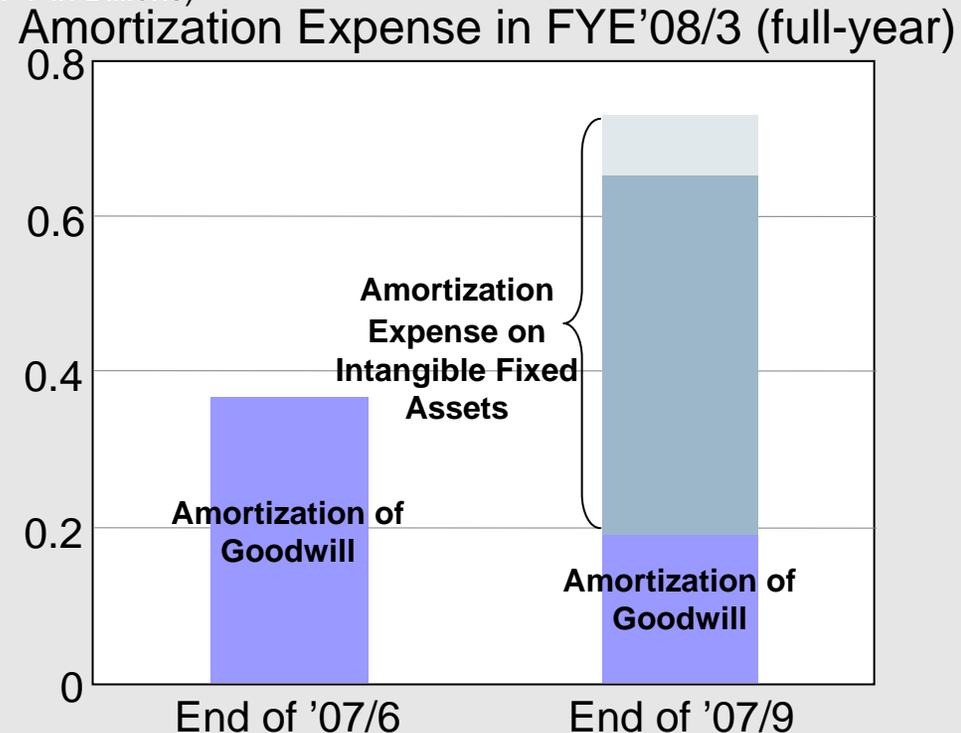
Operating profit fell below our initial forecast by JPY0.2 billion because of unexpected expenses.

- 1) We posted a depreciation expense of JPY0.2 billion on intangible fixed assets of Zetron.
 - >> Depreciation expense for the current period increased because we reduced the depreciation period for nearly half of the intangible fixed assets.
- 2) We posted expenses of JPY0.1 billion related to JVC.

(JPY in Billions)



(JPY in Billions)



1. Overview of Interim Earnings Results for FYE'08/3

Quarterly Profit & Loss

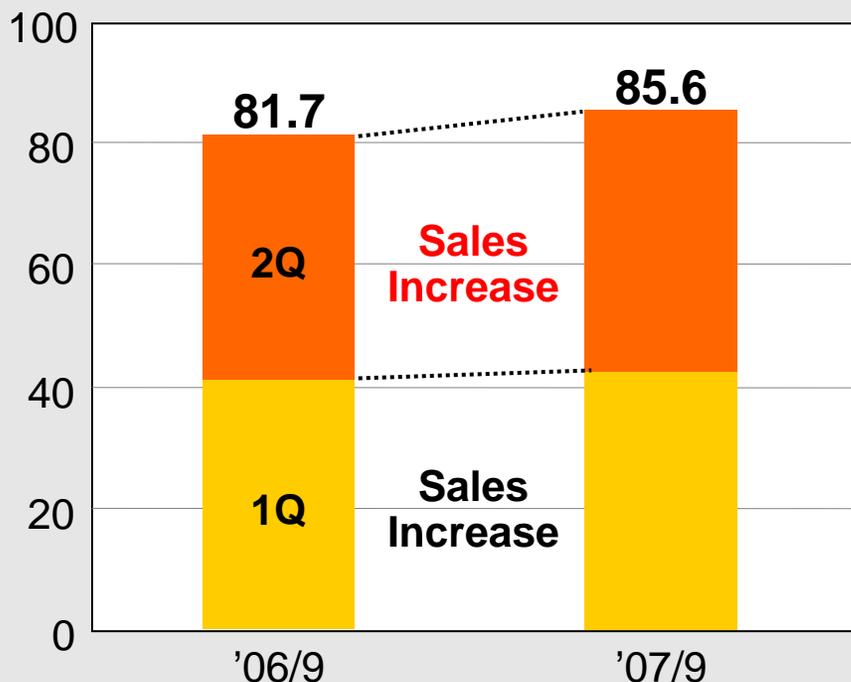
Both sales and profit increased in 2Q.

* In addition to the effect of converting Zetron into a subsidiary, results of various measures such as strategic development, sales boosting, and profit recovery that we implemented in the previous fiscal year became apparent.

* While sales increased and profit decreased in 1Q, both sales and profit increased in 2Q.

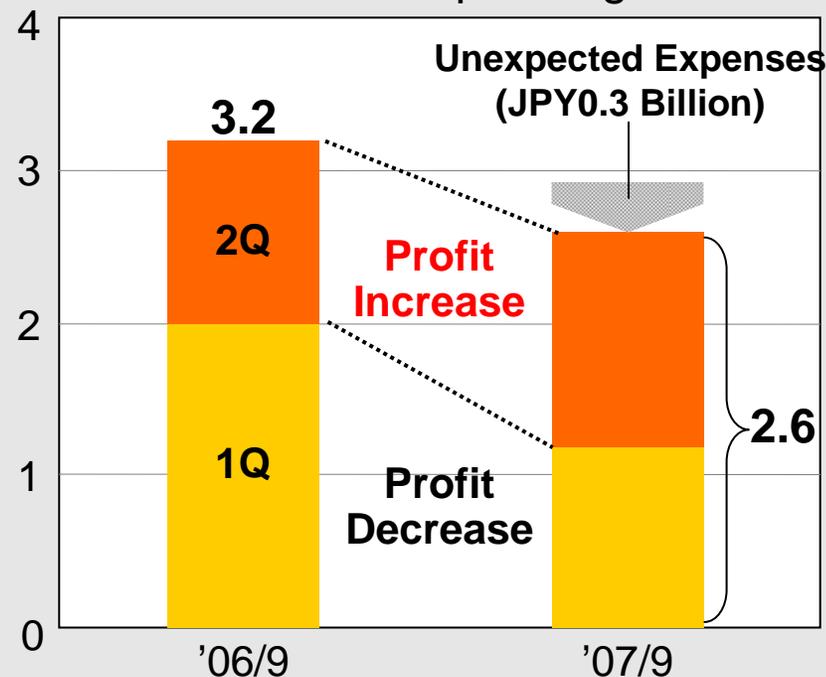
(JPY in Billions)

Consolidated Net Sales



(JPY in Billions)

Consolidated Operating Profit



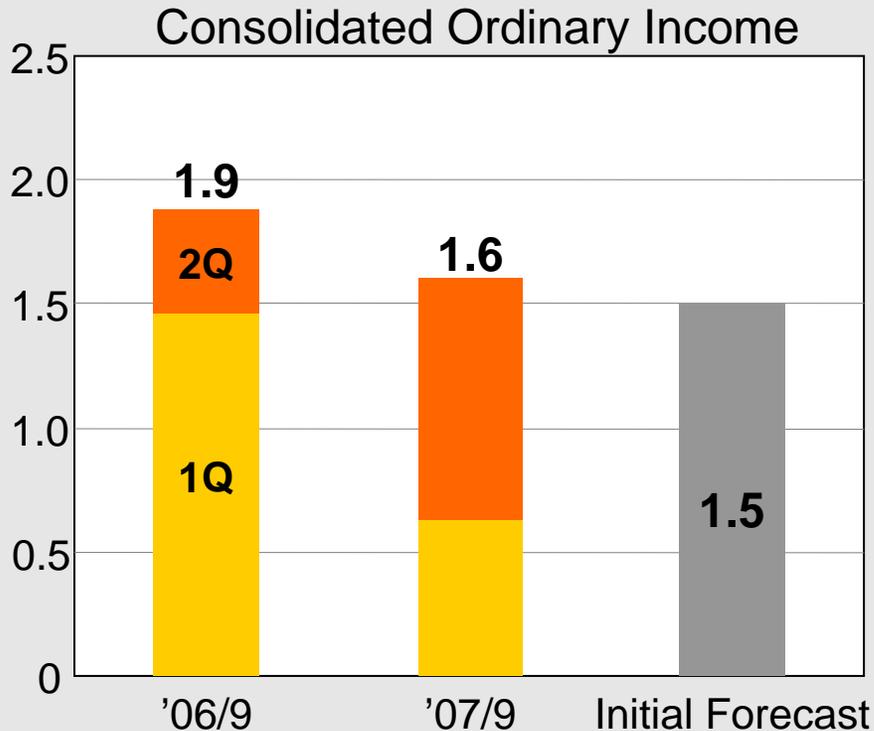
1. Overview of Interim Earnings Results for FYE'08/3

