

Consolidated Statements of Operations

Kenwood Corporation and Consolidated Subsidiaries
For the years ended March 31, 2004 and 2003

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2004	2003	2004
Net Sales	¥ 178,731	¥ 225,579	\$ 1,686,141
Cost of Sales (Note 8)	<u>126,440</u>	<u>162,443</u>	<u>1,192,830</u>
Gross profit	52,291	63,136	493,311
Selling, General and Administrative Expenses (Note 8)	<u>39,681</u>	<u>50,876</u>	<u>374,349</u>
Operating income	<u>12,610</u>	<u>12,260</u>	<u>118,962</u>
Other Income (Expenses):			
Interest expense, net	(2,092)	(3,094)	(19,736)
Cash discount	(686)	(919)	(6,472)
Equity in losses of unconsolidated subsidiaries and associated companies	(36)	(64)	(339)
Loss on sales of investment securities, net	(8)	(1)	(75)
Loss on impairment of investment securities	(23)	(461)	(217)
Loss on disposal of inventories	(1,631)	(1,485)	(15,387)
Loss on impairment of inventories	(42)	(150)	(396)
Loss on sales of property, plant and equipment, net	(182)	(581)	(1,717)
Gain on liquidation of consolidated subsidiaries, net	104	-	981
Additional retirement allowances paid to employees	-	(391)	-
Loss on sales of shares of associated company	-	(147)	-
Profit on reversal of provision for loss on business restructuring	-	105	-
Other, net	94	64	887
Total	<u>(4,502)</u>	<u>(7,124)</u>	<u>(42,471)</u>
Income before Income Taxes and Minority Interests	<u>8,108</u>	<u>5,136</u>	<u>76,491</u>
Income Taxes (Note 9):			
Current	870	940	8,208
Deferred	(82)	(27)	(774)
Total income taxes	788	913	7,434
Minority Interests in Net Income	<u>2</u>	<u>2</u>	<u>19</u>
Net Income	¥ <u>7,318</u>	¥ <u>4,221</u>	\$ <u>69,038</u>
Per Share of Common Stock (Note 10):			
Basic net income	¥ 33.99	¥ 21.41	\$ 0.32
Diluted net income	15.73	16.15	0.15

See notes to consolidated financial statements.