TRANSLATION – FOR REFERENCE ONLY –

Consolidated Summary Report for the First Half of Fiscal Year Ending March 2007

November 10, 2006

Company Name: Kenwood Corporation (Code No.: 6765, Stock Exchange: Tokyo Section1)
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Date of Board Meeting for Approval of Consolidated Accounts: November 10, 2006
Application of US GAAP: No

1. Consolidated Financial Performance for the first half of fiscal year ending March 2007

(April 1, 2006 – September 30, 2006)

(1) Consolidated Operating Performance (Amounts less than 1 million yen are discarded.)

	Net Sales		Operating Profit		Ordinary Income	
	JPY in Million	%	JPY in Million	%	JPY in Million	%
The first half of FY2006	81,660	-9.3	3,185	-9.9	1,877	22.7
The first half of FY2005	90,069	1.9	3,535	-12.2	1,529	-37.0
FY2005	183,616		8,686		4,886	

	Net Income		Net Income per Share	Net Income per share after adjusting for latent shareholdings
	JPY in Million	%	JPY	JPY
The first half of FY2006	1,253	-56.7	3.42	-
The first half of FY2005	2,897	-2.1	8.58	6.71
FY2005	6,104		17.16	15.13

Notes:
1. Equity in Earnings (or Losses) from Associated Companies
   As of Sep. 30, 2006: - As of Sep. 30, 2005: - As of Mar. 31, 2006: -
2. Average Number of Shares Outstanding (Consolidated)
   As of Sep. 30, 2006: 367,022,375 As of Sep. 30, 2005: 337,609,900
   As of Mar. 31, 2006: 352,294,579
3. Changes to Accounting Principles: None
4. Percentages shown for net sales, operating profit, ordinary income and net income indicate changes from the previous fiscal period.
5. The Company did not list net income per share after adjusting for latent shareholdings for the first half of FY2006, because the Company has no latent shares.

(2) Consolidated Financial Position

	Total Assets	Total Net Assets	Shareholders' Equity Ratio	Net Assets per share
	JPY in Million	JPY in Million	%	JPY
The first half of FY2006	105,918	38,159	36.0	103.98
The first half of FY2005	110,988	32,373	29.2	88.19
FY2005	109,554	37,486	34.2	101.97

Notes:
1. Number of shares outstanding: (Common shares)
   As of Sep 30, 2006: 366,999,073 As of Sep. 30, 2005: 367,084,990 As of Mar. 31, 2005: 367,037,868
2. Number of treasury stock:
   As of Sep. 30, 2006: 525,922 As of Sep. 30, 2005: 440,005 As of Mar. 31, 2006: 487,127

(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 FY2006	5,036	-2,414	-1,491	15,329
The first half of FY2005	5,391	-3,601	-3,590	14,525
FY2005	12,664	-4,320	-10,673	14,008

(4) Number of Consolidated Subsidiaries and Other Affiliated Companies (Equity Method)

Consolidated Subsidiaries:		39
Equity Method:	Non-consolidated Subsidiaries	0
	Affiliates	0

(5) Changes in Number of Consolidated Subsidiaries and Other Affiliated Companies (Equity Method)

Consolidation:	(New)	0	(Excluded)	1
Equity Method:	(New)	0	(Excluded)	0

2. Forecast for FY2007 (ending March 31, 2007)

	Net Sales	Ordinary Income	Net Income
	JPY in Million	JPY in Million	JPY in Million
Full Year	185,000	6,000	5,000

