

TRANSLATION - FOR REFERENCE ONLY -

Consolidated Financial and Performance Review for the third quarter of fiscal year ending March 31, 2006

January 27, 2006

Company Name: Kenwood Corporation (Code No. 6765, TSE Section1)
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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 financial instruments (at market value), allowances, tax effects, corporate taxes and other items.

(2) There is a change in the application of consolidated accounting principles from the latest full fiscal year.

Details: Accounting for the impairment of fixed assets is in effect.

(3) There is no change in scope of consolidation or equity method application.

2. Consolidated Financial and Performance Review for the First Three Quarters of Fiscal Year Ending March 31, 2006 (April 1 – December 31, 2005)

(1) Consolidated results

[October 1 - December 31, 2005]

| | Net Sales | | Operating Profit | | Ordinary Income | | Quarterly Net Income | |
|--|-------------|------|------------------|-------|-----------------|-------|----------------------|-------|
| | Million Yen | % | Million Yen | % | Million Yen | % | Million Yen | % |
| 3 rd quarter of fiscal year ending March 31, 2006 | 47,193 | 11.2 | 1,952 | 92.1 | 1,390 | 171.0 | 2,735 | 462.8 |
| 3 rd quarter of fiscal year ended March 31, 2005 | 42,440 | -4.6 | 1,016 | -52.0 | 513 | -69.3 | 486 | - |

[April 1 – December 31, 2005] Total of first three quarters

| | 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, 2006 | 137,262 | 4.9 | 5,487 | 8.8 | 2,919 | -0.7 | 5,632 | 63.4 |
| Q1 - Q3 fiscal year ended March 31, 2005 | 130,815 | -1.4 | 5,041 | -37.3 | 2,940 | -47.9 | 3,446 | - |
| (Reference) Full fiscal year ended March 31, 2005 | 181,112 | 1.3 | 7,061 | -44.0 | 4,696 | -45.0 | 4,836 | -33.9 |

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| | Quarterly/annual Net Income per share | Quarterly/annual Net Income per share after adjustment for latent shareholdings |
|--|---|---|
| | Yen | Yen |
| Q1 - Q3 fiscal year ending March 31, 2006 | 16.21 | 13.73 |
| Q1 - Q3 fiscal year ended March 31, 2005 | 12.41 | 7.45 |
| (Reference) Full fiscal year ended March 31, 2005 | 16.79 | 10.50 |

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, 2006

In the consumer electronics market, until the third quarter of the fiscal year ending March 31, 2006, the digital media/multimedia businesses remained strong, and the portable digital audio player and car multimedia businesses steadily expanded. Meanwhile, the conventional audio business faced a severe environment, hurt by a shrinkage of the market resulting from a shift to digital media/multimedia products and lowered prices amid a fierce competition. This trend remained unchanged even during the year-end sales season.

In the third quarter of the fiscal year ending March 31, 2006, the Company's performance was affected by the shrinkage of the audio market and the intense competition, as was the case for the first half of the current fiscal year. However, the performance of the car electronics consumer (audio) business, where the previous year's models were planned to be terminated during the quarter under review, strengthened because special models were introduced to improve such unfavorable seasonal situation. Sales in the communications equipment business increased. Earnings in the car electronics consumer (multimedia) business improved due to a strategic change. As a result, consolidated sales and profits substantially increased from the same period of the previous year, offsetting year-on-year declines of operating profit in the first and second quarters of the current fiscal year. Aggregate net sales and profits for the three quarters also rose from the corresponding nine-month period of the preceding year.

Sales

In the car electronics business, consolidated sales in the OEM business for the third quarter under review expanded in line with a growth strategy just like in the first half period, rising nearly 20% from the previous year. Sales in the car electronics consumer (audio) business increased more than 20% from a year earlier because product lineups for 2005 remained robust although they were scheduled to be terminated in the quarter under review, which was combined with the favorable effects of exchange rates. In the car electronics consumer (multimedia) business, sales dropped temporarily affected by a strategic change made in the preceding year, which, however, was covered by sales growth in the OEM business and the car electronics (audio) consumer business. As a result, sales in the car electronics business increased more than 10% from a year earlier.

Consolidated sales in the communications equipment business increased about 20% from the previous year, mainly due to strong sales of commercial radio equipment in the brisk U.S. market and the favorable effects of exchange rates.