Consolidated Ordinary Income

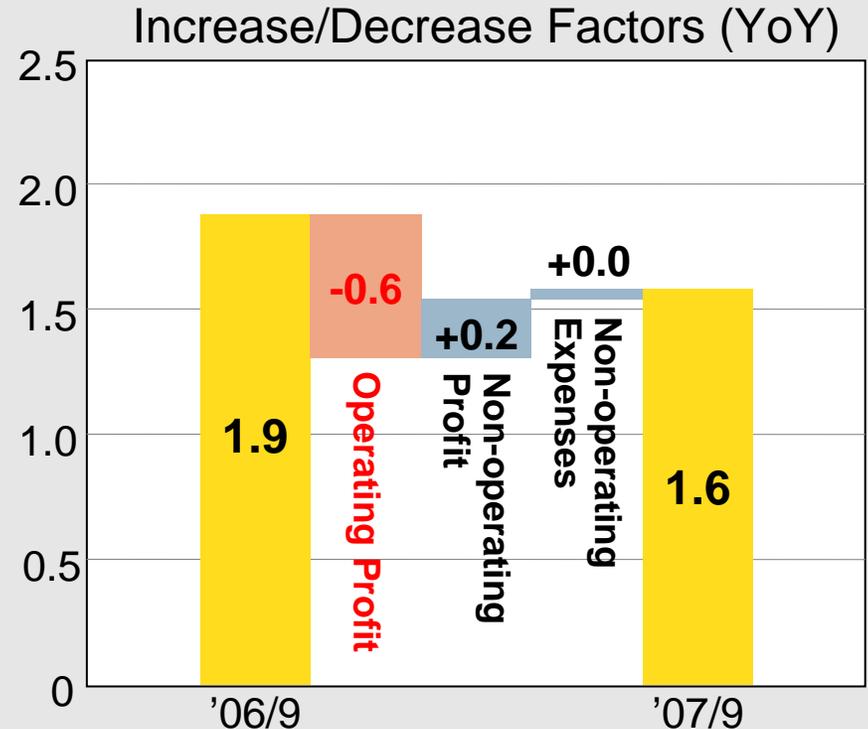
Consolidated ordinary income fell 15.8% from the previous interim period but exceeded our initial forecast by JPY0.1 billion.

- * Consolidated ordinary income exceeded our initial forecast because of the larger-than-expected non-operating profit.
- * Consolidated ordinary income was down from the previous interim period owing to the effect of operating profit decrease.

(JPY in Billions)



(JPY in Billions)



1. Overview of Interim Earnings Results for FYE'08/3

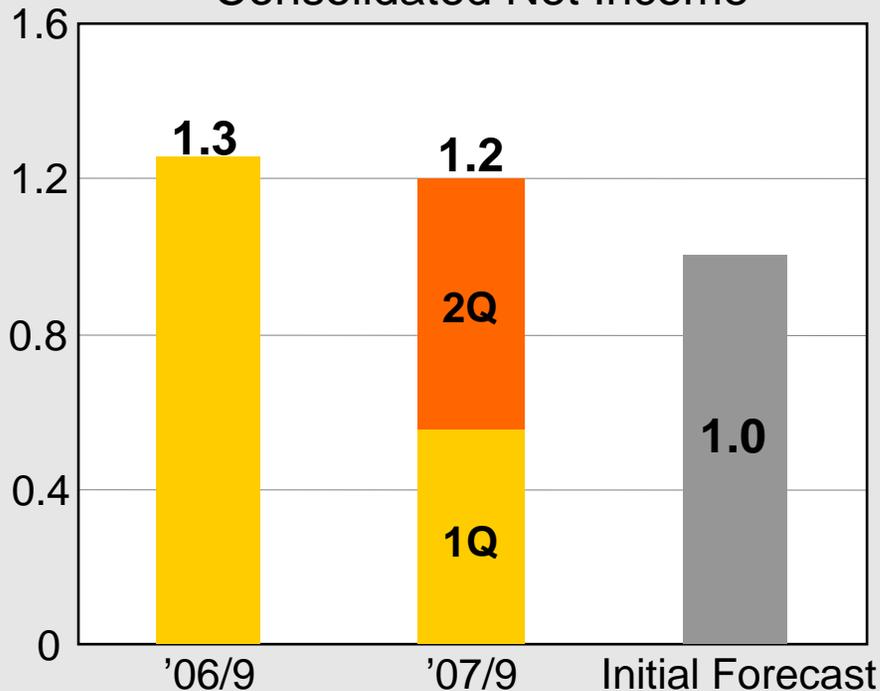
Consolidated Net Income

Consolidated net income decreased 3.5% from the previous interim period but exceeded our initial forecast by JPY0.2 billion.

- * Consolidated ordinary income exceeded our initial forecast, resulting in a higher-than-expected consolidated net income.
- * Consolidated net income was on a par with the previous interim period because of the absence of extraordinary loss (retirement allowance to directors) that we posted in the previous fiscal year.

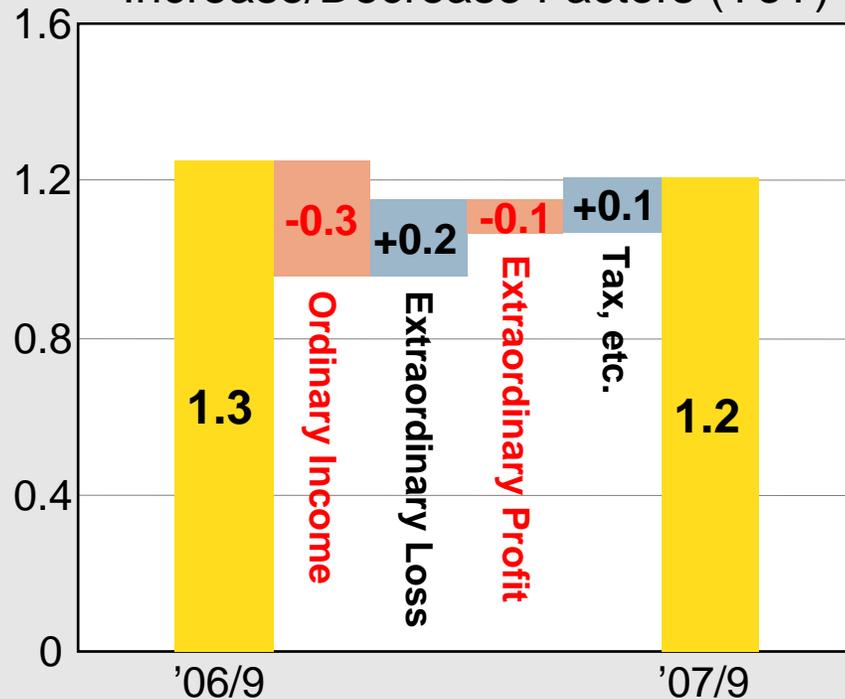
(JPY in Billions)

Consolidated Net Income



(JPY in Billions)

Increase/Decrease Factors (YoY)



1. Overview of Interim Earnings Results for FYE'08/3

Financial Position

Balance Sheet (comparison with the end of FYE'07/3)

* Although total assets increased because we converted Zetron into a subsidiary and acquired stock through a third party allotment of new shares of JVC, net assets decreased because of the decline in prices of investment securities.