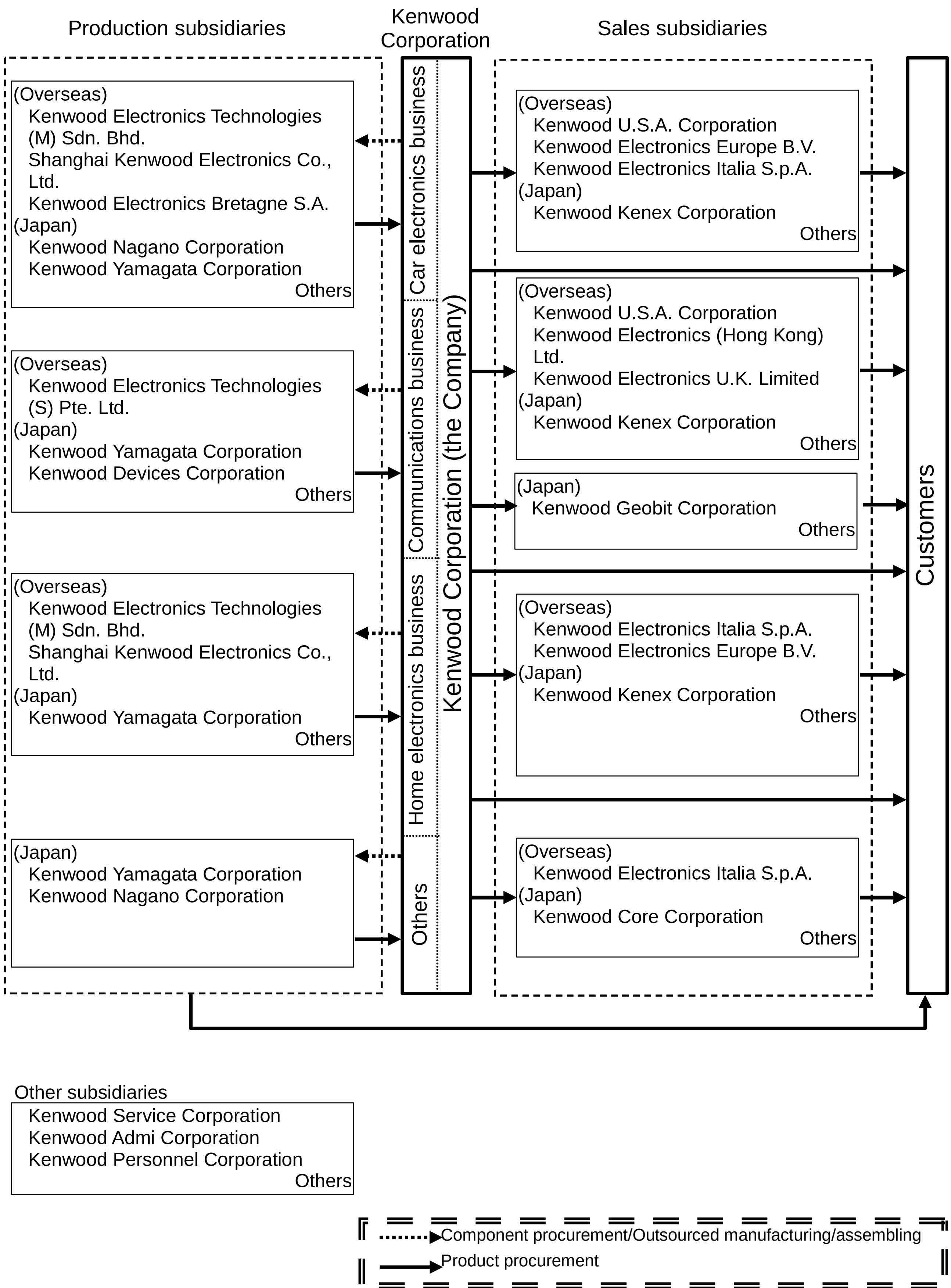
Reference: Projected net income per share (full-year): ¥13.62

Note:
This press release contains forward-looking statements that are based on information such as economic factors and corporate business policy available to the Company at the time of publishing. As such, the actual financial performance of the Company may differ from the forecast due to a variety of factors. Please refer to pp.5 - 17 for the basic premises underlying the forecast.

Overview of the Kenwood Group

The Kenwood Group comprises Kenwood Corporation (hereinafter "the Company") and its 42 affiliated companies (as of September 30, 2006) 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. 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, etc.	(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
(Japan)
Kenwood Geobit Corporation
Others
(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

Management Policy

1. Basic Management Policy

Promoted strategies to expand corporate value by the second mid-term business plan, “Value Creation Plan”

To achieve the goals of the “Value Creation Plan,” the second mid-term business plan that started in the previous fiscal year ended March 2006, the Kenwood Group (hereinafter referred to as ‘’the Company’’) pushed forward with the following initiatives, including efforts for strategic development of new technologies and products, in the current fiscal year ending March 2007, which is the mid fiscal year of the second mid-term business plan.