In the home electronics business, consolidated sales fell about 20% year on year, chiefly owing to the effects of a strategic change in the previous year and the contracted audio market.

Thanks to the increase of sales in the car electronics and communications equipment businesses, the Company posted consolidated sales of 47,193 million yen in the third quarter under review, up 4.8 billion yen (or 11.2%) from a year earlier, as originally expected.

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Operating profit

In the third quarter of fiscal year ending March 31, 2006, profitability of the mainstay car electronics consumer business was predicted to be lower than usual quarters, because existing products were planned to be terminated during the period under review prior to the fourth quarter, when new product lineups were slated to be introduced worldwide. To turn around this, the Company introduced special models in the car electronics consumer (audio) business. In the car electronics consumer (multimedia) business, earnings continued to improve due to the strategic change implemented during the previous year. Accordingly, earnings of the car electronics consumer business picked up. In the car electronics OEM business, which is quickly expanding, sales of unprofitable models rose more than expected and prior investments in business expansion increased. Hence, earnings of the car electronics OEM business fell short of an initial projection, but improved compared with those posted in the previous year due to various efforts. As a result, earnings of the entire car electronics business significantly improved in the quarter under review compared with the previous year's results.

Earnings of the communications equipment business also went up in the quarter under review, exceeding a prediction that was upwardly revised at the close of the interim period, thanks to a rise in sales of commercial radio equipment.

In the home electronics business, earnings picked up to some extent due to the release of new product lineups for the year-end sales season and the effects of a strategic change made in the previous year. However, sales of past models leveled off as the audio market shrank, and earnings of this business fell short of earlier projections. Consequently, this business posted a slight loss, remaining roughly unchanged from the preceding year, although it would have registered profits without the effects of exchange rates.

The Company's consolidated operating income soared 0.9 billion yen (or 92.1%) from a year earlier to 1,952 million yen, though slightly below its projection. The substantial increase is attributable to improved earnings at the car electronics business and expanded profits at the communications equipment business.

Sales and operating by business segment are as follows.

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[October 1 - December 31, 2005]

(Unit: Millions of yen)

| Segment | | 3 rd quarter of fiscal year ending March 31, 2006 | 3 rd quarter of fiscal year ended March 31, 2005 | Year-on-Year | |
|---------------------------|----------------------|---|--|--------------|---------|
| Car Electronics Business | Sales | 25,571 | 22,360 | +3,211 | +14.4% |
| | Operating profit | -332 | -803 | +471 | - |
| Communications Business | Sales | 16,013 | 13,262 | +2,751 | +20.7% |
| | Operating profit | 2,415 | 1,866 | +549 | +29.4% |
| Home Electronics Business | Sales | 4,883 | 6,107 | -1,224 | -20.0% |
| | Operating profit | -86 | -23 | -63 | - |
| Others | Sales | 726 | 711 | +15 | +2.1% |
| | Operating profit | -45 | -23 | -22 | - |
| Total | Sales | 47,193 | 42,440 | +4,753 | +11.2% |
| | Operating profit | 1,952 | 1,016 | +936 | +92.1% |
| | Ordinary income | 1,390 | 513 | +877 | +171.0% |
| | Quarterly net income | 2,735 | 486 | +2,249 | +462.8% |

[April 1 – December 31, 2005] Total of first three quarters

(Unit: Millions of yen)

| Segment | | 1Q – 3Q fiscal year ending March 31, 2006 | 1Q – 3Q fiscal year ended March 31, 2005 | Year-on-Year | |
|---------------------------|----------------------|---|--|--------------|--------|
| Car Electronics Business | Sales | 79,767 | 75,165 | +4,602 | +6.1% |
| | Operating profit | 461 | 1,416 | -955 | -67.4% |
| Communications Business | Sales | 43,870 | 40,196 | +3,674 | +9.1% |
| | Operating profit | 6,019 | 5,259 | +760 | +14.5% |
| Home Electronics Business | Sales | 11,871 | 13,646 | -1,775 | -13.0% |
| | Operating profit | -977 | -1,563 | +586 | - |
| Others | Sales | 1,754 | 1,808 | -54 | -3.0% |
| | Operating profit | -16 | -71 | +55 | - |
| Total | Sales | 137,262 | 130,815 | +6,447 | +4.9% |
| | Operating profit | 5,487 | 5,041 | +446 | +8.8% |
| | Ordinary income | 2,919 | 2,940 | -21 | -0.7% |
| | Quarterly net income | 5,632 | 3,446 | +2,186 | +63.4% |

Note: Operating profit figures for the third quarter of fiscal year ending March 31, 2005 were used for internal control purposes and were disclosed for the first time as reference values.