* Interest-bearing debts and net debt increased owing to financing from financial institutions.

(JPY in Billions)

	End of '06/9	End of '07/3	End of '07/9	Change from End of '07/3
Total assets	105.9	111.2	134.7	+23.5
Net assets	38.2	39.1	34.6	-4.4
Retained earnings	18.8	19.1	19.6	+0.5
Shareholders' equity ratio	36.0%	35.1%	25.7%	-9.4%
Interest-bearing debt	25.8	23.8	53.8	+30.1
Net debts	10.4	6.8	35.6	+28.8

Performance by Segment

1. Overview of Interim Earnings Results for FYE'08/3

Car Electronics Business

Net sales >> Decreased 0.4% from the previous interim period to JPY47.4 billion

* The sales decrease in the OEM was offset by the sales increase in the Consumer (Multimedia) .

* Net sales in the Consumer (Audio) was unchanged from the previous interim period while sales in the overall CE was at the same level as the previous interim period, which was generally in line with our initial forecast.

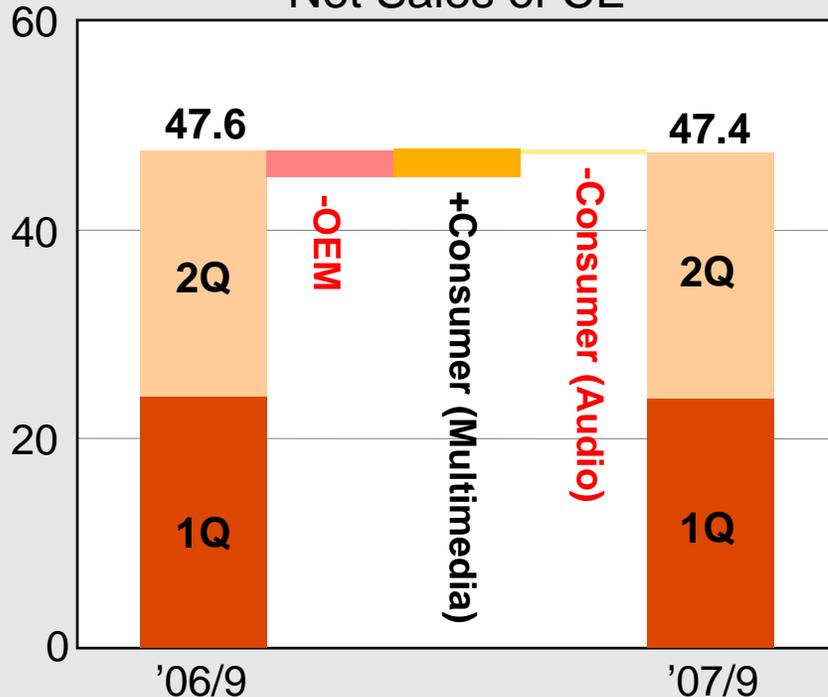
Operating profit >> Decreased JPY0.8 billion from the previous interim period resulting in an operating loss of JPY0.7 billion.

* The profit decrease in the Consumer (Audio) was canceled out by higher earnings in the Consumer (Multimedia).

* Although earnings in the overall CE slightly exceeded our initial forecast, overall profit fell because of the earnings deterioration in the OEM.

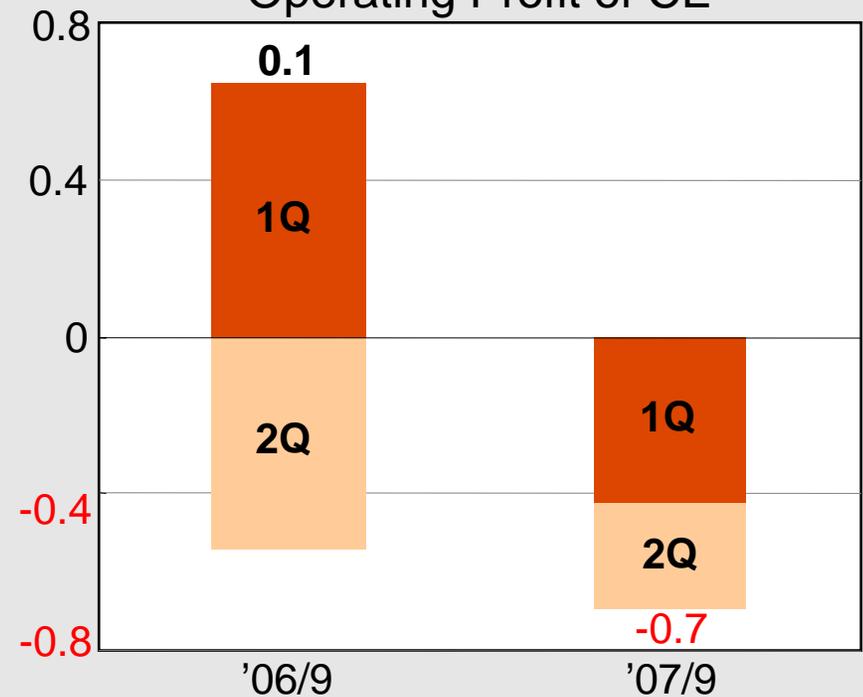
(JPY in Billions)

Net Sales of CE



(JPY in Billions)

Operating Profit of CE



1. Overview of Interim Earnings Results for FYE'08/3

Communications Equipment Business

Net sales >> Increased 16.2% from the previous interim period to JPY33 billion.

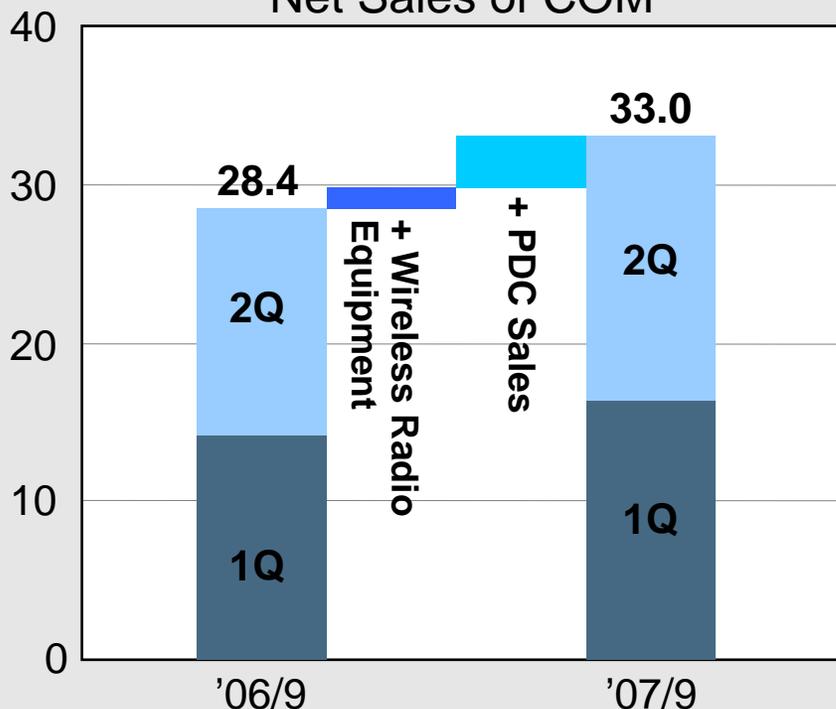
* Net sales increased in line with our initial forecast because we converted Zetron into a subsidiary and saw higher sales in the PDC sales.

Operating profit >> Decreased 0.7% from the previous interim period to JPY4 billion.

* Although operating profit slightly fell under our initial forecast because we posted a larger-than-expected depreciation expense on intangible fixed assets, operating profit stayed at the same level as the previous interim period because of the profit increase in the PDC sales.