2. Main Management Strategies for the Current Interim Period

(1) Improving competitiveness in businesses by investments in strategic development

The Kenwood Group decided to focus on strategic development of new technologies and products to promote next generation new product strategies, with a view to swiftly coping with rapid changes in the management environment, brought about by technological innovation including the rising popularity of digital media and the development of digital and network environments, because such changes are thought to create new business opportunities. To that end, the Company enhanced investments in strategic development in addition to making investments in research and development as usual.

The Company mainly invested in: development of car multimedia; construction of the “Seamless Entertainment World” for digital media integrating car electronics and home electronics; development of a new digital system for wireless radio equipment and new consortium activities (joint development by the Company, Icom Inc., and Trident Microsystems, Inc. of the U.S.).

(2) Improving competitiveness of the core businesses

a) Improving competitiveness of the Car Electronics business
Expanding sales and promoting reform of profitability in the Consumer and OEM businesses

In the Car Electronics Consumer business, the Company started full-fledged operations of the 2006 lineup of car audio products, whose introduction to the world market had been delayed because of deteriorated market conditions. The Company promoted growth strategies through both sales expansion and profitability reform. More specifically, the Company enhanced sales of its self-developed car navigation systems in an expanded lineup in the domestic market, and marketed new concept car navigation systems, in which portable navigation and car AV systems are integrated, on a full-scale basis in the overseas market.

In the Car Electronics OEM business, following the expansion of the Shanghai Plant (Shanghai Kenwood Electronics Co., Ltd.), which was completed in the previous fiscal year, the Company boosted production of car electronics components and OEM car audio products by acquiring new orders and transferring production from domestic plants, and strengthened cost competitiveness on a full scale basis.

b) Improving competitiveness of the Communications Equipment business
Business expansion by enhancing the marketing/research functions and strengthening communication between the marketing/research and design sections, and fully-fledged introduction of digital wireless radio equipment

The Company expanded business by strengthening communication between the marketing/research sections headquartered in Atlanta, U.S.A., which is a main market, and the domestic development/design sections as well as by reinforcing the marketing/research functions in Europe. The Company also accelerated growth strategies in Asia, China and other emerging markets by promoting sales expansion and acquiring new orders.

c) Improving competitiveness of the Home Electronics business
Improving high-quality sound models in portable audio and pure audio business

The Company pushed forward with the commercialization of high-value-added models in anticipation of rapid popularization of digital media content and recovery of demand for high-class audio equipment. Specifically, in September 2006 the Company released the flagship model of portable digital audio players that realized reproduction in sound quality of the highest level in its class using its proprietary technology, and completed the development of a concept model of prestige pure audio systems equipped that has excellent performance and grace.

(3) Initiatives for environmental preservation

Establishing a corporate policy to reduce the impact on the environment and make contributions to “coexistence with the global environment,” the Company is promoting environmental preservation activities. Two major pillars of these activities are: creation of green products that have less impact on the environment; and environmental preservation campaigns (energy conservation, reduction of waste and reduction of office paper) in business activities. We achieved “zero waste emissions” at all major domestic bases, including the head office and development/design bases, between July and September this year.

(4) Strengthening brand presence and business promotions through a sales campaign based around the Company’s 60th anniversary
“TRIO Model” commercialized on the occasion of the 60th anniversary

As part of business promotions and brand strategies on the 60th anniversary of its founding, the Company commercialized “TRIO Model” in commemoration of the anniversary in two fields that have taken over the tradition of the Company – “sound” and “wireless communication.” In the “wireless communication” field, we released the “TRIO Model” amateur radio equipment on a limited basis in July this year. In the “sound” field, we completed the development of a concept model of the “TRIO Model” prestige pure audio system and drove forward the development of the “TRIO Model” car audio system.

3. Basic Policy for Distribution of Profits

At Kenwood, we believe that providing stable dividends is one of the most important topics facing management, and we calculate the amount of earnings to distribute after considering profitability and financial conditions in general.

The Company plans to supplement its strategic investment funds by using certain cash on hand that increased in the fiscal year ended March 2006, in order to achieve growth in the future. The Company will forgo an interim dividend for the interim period under review in line with the plan, announced at the beginning of the current fiscal year, to pay an annual dividend of 2 yen (interim: 0 yen; full term: 2 yen), which is the same amount as the previous fiscal year.