Ordinary income and quarterly net income

Consolidated ordinary income was as expected at 1,390 million yen in the third quarter under review, up 0.9 billion yen (or 171.0%) from the same period of the previous year, mainly because operating profit exceeded the preceding year's results as described above.

Consolidated net income soared 2.2 billion yen (or 462.8%) year on year to 2,735 million yen in the quarter under review, exceeding the forecasts made at the beginning of the year. The

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large increase was attributable to the booking of approximately 1.5 billion yen in gains from sales of investment securities as an extraordinary profit. At the beginning of the current fiscal year, the Company did not expect such gains would be generated at the quarter under review.

(2) Changes in consolidated financial positions

| | (Unit: Millions of yen) | | | |
|--------------------------------|--|---|--------------|--|
| | 3 rd quarter of fiscal year ending March 31, 2006 | 3 rd quarter of fiscal year ended March 31, 2005 | Year-on-Year | (Reference) End of the fiscal year ended March 31, 2005 |
| Total assets | 114,887 | 114,962 | -75 | 116,137 |
| Interest-bearing liabilities | 30,429 | 32,491 | -2,062 | 31,088 |
| Net debt | 15,300 | 17,083 | -1,783 | 15,147 |
| Shareholders' equity | 36,160 | 29,927 | +6,233 | 33,132 |
| Shareholders' equity ratio | 31.5% | 26.0% | +5.5% | 28.5% |
| Shareholders' equity per share | 98.51 yen | 57.69 yen | +40.82 yen | 66.29 yen |
| Retained earnings | 17,798 | 11,810 | +5,988 | 13,199 |

| | (Unit: Millions of yen) | | | |
|---|--|---|--------------|---|
| | 3 rd quarter of fiscal year ending March 31, 2006 | 3 rd quarter of fiscal year ended March 31, 2005 | Year-on-Year | (Reference) Fiscal year ended March 31, 2005 |
| Cash flows from operating activities | 8,593 | - | - | 15,539 |
| Cash flows from investing activities | -3,780 | - | - | -3,513 |
| Cash flows from financing activities | -6,296 | - | - | -30,333 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 701 | - | - | 406 |
| Increase in cash and cash equivalents | -782 | - | - | -17,901 |
| Cash and cash equivalents at beginning of the period | 15,875 | - | - | 33,698 |
| Net increase (decrease) in cash and cash equivalents in accordance with change of consolidated subsidiaries | - | - | - | 78 |
| Cash and cash equivalents at end of the period | 15,093 | - | - | 15,875 |

Supplementary explanation for financial positions

At the end of the third quarter of fiscal year ending March 31, 2006, interest-bearing liabilities stood at 30,429 million yen, down about 2.1 billion yen from the previous year, and net debt reduced approximately 1.8 billion yen to 15.3 billion yen. Shareholders' equity increased about 6.2 billion yen to 36,160 million yen, resulting from: capital increase through public offering worth approximately 11.1 billion yen and capital reduction amounting to 15.0 billion yen through redemption of the first tranche class-B preferred stocks with compensation, during the quarter under review; booking of net income; and issuance of new shares through third party allocation in the fourth quarter of the previous year. The equity ratio was 31.5%, an improvement of 5.5% from a year earlier. With net income added, retained earnings rose about 6 billion yen to 17,798 million yen. As a result, the Company's overall capital composition and financial foundation were notably improved.

Cash flows from operating activities until the third quarter under review were aggregate 8,593 million yen. Cash flows increased due to quarterly net income, depreciation expenses and the decrease of accounts receivable, while dropping because of a rise in inventories and a fall in accounts payable.

Cash flows from investing activities resulted in a cash outflow of aggregate 3,780 million yen due to the acquisition of tangible and intangible fixed assets, which offset cash flows derived from sales of investment securities.

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Cash flows from financing activities were 6,296 million yen in net spending due to the cash outflow for the redemption of the first tranche class-B preferred stocks with compensation, amounting to 15.0 billion yen, the payment of dividends and the repayment of borrowings, although money totaling about 11.0 billion yen was raised by issuing new shares through public offering in the first half of the current fiscal year.

