TRANSLATION - FOR REFERENCE ONLY -

Consolidated Financial and Performance Review for the third quarter of fiscal year ending March 31, 2005

January 28, 2005

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1. Matters related to the Preparation of Quarterly Financial Information, etc.

(1) Simplified accounting is in effect.
Details: certain simplified methods were used in accounting securities (at market value), allowances, tax effects, corporate taxes, etc.

(2) There is a change in application of consolidated accounting principles from the latest full fiscal year.
Details: In the past the Corporation has counted patent licensing fees as sales and general administration expenses, but from this fiscal year they are counted as cost of sales. As a result of this change, the cost of sales increased by 1,795 million yen, while sales and general administration expenses decreased by the same amount. There was no effect on operating profit, ordinary income or income before income taxes for the quarter.

(3) There is a change in scope of consolidation or equity method application:

Details:	Consolidation	(New) 0 companies	(Excluded) 4 companies
	Equity Method	(New) 0 companies	(Excluded) 0 companies

2. Consolidated Financial and Performance Review for the First Three Quarters of Fiscal Year Ending March 31, 2005 (April 1 – December 31, 2004)

(1) Consolidated Results

[April 1 – December 31, 2004]

	Net Sales		Operating Profit		Ordinary Income		Quarterly/ annual Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1-Q3 fiscal year ending March 31, 2005	130,815	-1.4	5,041	-37.3	2,940	-47.9	3,446	-
Q1-Q3 fiscal year ended March 31, 2004	132,659	-	8,045	-	5,640	-	-	-
(Reference) Full fiscal year ended March 31, 2004	178,731	-20.8	12,610	2.9	8,541	21.0	7,318	73.4

	Quarterly/ annual Net Income per share	Quarterly/ annual Net Income per share after adjustment for latent shareholdings
	Yen	Yen
3rd quarter of fiscal year ending March 31, 2005	12.41	7.45
3rd quarter of fiscal year ended March 31, 2004	-	-
(Reference) Full fiscal year ended March 31, 2004	33.99	15.73

[October 1 – December 31, 2004]

	Net Sales		Operating Profit		Ordinary Income		Quarterly/ annual Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3rd quarter of fiscal year ending March 31, 2005	42,440	-4.6	1,016	-52.0	513	-69.3	486	-
3rd quarter of fiscal year ended March 31, 2004	44,464	-	2,120	-	1,670	-	-	-

Notes: 1. Quarterly financial and performance figures have not been audited by an independent auditor.

2. Percentages denote changes from the previous fiscal year.

Review of the third quarter of fiscal year ending March 31, 2005
- Performance that is approximate to yearly forecasts

In the consumer electronics market, sales of the "digital trinity" (digital cameras, LC televisions, and DVD recorders) as well as air conditioners were strong until the third quarter of the current fiscal year because of the impact of the Olympic games in the first two quarters and then the heat wave in Japan. But sales of audio equipment decreased, and year-end sales campaigns did not show significant improvement.

The third quarter falls in the "phasing out" period for the current product series of car electronics business, and new product series will be introduced globally in the fourth quarter to the car electronics market. The Company has the highest proportion of total sales in this market. Accordingly, profitability in this quarter tends to be seasonably the lowest in comparison with other quarters. In addition, the Company considers 2004-05 as a milestone year for investments towards a new leap forward, and made "Strategic Investments" amounting to approximately 4 billion yen. These factors were reasons for the YoY(year on year) fall in income.

In these internal and external climates, the Company's performance was influenced by deteriorating market conditions in the consumer electronics business, i.e., the car electronics business and the home electronics business, during the current third quarter similar to the first two quarters. But the Company converted its car electronics OEM business into a company in its own right to promote growth strategies from the beginning of the year. Also, the communications business grew as a result of domestic expansion efforts through M&A activities. As a result, the Company was able to achieve the overall performance it forecasted.

Sales

Consolidated sales for the third quarter (from October 1, to December 31, 2004) under review decreased approximately 2 billion yen (-4.6%) from the same period last year, and amounted to 42,440 million yen. This result is approximate to the yearly performance forecast announced at interim term-end.

The reason for this decline was the significantly lower YoY sales of the home electronics business due to the effects of reduced audio market and increasingly fierce competition with Asian competitors in overseas markets, the conversions of sales channels mainly in the U.S., and poor market conditions during the year-end holiday shopping season in the Olympics aftermath.

Sales of the car electronics business increased YoY because the OEM sales were strong even though there were effects of decreased commercial sales due to the contracting audio market as during the first two quarters and depreciated yen values for sales of overseas sales companies as a result of appreciated yen.

Sales of the communications business increased YoY because those of the wireless radio equipment business were strong mainly in the U.S. as during the first two quarters, and domestic business expanded as a result of M&A activities last June, despite the effects of the appreciated yen.

[Sales by business segment]

	Fiscal year ending March 31, 2005				Fiscal year ended March 31, 2004			
	Q1-Q3 cumulative		3rd quarter only		Q1-Q3 cumulative		3rd quarter only	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Car Electronics Business	75,165	2.2	22,360	0.3	73,538	-	22,292	-
Communications Equipment Business	40,196	8.5	13,262	4.4	37,044	-	12,703	-
Home Electronics Business	13,646	-28.8	6,107	-27.7	19,172	-	8,442	-
Others	1,808	-37.8	711	-30.8	2,905	-	1,027	-
Total	130,815	-1.4	42,440	-4.6	132,659	-	44,464	-

(Note) Sales percentages represent year-on-year change.