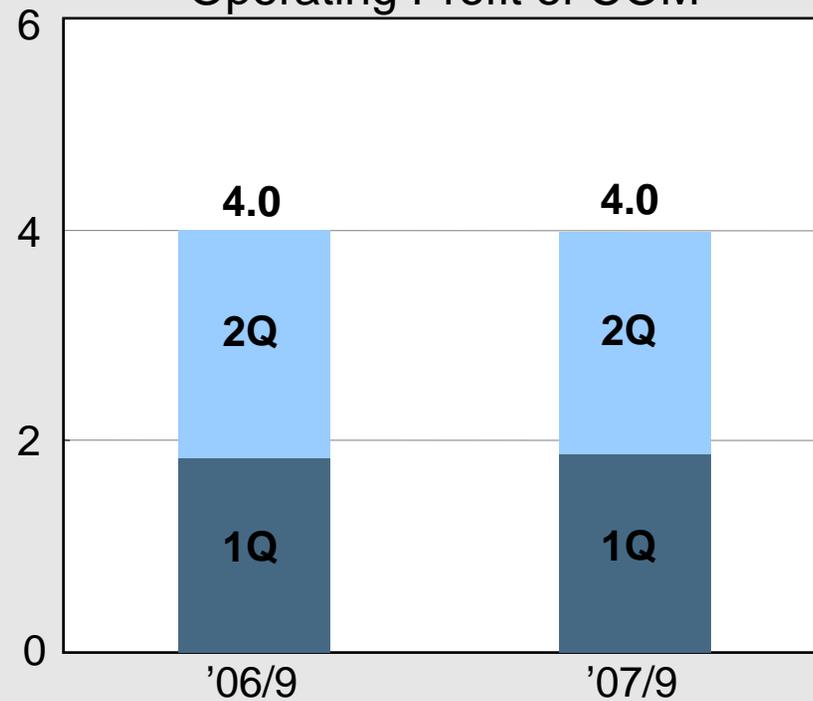
(JPY in Billions)

Net Sales of COM



(JPY in Billions)

Operating Profit of COM



1. Overview of Interim Earnings Results for FYE'08/3

Home Electronics Business

Net sales >> Decreased 16.3% from the previous interim period to JPY3.9 billion.

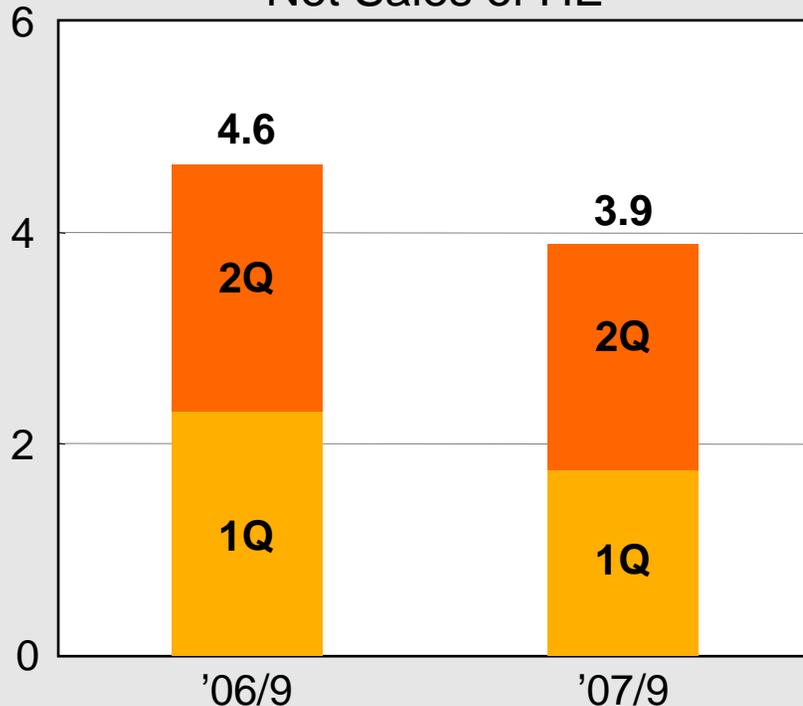
* Net sales were generally in line with our initial forecast but decreased from the previous interim period owing to the effect of a strategy change implemented in the previous fiscal year.

Operating profit >> Improved JPY0.2 billion from the previous interim period to result in an operating loss of JPY0.7 billion.

* Operating loss decreased generally in line with our initial forecast because we improved earnings through a strategy change.

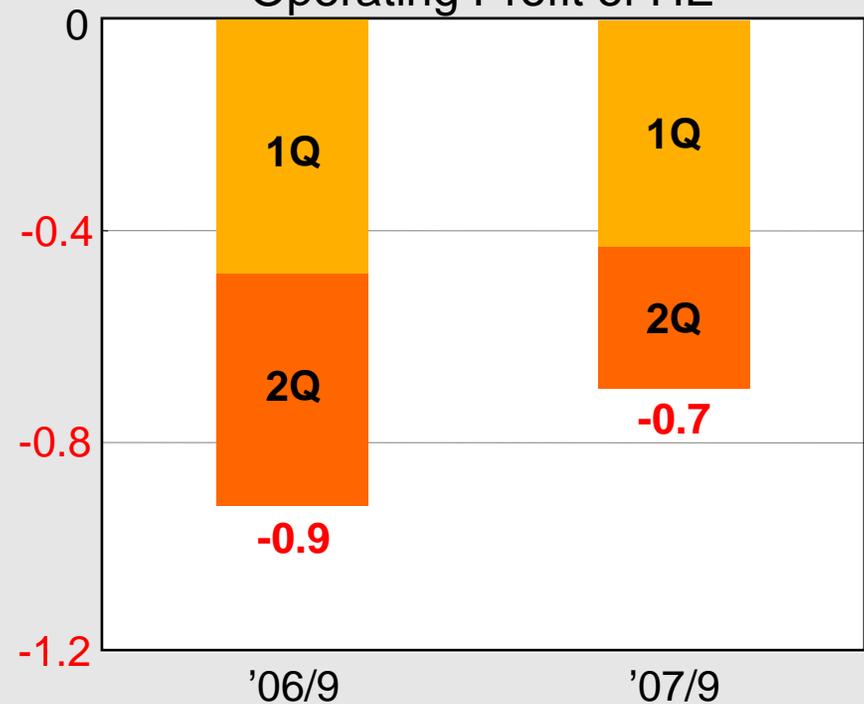
(JPY in Billions)

Net Sales of HE



(JPY in Billions)