[Reference] Consolidated earnings forecast for the fiscal year ending March 31, 2006 (April 1, 2005 – March 31, 2006)

(1) Consolidated earnings outlook

The Company will not change its forecasts of consolidated earnings for the year ending March 31, 2006, which it announced at the close of the interim period on November 11, 2005, including net sales of 185.0 billion yen, an ordinary income of 4.5 billion yen, and a net income of 6.0 billion yen. However, the Company will revise its projection of 16.34 yen for net income per share, which was announced at the time of closing the first half, to 16.35 yen, taking account of the change in the number of treasury shares in the third quarter of the current year.

Forecast for consolidated operating profit will remain unchanged at 10.0 billion yen, the figure disclosed at the close of the first half as reference values. However, profits for the fourth quarter are expected to be higher than any other quarters, since profitability is projected to become the largest in the year due to the introduction of new product lineups by the car electronics consumer business. Particularly, profits for March are estimated to be the highest.

For this, earnings of the Company for the fourth quarter will be significantly affected by sales of new product lineups of car electronics. Besides, several factors are expected to have unfavorable effects on the Company's earnings, including an expansion of sales of unprofitable models in the car electronics OEM business, slower sales of car visual products in the car electronics consumer (multimedia) business, and reduction in sales of past models in the home electronics business. Against the backdrop, the Company will further boost measures to achieve its goals for the entire fiscal year, by coping with these factors.

(2) Non-consolidated earnings outlook

The Company will maintain its prediction of non-consolidated net sales, ordinary income and net income for the year ending March 31, 2006, which were announced at the close of the interim period on November 11, 2005.

Projection for non-consolidated net income per share also will not be changed from that made at the close of the first half, despite a change in the number of treasury shares during the third quarter under review.

[Note on Earnings Outlook]

The earnings outlook discussed above for the consolidated fiscal year ending March 2006 is a future estimate based on judgments of the Kenwood Group obtained from currently available information. Actual results may differ materially from these earnings outlooks due to a variety of factors. Accordingly, the Company recommends that investment decisions not be made solely on the basis of these perspective outlooks.

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

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Risks” described in Summary Report on the Consolidated Results for Interim Period of Fiscal Year Ending March 31, 2006.

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1. Summary of Consolidated Balance Sheet for the quarter

(as of December 31, 2005)

(Unit: Millions of yen)

| Accounts | Current period (3 rd Quarter of FY2005) | | Previous period (3 rd Quarter of FY2004) | | Increase/ decrease | | Reference (FY2004) | |
|--|---|-------|--|-------|-----------------------|--------|-----------------------|-------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| (Assets) | | | | | | | | |
| I Current Assets | 78,137 | 68.0 | 78,872 | 68.6 | (735) | (0.9) | 77,619 | 66.8 |
| Cash and cash in bank deposit | 15,129 | | 15,408 | | (278) | | 15,941 | |
| Trade notes and accounts receivable | 29,821 | | 29,598 | | 223 | | 31,501 | |
| Inventories | 28,278 | | 26,531 | | 1,746 | | 25,257 | |
| Prepaid expenses | 533 | | 932 | | (399) | | 597 | |
| Deferred tax assets | 757 | | 803 | | (45) | | 692 | |
| Other current assets | 4,458 | | 6,448 | | (1,990) | | 4,414 | |
| Allowance for doubtful receivables | (842) | | (851) | | 8 | | (785) | |
| II Fixed Assets | 36,584 | 31.9 | 35,939 | 31.3 | 644 | 1.8 | 38,400 | 33.1 |
| (1) Tangible fixed assets | 23,326 | 20.3 | 23,631 | 20.6 | (304) | (1.3) | 23,555 | 20.3 |
| Building and structures | 18,704 | | 18,569 | | 134 | | 18,090 | |
| Machinery and equipment | 18,657 | | 16,804 | | 1,853 | | 17,054 | |
| Tools, furniture and fixtures | 13,633 | | 11,986 | | 1,646 | | 12,780 | |
| Land | 10,365 | | 10,986 | | (620) | | 10,796 | |
| Construction in progress | 13 | | 20 | | (6) | | 148 | |
| Total | 61,375 | | 58,368 | | 3,006 | | 58,871 | |
| Accumulated depreciation | (38,048) | | (34,736) | | (3,311) | | (35,315) | |
| (2) Intangible fixed assets | 6,504 | 5.7 | 8,017 | 7.0 | 1,513 | (18.9) | 8,335 | 7.2 |
| (3) Investment and others | 6,752 | 5.9 | 4,290 | 3.7 | 2,462 | 57.4 | 6,509 | 5.6 |
| Investment securities | 4,612 | | 2,346 | | 2,265 | | 3,913 | |
| Long term loans | 68 | | 69 | | 0 | | 68 | |
| Deferred tax assets | 880 | | 697 | | 182 | | 899 | |
| Other investments | 1,277 | | 1,430 | | (153) | | 1,710 | |
| Allowance for doubtful receivables | (86) | | (254) | | 167 | | (83) | |
| III Deferred Assets | 165 | 0.1 | 150 | 0.1 | 15 | 10.1 | 117 | 0.1 |
| New stock issuing expenses | 165 | | 150 | | 15 | | 117 | |
| Total Assets | 114,887 | 100.0 | 114,962 | 100.0 | (75) | (0.1) | 116,137 | 100.0 |