Operating income

Consolidated operating income for the third quarter (from October 1 to December 31, 2004) under review declined approximately 1.1 billion yen (-52.0%) YoY, and amounted to 1,016 million yen. This result is approximate to the yearly performance forecast announced at interim term-end.

The reasons for this significant decrease are that the total expenses related to investments in the development of new products and technologies as well as brand strategies based on our basic "Strategic Investment" policy for the current year and reinvestments in human resource issues (such as the end of reduced salaries and bonuses) in the current fiscal year increased approximately 600 million yen YoY, while operating income of the home electronics business decreased due to reduced sales and falling prices resulting from increasingly fierce competition with other Asian peers in overseas markets, as well as some seasonal factors for sagging profitability of the commercial car electronics business (as described above).

Operating income of the car electronics business excluding strategic investments recovered to the previous year's level as a result of efforts to improve revenues such as the policy review of the consumer multi-media business, whose profitability significantly deteriorated due to rapid price declines during the first two quarters, while the ratios of lowly profitable OEM sales increased.

Operating income of the communications business significantly increased YoY because wireless radio equipment sales were strong and the profitability of the domestic business expanded as a result of M&A activities in June, even though there were negative factors resulting from strategic investments.

(2) Changes in Consolidated Financial Positions

(Unit: Millions of yen)

	End of the current 3rd quarter	End of the previous 3rd quarter	End of the current 1st half	End of the previous 1st half
Total assets	114,962	-	115,068	135,763
Interest-bearing liabilities	32,491	-	35,922	67,272
Net debts	17,083	-	22,278	29,885
Shareholders' equity	29,927	-	30,010	20,161
Shareholders' equity ratio	26.0 %	-	26.1 %	14.9 %
Shareholders' equity per share	57.69 yen	-	57.96 yen	-23.03 yen
Retained earnings	11,810	-	11,323	-9,777

Supplementary explanation on financial positions

The Company executed new financial strategies during the first two quarters, eliminated cumulative loss, redeemed preferred stock through public stock offering, terminated financing agreements by means of refinancing, and reduced interest-bearing liabilities significantly. It also made significant progress towards the achievement of three of the four goals in the mid-term business plan - "Excellent Kenwood Plan.": achieving 20% ROE, resuming dividend disbursement and having zero net debts.

During the third quarter, interest-bearing liabilities decreased approximately 3.4 billion yen from interim year-end of the current year and amounted to 32.491 billion yen. Net debts also decreased approximately 5.2 billion yen and amounted to 17.083 billion yen, including approximately 2 billion yen for special factors resulting from the fact that the end of the third quarter fell on a holiday.

Shareholders' equity resulted in 29.927 billion yen because it fell due to increased translation adjustments resulting from the appreciated yen even though net income for the third quarter was added to the retained earnings. This amount is almost equivalent to the level at the end of the first two quarters of the current fiscal year. The shareholders' equity ratio was 26.0% for the same reason, and is also equivalent to the level at the end of the first two quarters of the current year.

[Reference] Forecast for fiscal year ending March 31, 2005 (April 1, 2004 – March 31, 2005)

	Net Sales	Ordinary Income	Net Income	Forecast Net Income per share
	Million yen	Million yen	Million yen	yen
Full fiscal year ending March 31, 2005	180,000	6,000	5,500	17.87

(Note) The above figures approximately correspond to the performance forecast announced in November 12, 2004, while 9 billion yen was announced as an estimate for operating profit.

Supplementary explanation to the forecast for the fiscal year ending March 31, 2005

Performance for the third quarter approximately corresponds to the above forecast, and the entire Company will strengthen its activities to realize the performance forecast for the full year as announced on November 12, 2004, despite there being both positive and negative factors during the fourth quarter. Factors by segment for the fourth quarter are as follows:

Car Electronics Business

The fourth quarter is the time when the new 2005 product series are globally introduced in the car electronics market. New product series, which the Company started to ship from last December, have been popular both in Japan and overseas, and have been produced at a pace exceeding the initial plan. In addition, the Company plans to launch new car navigation systems in the consumer market from the current fourth quarter. These systems were developed as a result of the Company's strategic investment.

On the other hand, the Niigata Chuetsu Earthquake has caused some lingering parts procurement problems such as supply shortages and increased costs in the current fourth quarter. But the Company was able to solve these problems by using replacement parts due to the efforts of component makers.

Communications Business

The communications business has been strong since the beginning of this fiscal year, led by the recovery of demand in the U.S. market and the strengthening of domestic business through M&A activities. But the Company plans to promote its efforts to maintain its strong business performance in each market because of the lingering effects of the Tsunami disaster in the Indian Ocean as well as the changing political and economic climate in the U.S.

Home Electronics Business

Certain sales of audio equipment have been strong domestically, while there are ongoing concerns over effects of falling prices reduction and exacerbated market conditions in overseas markets. Accordingly, the Company plans to step up these sales.