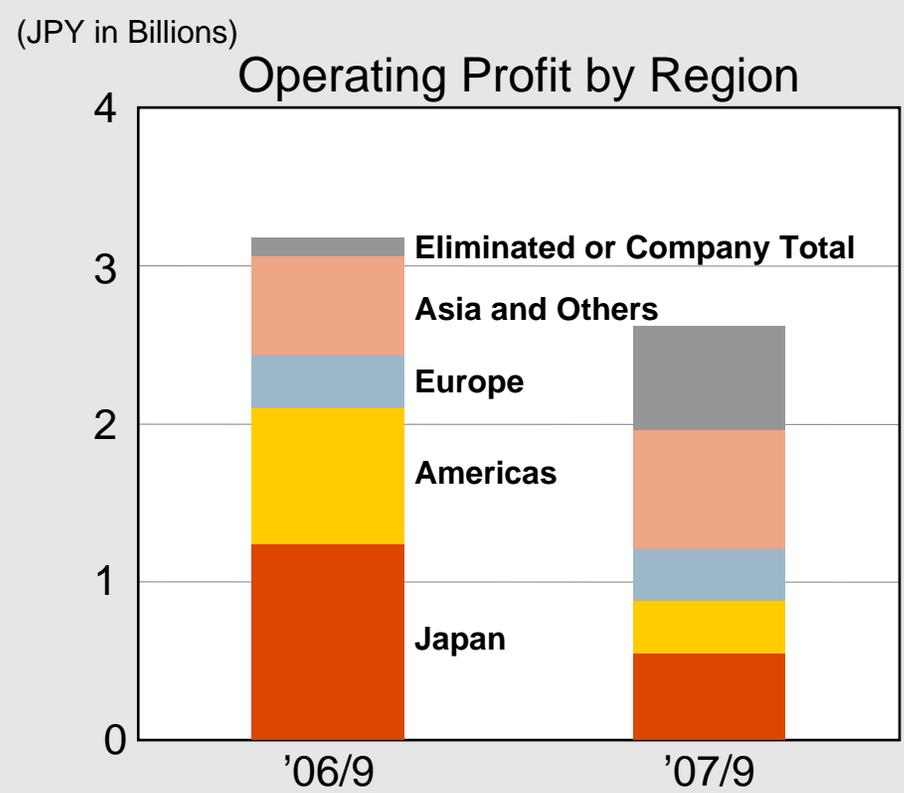
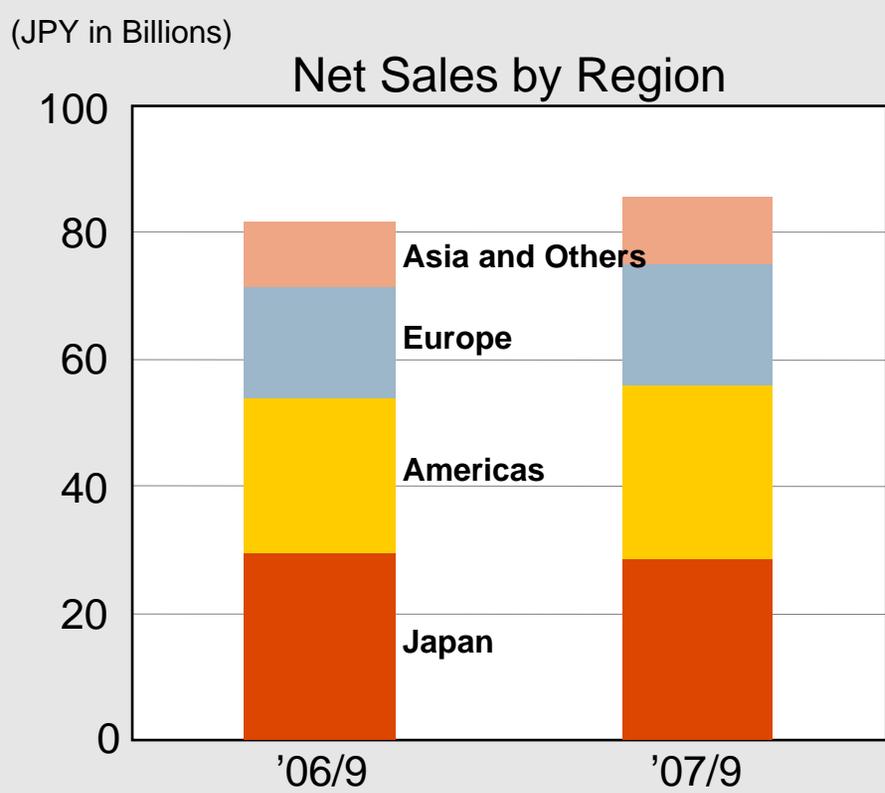
Operating Profit of HE



1. Overview of Interim Earnings Results for FYE '08/3

Profit & Loss by Region

- Americas** Net sales increased but profit decreased because, although both sales and profit were up in the CE Consumer (Multimedia) and COM, profit fell in the CE Consumer (Audio).
- Europe** Both net sales and profit increased thanks to higher sales in the CE Consumer (Multimedia).
- Japan** Profit decreased because increased sales from the PDC sales business was offset by lower sales in the CE OEM and HE, and profit decreased because profit fell in the CE OEM.



2. Management Strategies for FYE'08/3

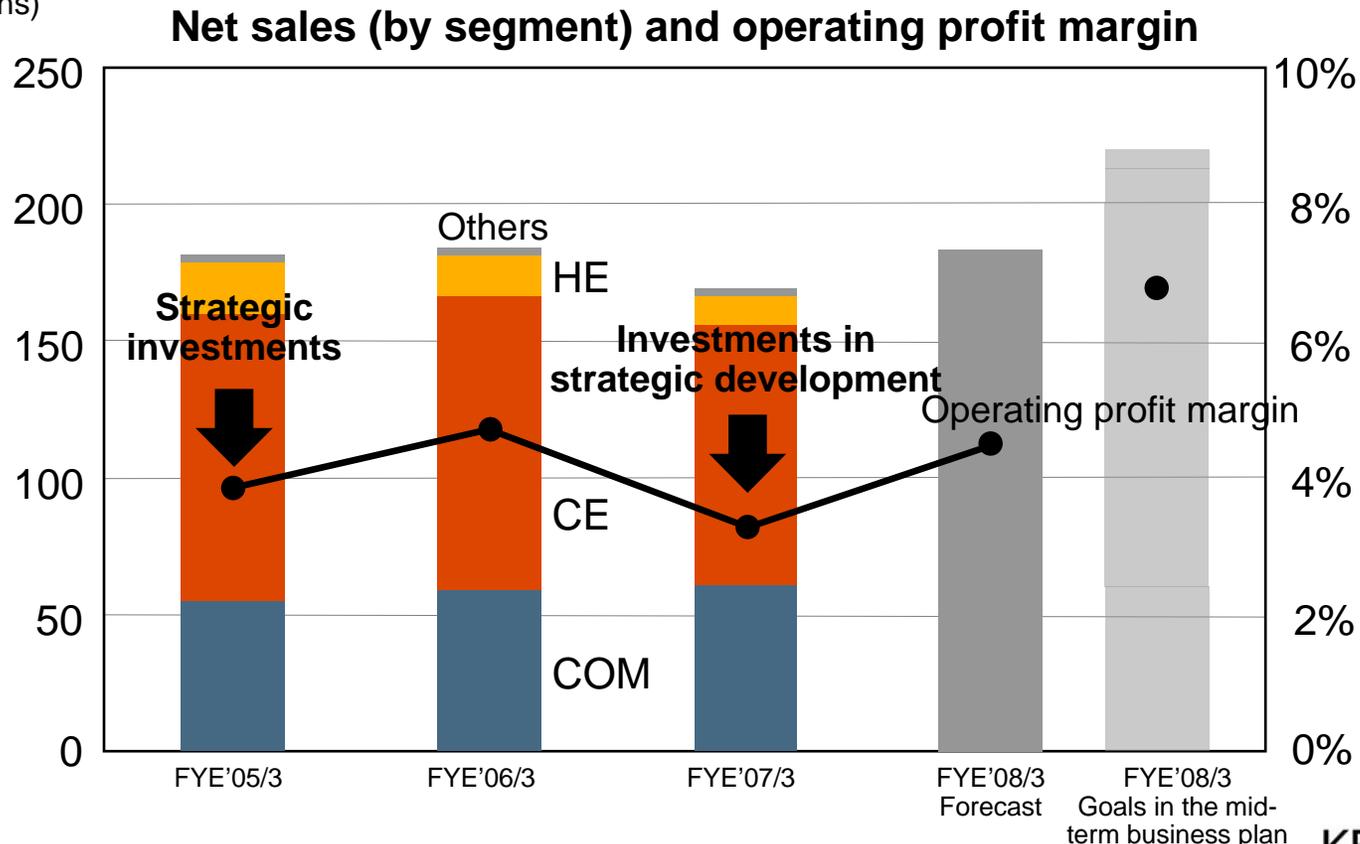
2. Management Strategies for FYE'08/3

The final year of the mid-term business plan, "Value Creation Plan"

Although the **COM** achieved the goals in the plan one year ahead of schedule, the **CE** and **HE** underachieved the goals.

>> We are striving to achieve increases both in sales and profit in FYE'08/3 by making apparent the results of various measures such as strategic development, business alliance and M&A that we implemented previously.