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(Unit: Millions of yen)

| Accounts | Current period (3 rd Quarter of FY2005) | | Previous period (3 rd Quarter of FY2004) | | Increase/ decrease | | Reference (FY2004) | |
|--|---|-------|--|--------|-----------------------|--------|-----------------------|--------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| (Liabilities) | | | | | | | | |
| I Current Liabilities | 66,283 | 57.7 | 69,226 | 60.2 | (2,942) | (4.3) | 66,735 | 57.5 |
| Trade notes and accounts payable | 18,979 | | 19,710 | | (730) | | 18,461 | |
| Short term bank borrowings | 30,429 | | 32,217 | | (1,787) | | 31,088 | |
| Accounts payable | 7,581 | | 7,753 | | (171) | | 8,586 | |
| Income taxes payable | 537 | | 260 | | 277 | | 451 | |
| Accrued expenses | 6,730 | | 6,441 | | 289 | | 6,668 | |
| Deferred tax liabilities | 8 | | 48 | | (39) | | 7 | |
| Other current liabilities | 2,015 | | 2,795 | | (780) | | 1,470 | |
| II Long Term Liabilities | 12,444 | 10.8 | 15,808 | 13.8 | (3,364) | (21.3) | 16,269 | 14.0 |
| Long term debt | - | | 274 | | (274) | | 0 | |
| Allowance for employees' retirement | 8,995 | | 13,001 | | (4,006) | | 13,492 | |
| Deferred tax liabilities due to revaluation | 2,058 | | 2,173 | | (115) | | 2,173 | |
| Deferred tax liabilities | 990 | | 294 | | 696 | | 565 | |
| Other long term liabilities | 399 | | 65 | | 334 | | 37 | |
| Total Liabilities | 78,727 | 68.5 | 85,034 | 74.0 | (6,307) | (7.4) | 83,004 | 71.5 |
| (Shareholders' Equity) | | | | | | | | |
| I Paid-in capital | 11,059 | 9.6 | 14,409 | 12.5 | (3,350) | (23.3) | 14,947 | 12.9 |
| III Capital surplus | 13,373 | 11.7 | 12,841 | 11.2 | 532 | 4.1 | 13,373 | 11.5 |
| IV Retained earnings | 17,798 | 15.5 | 11,810 | 10.3 | 5,988 | 50.7 | 13,199 | 11.4 |
| V Land revaluation surplus | 2,999 | 2.6 | 3,167 | 2.8 | (167) | (5.3) | 3,167 | 2.7 |
| VI Unrealized gain and loss on available-for-sale securities | 1,183 | 1.0 | 238 | 0.2 | 945 | 397.0 | 619 | 0.5 |
| VII Foreign currency translation adjustments | (10,173) | (8.8) | (12,478) | (10.9) | 2,304 | - | (12,109) | (10.4) |
| VIII Treasury stock | (81) | (0.1) | (60) | (0.1) | (20) | - | (64) | (0.1) |
| Total Shareholders' Equity | 36,160 | 31.5 | 29,927 | 26.0 | 6,232 | 20.8 | 33,132 | 28.5 |
| Total Liabilities and Shareholders' Equity | 114,887 | 100.0 | 114,962 | 100.0 | (75) | (0.1) | (116,137) | 100.0 |

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2. Summary of Consolidated Income Statements