4. Issues that the Company Must Address

Under the management policy put up at the beginning of the current fiscal year, the Company will successively release new products based on strategic development conducted by the current interim period and further accelerate its efforts to expand corporate value toward the fiscal year through March 2008, the final year of the “Value Creation Plan.” We plan to implement the following measures in the second half of the current fiscal year.

(1) Car Electronics Business

a) Improving competitiveness of the new lineup of audio products for 2007

In the Car Electronics Consumer (Audio) business, which faces continued shrinking of the market, we will strive to strengthen cost competitiveness and reconsider product lineups in order to meet changes in the market needs following the popularization of digital media and satisfy needs special to each region. We will also introduce a new lineup of products for 2007 as soon as possible, and focus on sales expansion in emerging markets, centering on BRICs. Through such measures, we aim to enhance the earnings base.

b) Launching terrestrial digital TV tuners and a new concept car navigation system for the consumer market

In the domestic market, the Company will complete the commercialization of TV tuners for the “One-Seg” (the name stands for "one segment" of the 13 segments of the 6 Megahertz of spectrum allocated to terrestrial broadcasting of digital television) terrestrial digital broadcasting service and terrestrial digital (12-segement/One-Seg) TV tuners and start marketing both tuners in the third quarter. In addition, the Company will commercialize a new car navigation system conforming to terrestrial digital broadcasting as an upper-end AV-integrated model in the fourth quarter, beginning full-scale marketing of the new model as well as existing models. Also, we will introduce the new concept car navigation system, that was launched on the North American and European markets, to Asia, the Middle East and Eastern Europe. Through these measures, the Company plans to accelerate its growth strategy by increasing sales and reforming profitability.

c) Acquiring new orders for OEM business on a full scale basis and launching new products

At the Shanghai Plant, the Company will start full-scale production and shipments of car electronics components, primarily DVD mechanisms, for which new orders have been acquired, and promote transfer of production from domestic plants in a bid to increase production capacity and strengthen cost competitiveness. We will also boost sales by focusing on sales expansion of car navigation systems and introducing new-type car navigation systems equipped with terrestrial digital TV tuners.

(2) Communications Equipment Business

The Company will promote business expansion in Europe, Asia and emerging markets, including China, as well as in the main market of the U.S. The Company will also expand sales of digitized commercial wireless radio equipment it launched in the U.S. on a full-scale basis, with its eye on the digitization of the wireless radio system. It will also start production and shipments of wireless radio equipment at the Shanghai Plant, following the Yamagata Plant (Kenwood Yamagata Corporation) and the Singapore Plant (Kenwood Electronics Technologies (S) Pte. Ltd.), in anticipation of market expansion in China. Thus, we will promote business expansion and the enhancement of cost competitiveness on a global basis.

(3) Home Electronics Business

The Company will debut new products one after another in the portable audio and pure audio businesses from the third quarter of the current fiscal year as products that give concrete form to “Seamless Entertainment World,” developed by investments in strategic development mentioned above.

In the portable audio businesses, the Company will release new Flash memory-type models (1 GB and 2 GB models) that realized sound quality of the highest level in the class by Kenwood’s original technologies and new small-capacity HDD-type models, following the flagship model (HDD 30 GB Model) that hit the market in September this year. As a result, the “Media Keg” lineup, including the existing HDD-type models (20 GB and 30 GB models), will be expanded to range from 1 GB to 30 GB.

In the pure audio businesses, the Company will improve the lineup of high-value-added models by introducing: the pure audio “UD Series,” which realized seamless connections with various types of digital media through digital connections; the “TRIO Model” prestige pure audio system, which united high quality sound technologies and know-how fostered since the establishment of the Company with state-of-the-art technologies and has excellent performance while being graceful; and mass-production models of the “TRIO Model.”

Operating Results and Financial Position

1. Overview of Interim Period under review

In the current interim period, the world economy was strong in general despite some signs of deceleration because of soaring crude oil and raw materials prices. In the U.S., capital investment and consumer spending remained robust, though housing demand calmed down, while the economic recovery accelerated in Europe. Economic expansion continued in resource-producing countries in the Middle East and other regions thanks to hikes in crude oil prices, and as a result the economy of emerging regions as a whole remained steady.