(JPY in Billions)



(1) Efforts for restructure and growth of the existing businesses

2. Management Strategies for FYE'08/3

Car Electronics - Consumer (Audio) Business

- * Introduction of new product line-up for 2008 that have reduced costs and high value-added
- * Exploring emerging markets, including BRICs

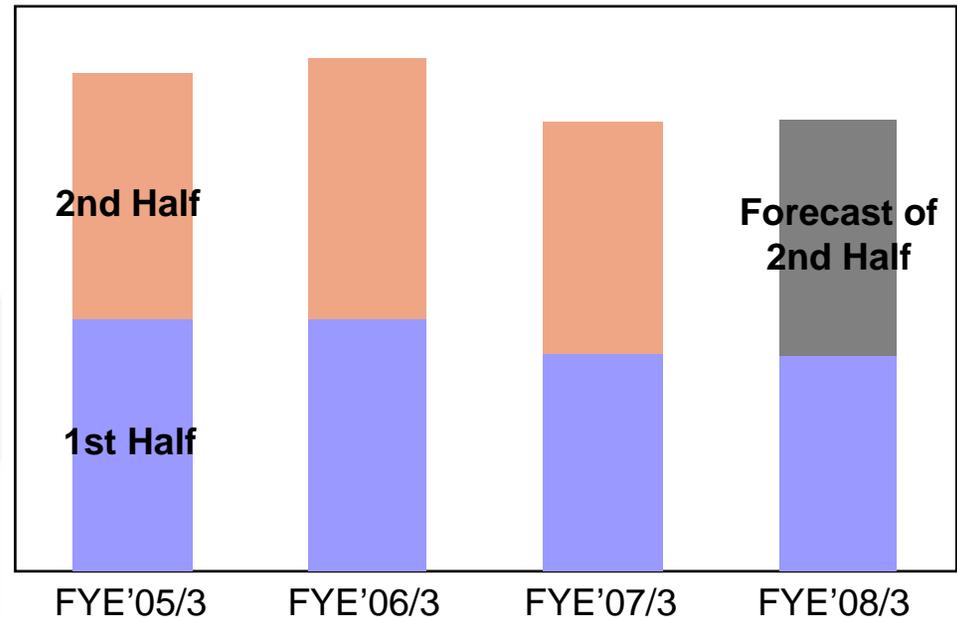


High value-added models with enhanced seamlessness with digital media



New systems that enable the expansion of functions of line-fitted AV products

Trends in Net Sales



2. Management Strategies for FYE'08/3

Car Electronics - Consumer (Multimedia) Business

- * Boosting sales of car navigation systems for overseas markets
- * Promoting sales of terrestrial digital and one-segment TV tuners and navigation system integrated with AV for Japanese market
- * Collaboration with the Bosch Group of Germany on the development of portable navigation devices (slated to be commercialized in 2008)



Navigation system integrated with AV for Japanese market (with built-in One-Segment TV tuner)

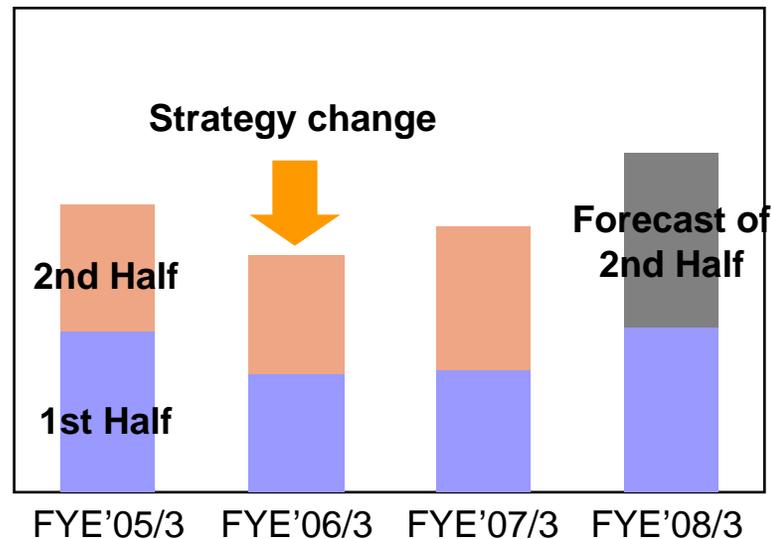


Navigation system integrated with AV for Japanese market (with terrestrial digital TV tuner)



Car navigation systems for overseas markets (Left: Add-on type; Right: All-in-one type)

Trends in Net Sales



2. Management Strategies for FYE'08/3

Car Electronics - OEM Business

- * Launch of new line-fitted products
- * Expansion of sales of dealer-option products
- * Start massive shipment of DVD/CD drive mechanisms



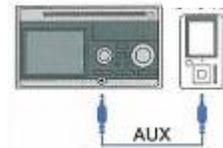
Line-fitted product



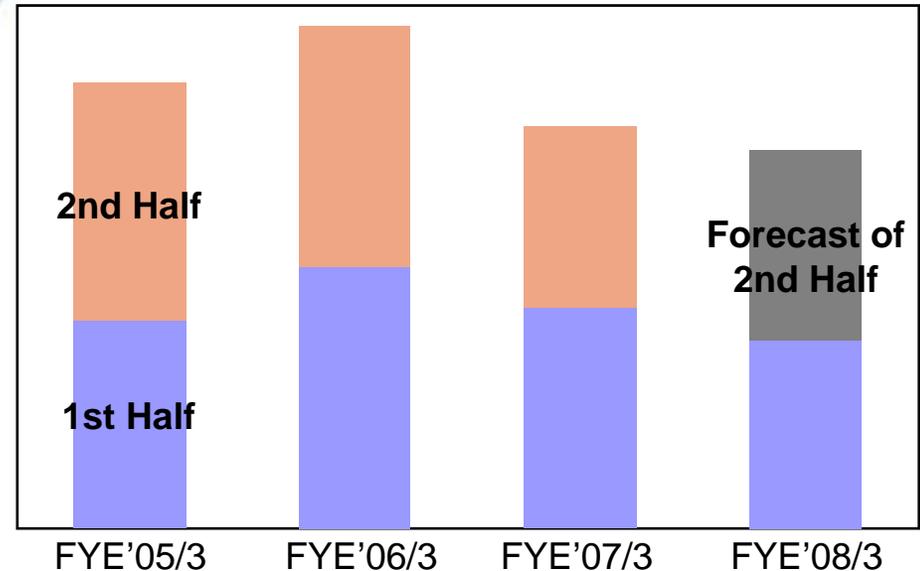
DVD mechanism



CD receiver with built-in memory navigation system for mini and subcompact cars (Dealer-option model)



Trends in Net Sales



2. Management Strategies for FYE'08/3

Communications Equipment Business

- * Introduction of Digital Land Mobile Radio into the market
- * Expansion of Communication Systems business centering on Zetron (Establishment of Communication Systems Division)
- * Promotion of research and development on new digital radio systems
- * Expansion of sales of PDC



Digital Land Mobile Radio



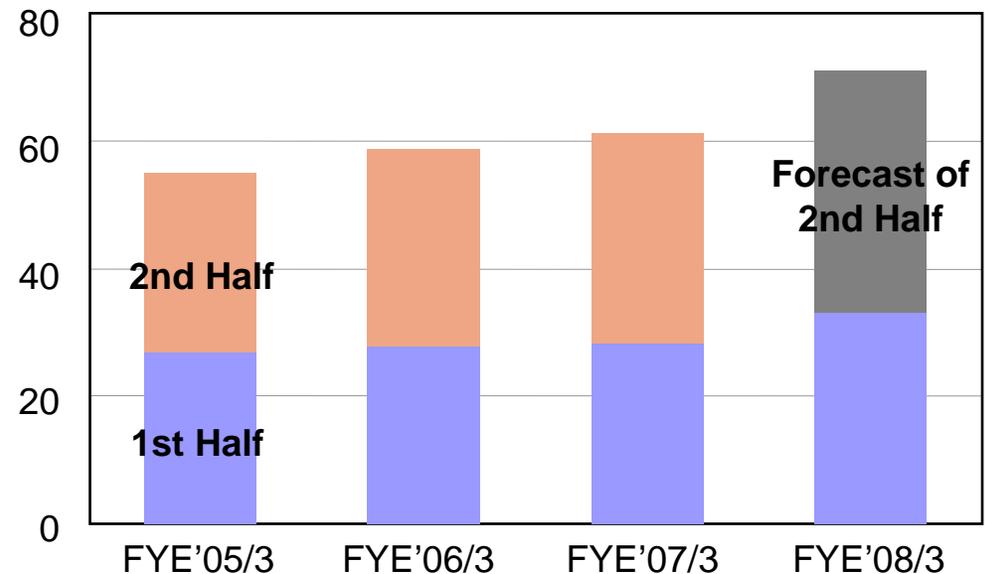
Console



Controller

(JPY in Billions)

Trends in Net Sales



2. Management Strategies for FYE'08/3

Home Electronics Business

- * Favorable results from the enhanced line-up of new premium products (a long-tail strategy)
- * Introduction of new product line-up for Europe and Oceania
- * Realization of “Seamless Entertainment” through an integration of portable, home-use and car-mounted equipment



K1000 Series that realized separate-component-quality audio performance



High-quality sound, portable HDD player (limited model in EC shop shown on the right)