(Unit: Millions of yen)

| Accounts | Current period (3 rd Quarter of FY2005) | | Previous period (3 rd Quarter of FY2004) | | Increase/ decrease | | Reference (FY2004) | |
|--|---|-------|--|-------|-----------------------|--------|-----------------------|-------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Net Sales | 137,262 | 100.0 | 130,815 | 100.0 | 6,446 | 4.9 | 181,112 | 100.0 |
| Cost of Sales | 104,867 | 76.4 | 98,851 | 75.6 | 6,016 | 6.1 | 137,663 | 76.0 |
| Gross Profit | 32,394 | 23.6 | 31,964 | 24.4 | 429 | 1.3 | 43,448 | 24.0 |
| Selling, General and Administrative Expenses | 26,907 | 19.6 | 26,923 | 20.6 | (15) | (0.1) | 36,387 | 20.1 |
| Operating Profit | 5,487 | 4.0 | 5,041 | 3.8 | 445 | 8.8 | 7,061 | 3.9 |
| Non-operating Profit and Loss | | | | | | | | |
| Interest income and dividends | 144 | | 91 | | 53 | | 126 | |
| Other non-operating profit | 497 | | 1,078 | | (581) | | 1,335 | |
| Sub-total | 642 | 0.4 | 1,170 | 0.9 | (527) | (45.1) | 1,461 | 0.8 |
| Non-operating Loss | | | | | | | | |
| Interest expense | 467 | | 1,045 | | (577) | | 1,247 | |
| Other non-operating loss | 2,742 | | 2,225 | | 516 | | 2,578 | |
| Sub-total | 3,210 | 2.3 | 3,271 | 2.5 | (60) | (1.9) | 3,826 | 2.1 |
| Ordinary Profit | 2,919 | 2.1 | 2,940 | 2.2 | (21) | (0.7) | 4,696 | 2.6 |
| Extraordinary Profit | | | | | | | | |
| Gain on sale of fixed assets | 42 | | 143 | | (101) | | 215 | |
| Reversal of allowance for doubtful receivables | 1 | | 28 | | (26) | | 38 | |
| Gain on sale of investment securities | 1,483 | | 599 | | 884 | | 599 | |
| Gain on reversal of previous year's royalties | - | | - | | - | | 149 | |
| Gain on closing of affiliated companies | - | | - | | - | | 16 | |
| Gains on return of the substitutional portion of the employee welfare fund | 4,850 | | - | | 4,850 | | - | |
| Reversal of allowance for loss on closing of affiliated companies | 21 | | - | | 21 | | - | |
| Sub-total | 6,398 | 4.7 | 770 | 0.6 | 5,628 | 730.4 | 1,018 | 0.5 |
| Extraordinary Loss | | | | | | | | |
| Loss on impairment and sales of golf course membership | 0 | | - | | 0 | | 6 | |
| Retirement allowance paid to directors | 7 | | 12 | | (5) | | 12 | |
| Loss on devaluation of investment securities | 247 | | 4 | | 242 | | 13 | |
| Loss on disposal and sales of fixed assets | 2,080 | | 83 | | 1,997 | | 232 | |
| Loss on impairment | 784 | | - | | 784 | | - | |
| Loss on cancellation of leases | 36 | | - | | 36 | | - | |
| Loss on closing of affiliated companies | - | | - | | - | | 172 | |
| Loss on impairment from overseas subsidiaries | - | | - | | - | | 14 | |
| Sub-total | 3,155 | 2.3 | 100 | 0.1 | 3,055 | 3039.2 | 452 | 0.2 |
| Income before Income Tax and Minority Interests | 6,162 | 4.5 | 3,610 | 2.7 | 2,552 | 70.7 | 5,263 | 2.9 |
| Current | 471 | 0.3 | 127 | 0.1 | 344 | 270.9 | 404 | 0.2 |
| Previous Income Tax, etc. | 127 | 0.1 | - | - | 127 | - | - | - |
| Deferred | (67) | (0.0) | 36 | 0.0 | (104) | - | 22 | 0.0 |
| Net Income | 5,632 | 4.1 | 3,446 | 2.6 | 2,185 | 63.4 | 4,836 | 2.7 |

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3. Summary of Consolidated Statements of Cash Flows

(Unit: Millions of yen)

| | Current period (3 rd Quarter of FY2005) | Previous period (3 rd Quarter of FY2004) | (Reference) FY2004 |
|--|--|---|-----------------------|
| | Amount | Amount | Amount |
| I Cash Flows from Operating Activities: | | | |
| 1 Income before income taxes and minority interests | 6,162 | - | 5,263 |
| 2 Depreciation | 5,541 | - | 7,821 |
| 3 Loss on impairment | 784 | - | - |
| 4 Amortization of consolidation adjustment account | 43 | - | 62 |
| 5 Decrease in allowance for doubtful receivables | (68) | - | (267) |
| 6 Increase (decrease) in allowance for employees' retirement | (4,500) | - | 1,693 |
| 7 Interest revenue and dividend income | (144) | - | (126) |
| 8 Interest expense | 467 | - | 1,247 |
| 9 Investment gain on equity method | - | - | (45) |
| 10 Gain on sales of investment securities | (1,483) | - | (599) |
| 11 Loss on impairment of investment securities | 247 | - | 13 |
| 12 Loss on impairment and sales of golf course membership | 0 | - | 6 |
| 13 Loss on disposal of fixed assets | 2,075 | - | 211 |
| 14 (Gain) loss on sales of fixed assets | (37) | - | (193) |
| 15 Loss on impairment of overseas subsidiaries | - | - | 14 |
| 16 Gain on closing of affiliated companies | - | - | (16) |
| 17 Loss on disposition of affiliated companies | - | - | 172 |
| 18 Decrease in trade notes and accounts receivable | 3,460 | - | 424 |
| 19 (Increase) decrease in inventories | (1,881) | - | 0 |
| 20 Increase (decrease) in trade notes and accounts receivables | (2,127) | - | 982 |
| 21 Increase (decrease) in accrued consumption tax | 164 | - | (21) |
| 22 Increase in unearned refundable consumption tax | (345) | - | (69) |
| 23 Payment of bonuses to directors | (46) | - | - |
| 24 Others | 989 | - | 582 |
| Sub-Total | 9,302 | - | 17,156 |
| 25 Interest and dividend received | 145 | - | 127 |
| 26 Interest paid | (473) | - | (1,139) |
| 27 Income taxes paid | (373) | - | (592) |
| 28 Payment of retirement benefits for directors | (7) | - | (12) |
| Net cash provided by operating activities | 8,593 | - | 15,539 |
| II Cash Flows from Investing Activities: | | | |
| 1 Proceeds from withdrawal of time deposits (net) | 31 | - | 3,624 |
| 2 Purchase of property, plant and equipment | (2,520) | - | (4,216) |
| 3 Proceeds from sales of property, plant and equipment | 55 | - | 2,208 |
| 4 Purchase of intangible fixed assets | (2,835) | - | (4,700) |
| 5 Purchase of investment securities | (12) | - | (1,122) |
| 6 Proceeds from sales of investment securities | 1,501 | - | 625 |
| 7 Payment for loan receivable | (0) | - | (0) |
| 8 Proceeds from collection of loan | 0 | - | 64 |
| 9 Exercise of long-term loan | (1) | - | - |
| 10 Proceeds from collection of long-term loan | 0 | - | 2 |
| Net cash used in investing activities | (3,780) | - | (3,513) |
| III Cash Flows from Financing Activities: | | | |
| 1 Increase (decrease) in short-term bank borrowings, net | (76) | - | (22,404) |
| 2 Repayment of long-term debt | (1,009) | - | (14,688) |
| 3 Proceeds from issuance of stock | 11,004 | - | 22,941 |
| 4 Payment for redemption of class-A preferred stock | - | - | (16,100) |
| 5 Payment for redemption of class-B preferred stock | (15,000) | - | - |
| 6 Dividend payment | (1,148) | - | - |
| 7 Others | (67) | - | (82) |
| Net cash used in financing activities | (6,296) | - | (30,333) |
| IV Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents | 701 | - | 406 |
| V Net decrease in Cash and Cash Equivalents | (782) | - | (17,901) |
| VI Cash and Cash Equivalents at beginning of period | 15,875 | - | 33,698 |

TRANSLATION - FOR REFERENCE ONLY -

| | | | | |
|------|--|--------|---|--------|
| VII | Net Increase in Cash and Cash Equivalents in accordance with change of consolidated subsidiaries | - | - | 78 |
| VIII | Cash and Cash Equivalents at end of account settlement period | 15,093 | - | 15,875 |