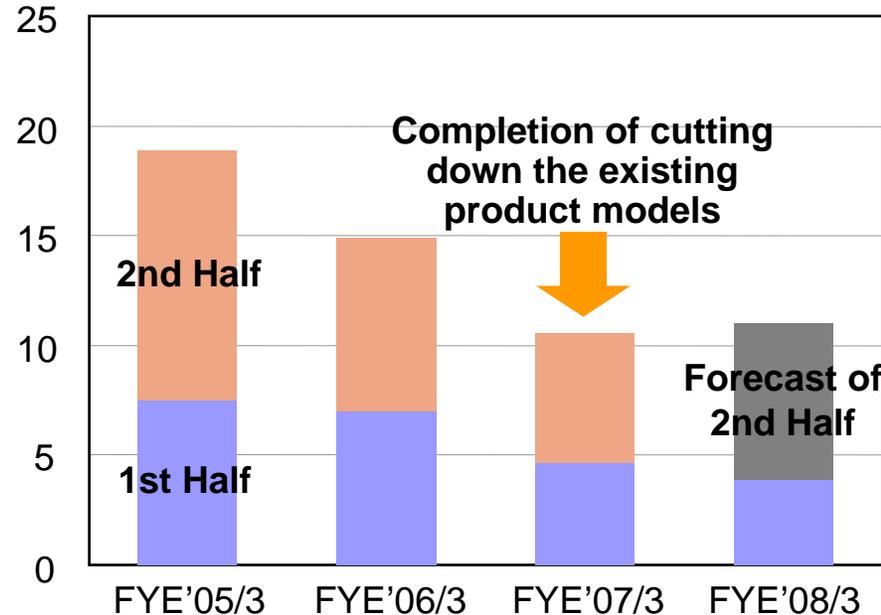
AV control center that allows to enjoy both music and movies with high-quality sound



Digital wireless system that realized high-quality music transmission

(JPY in Billions)

Trends in Net Sales



(2) Growth Strategy through Business Alliances and M&A

2. Growth Strategy through Business Alliances and M&A

COM business

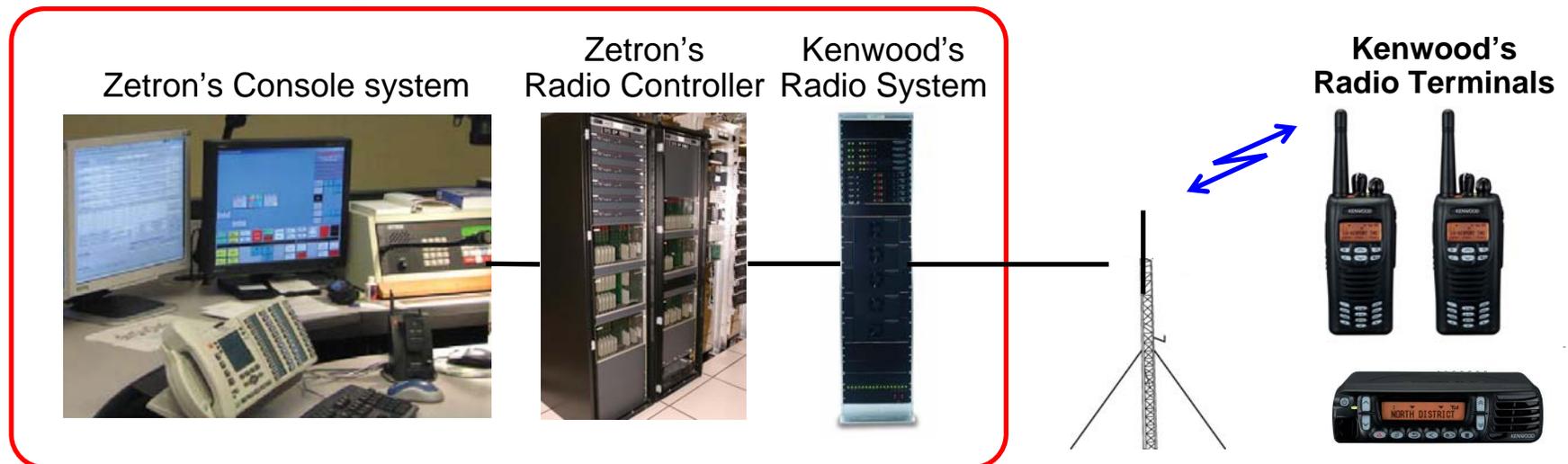
Conversion of Zetron, a U.S. system-based communications company, into a subsidiary (Oct. 5, 2007)

Expansion of business fields from radio terminals to system solutions

Synergistic effects

- *Expansion of orders for turn-key systems (comprehensive communications systems) for both companies
- *Increase in supply of Kenwood's radio terminals to Zetron's communications systems

An example of base station system

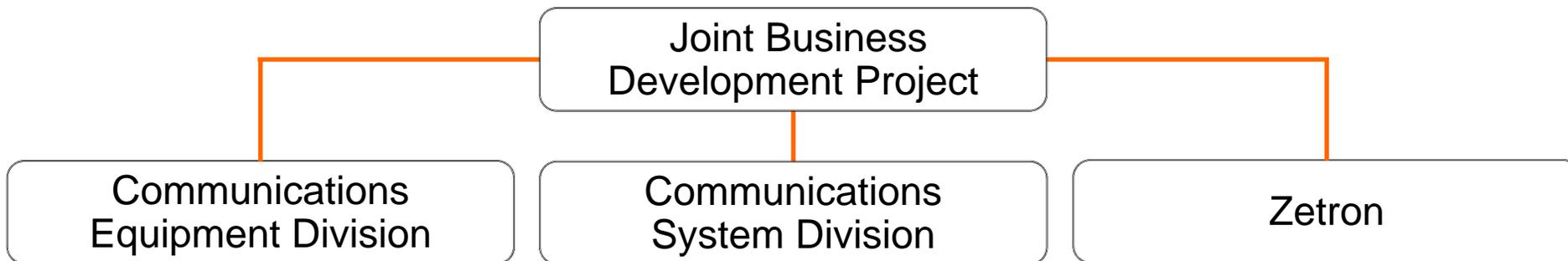


2. Growth Strategy through Business Alliances and M&A

COM business

Establishment of Communication Systems Division (Oct. 1, 2007)

- *Expansion of wireless communications business under the trilateral system of cooperation among U.S., Europe and Japan/Asia/Australia
- *Reinforcement of the communications system business that was handed over by Toyo Communication Equipment Co., Ltd. (now Epson Toyocom Corp.)
- *Reinforcement of RFID* business operated by Kenwood Core Corp.



*RFID ... Radio Frequency Identification (non-contact ID tag system)

2. Growth Strategy through Business Alliances and M&A

COM business

Reinforcement of Digital Land Mobile Radio equipment through business alliances

- * Results of capital and business alliance with Icom Inc.
- * Establishment of new standard for digital radio systems intended for business & industry sector in Europe through alliance with European mobile radio manufacturers (dPMR* MoU Group)
- * Expansion of sales of Digital Land Mobile Radio equipment through collaboration with EADS Secure Networks North America

*dPMR...Digital Private Mobile Radio

(3) Efforts for realignment of specialized Japanese manufacturers

Investment and Strategic Business Alliance in/with JVC

First step toward realignment of specialized Japanese manufacturers

- * **Intensifying global competition** amid waves of digital convergence
- * **Declining visibility** of Japanese consumer electronics industry, especially **specialized manufacturers**
- * Last big job in structural reform of mature industry lies in **realignment of Japanese specialized manufacturers**

First step

Investment for structural reform and strategic business alliance

Second step

Management integration

Toward realignment of Japanese specialized manufacturers

Investment and Strategic Business Alliance in/with JVC

Step 1

Forming capital and business alliance (July 24, 2007) and investing JPY35 billion committed jointly with Sparks Group (Aug. 10, 2007)

(1) Supporting JVC's structural reform

- * Investment for structural reform (JPY20 billion)
- * Advice drawn on Kenwood's experience in corporate reconstruction

(2) Strategic business alliance

Achieving the top position in the global consumer car audio market and turning the HE to profitability

- * Pursuing synergistic effects in the Car Electronics and Home/Portable Audio businesses

Investment and Strategic Business Alliance in/with JVC

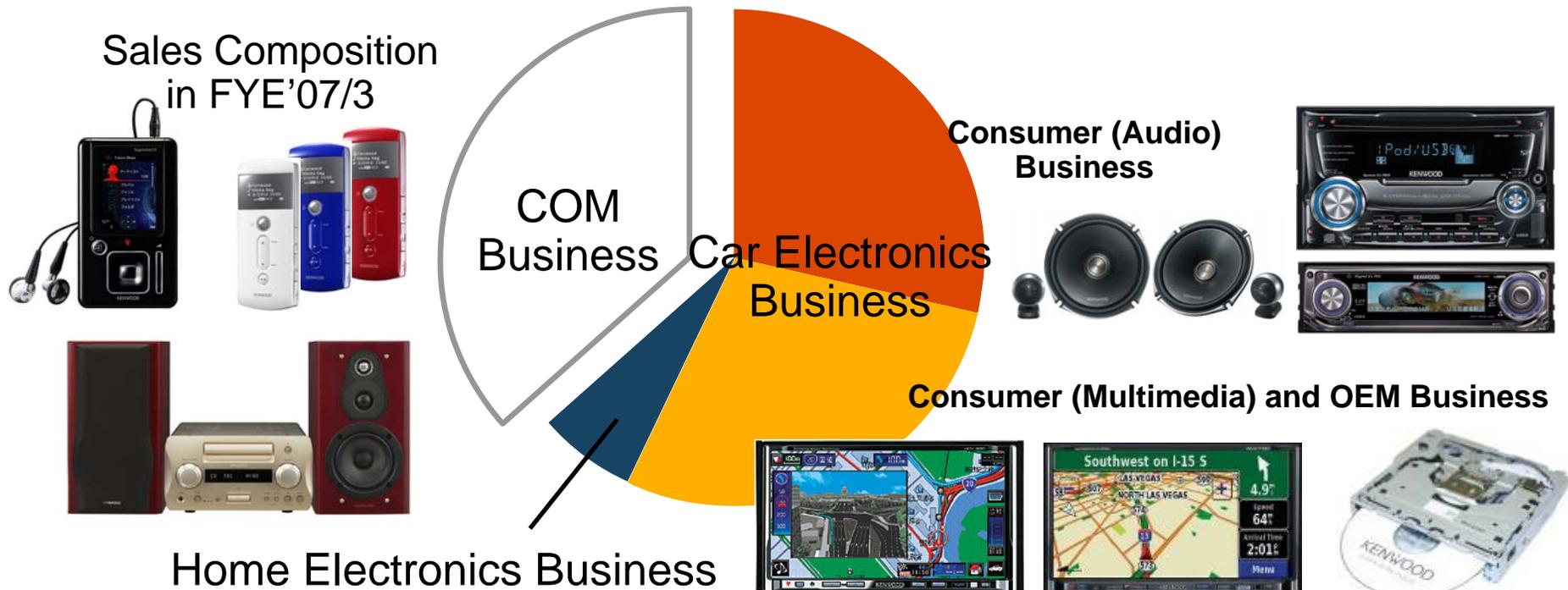
Step 1 >> Both companies will derive synergistic effects from strategic business alliance

Alliance in two-thirds of Kenwood's business fields: Joint development, collaboration in production and procurement, joint development of IT infrastructure and mutual utilization of intellectual property rights

* **Achieving the top position in the global consumer car audio market**

Sales of car audio will double to **JPY100 billion** and total CE sales including the multimedia and OEM will rise to **JPY160 billion**.

* **HE will become profitable.**



Investment and Strategic Business Alliance in/with JVC

Step 1 >> Establishment of joint venture for pursuing joint technological development

Aiming to become the world's leading company in the consumer car multimedia business as well.

Established J&K Technologies Corp. through a fifty-fifty investment with JVC and launched joint development with 130 staff (Oct. 1, 2007)

>> Starting collaboration in a concrete manner

Joint development theme

- * Navigation engine >> Increasing the unit sales of navigation systems of both companies to one million units at an early date
- * Car multimedia platform and TV tuner for digital terrestrial, etc.
- * Platforms for car audio and home audio equipment
- * Devices (CD and DVD drives, BD drives, etc.)

Collaboration in production and procurement

- * Consigning production of Kenwood's car audio equipment to JVC's plant in Indonesia
- * Kenwood's Shanghai plant plans to accept production consignment from JVC of car multimedia and car audio equipment for the Chinese market

Investment and Strategic Business Alliance in/with JVC

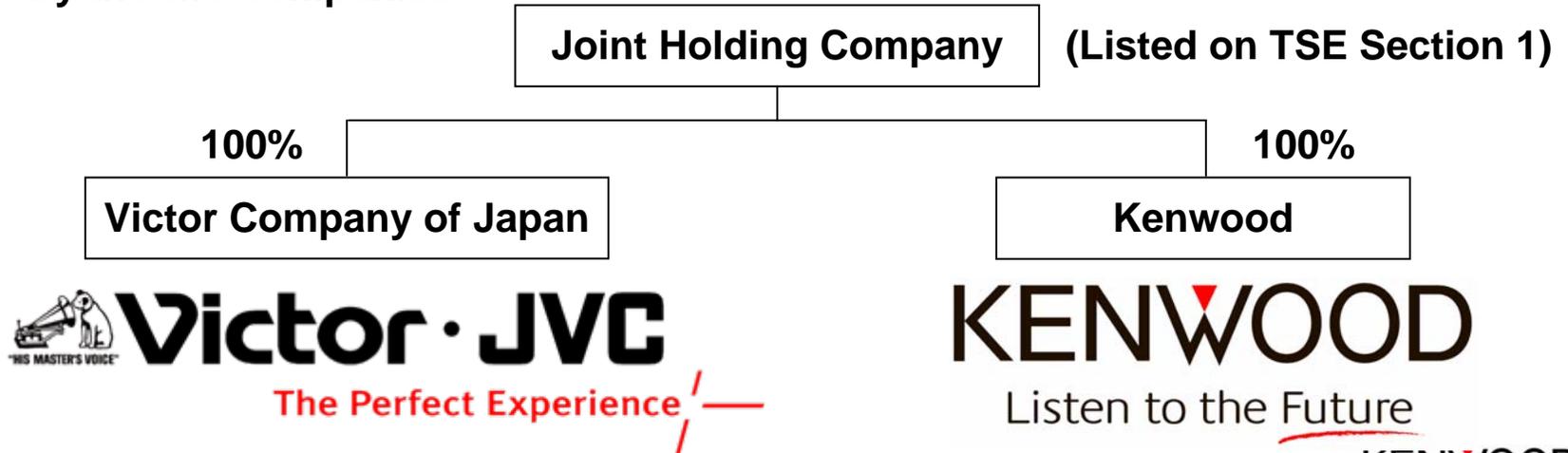
Step 2 >> Toward Management Integration

- * Aiming for **management integration on an equal footing** - while ensuring business stability of both companies
- * Strengthening market initiatives under two representative Japanese brand, and **creating/expanding medium- and long-term corporate value**



Survival of specialized Japanese manufacturers through industry realignment

An example of the form sought by the two companies



3. Outlook of Earnings for FYE'08/3

3. Outlook of Earnings for FYE'08/3

Consolidated Profit & Loss

Although there are concerns including the sales trends of our mainstay line-fitted products in the CE OEM and expenses associated with management integration with JVC, our earnings forecast for the full year will remain unchanged for the following reasons:

Factors for earnings boost in the second half of FYE'08/3

- * Results of various measures implemented in the previous fiscal year will become apparent.
- * The largest sales opportunity for the CE Consumer is expected in the fourth quarter.
- * Sales and profit expansion for Zetron.

Consolidated PL

(JPY in Billions)

	FYE'06/3		FYE'07/3		FYE '08/3 Forecast		YoY	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Net Sales	183.6		169.2		183.0		+13.8	+8.2%
Operating Profit	8.7	4.7%	5.6	3.3%	8.3	4.5%	+2.7	+47.8%
Ordinary Income	4.9	2.7%	2.3	1.4%	5.0	2.7%	+2.7	+113.8%
Net Income	6.1	3.3%	1.6	0.9%	4.0	2.2%	+2.4	+152.2%



KENWOOD

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