The Japanese economy continued to expand gently because of the continued expansion of capital investment backed by the improvement of corporate profits and because of an increase in consumer spending following a rise in income.

The consumer electronics market continued to be very competitive in the current interim period. More specifically, the size of the audio market prolonged its shrinking trend. However, the car AV and navigation segment in the car electronics market kept on expanding on the rising popularity of terrestrial digital TV tuners and portable navigation systems. There also were some favorable factors in the home electronics market, such as the expansion of the portable audio field following the popularization of digital media content and the revitalization of the pure audio segment, driven mainly by Japan's baby boomers.

Under such circumstances, the Kenwood Group was able to post larger consolidated operating profit for the current interim period than the forecast made at the beginning of the current fiscal year, although both consolidated sales and operating income declined year-on-year as shown by the revised forecasts announced on October 13.

2. Sales and Income

(1) Consolidated Operating Results

*** Net sales – Decreased 9.3% year-on-year**

Net sales generated by the Communications Equipment business increased, as was the case in the previous interim period. However, sales of the Car Electronics business decreased year-on-year because of intensified market competition and the effect of the trends in automobile sales, and the Home Electronics business also saw its sales fall from the previous period, partly because of the strategy change. As a result, overall consolidated net sales decreased approximately JPY8.4 billion (or 9.3%) from the previous interim period to JPY81,660 million, approx in line with the revised forecasts announced on October 13.

*** Operating Profit - Greater than initially forecasted despite increased financial burden resulting from investments in strategic development**

Operating profit of the Car Electronics business decreased from the previous interim period because funds were used to invest in strategic development in the Car Electronics Consumer (Multimedia) business and because of lower sales in the Car Electronics Consumer (Audio) business. However, operating profit of the Communications Equipment business grew thanks to increased sales, while operating loss of the Home Electronics business was less than initially expected and remained unchanged year-on-year, despite the decline in sales, because of profitability improvement brought about by the strategy change. As a result, overall consolidated operating profit was in line with the revised forecasts announced October 13, standing at JPY3,185 million, or about 14% more than the initial forecast of JPY2.8 billion but down approximately JPY3 billion (or 9.9%) from the previous interim period.

*** Ordinary income - Increased 22.7% year-on-year owing to structural reform of assets implemented in the previous period**

Consolidated ordinary income increased approximately JPY3 billion (or 22.7%) from the previous interim period to JPY1,877 million, approx in line with the revised forecasts announced October 13, because of significant improvement of non-operating earnings following the loss reduction that resulted from structural reform of assets carried out in the previous period, which offset negative factors such as lower operating profit.

*** Net income – Decreased 56.7% year-on-year owing to the absence of temporary extraordinary income posted in the previous interim period**

Extraordinary earnings improved significantly thanks to the structural reform of assets implemented in the previous period that resulted in reduced extraordinary losses. Though the Company posted extraordinary income (about JPY4.8 billion) associated with the repayment of certain past service pension assets to the Japanese government in the previous interim period, it did not score such extraordinary income in the current interim period. As a result of this, and for other reasons, consolidated interim net income was down approximately JPY1.6 billion (or 56.7%) from the previous interim period and stood at JPY1,253 million.

Consolidated interim net income was approximately JPY3 billion (or 21.7%) lower than the revised forecast announced as of October 13. This is because the Company discussed how to handle the change in accounting processes and decided to post the liabilities that will occur in the future in the current interim period and thus avoid having to post them in the future, following the resolution made at the 77th ordinary general meeting of shareholders held on June 29, 2006 to stop payments of retirement allowances to a total of 11 directors and statutory auditors because of the abolition of the retirement allowance system for them.

Net Sales and Earnings by Business Segment

Consolidated sales and earnings conditions in each business segment are as follows:

(JPY in million)

Segment		Previous Interim Period	Current Interim Period	Increase or Decrease	
Car Electronics	Net Sales	54,196	47,624	-6,572	-12.1%
	Operating Profit	793	106	-687	-86.6%
Communications Equipment	Net Sales	27,857	28,420	+563	+2.0%
	Operating Profit	3,604	3,999	+395	+11.0%
Home Electronics	Net Sales	6,988	4,640	-2,348	-33.6%
	Operating Profit	-891	-919	-28	-
Others	Net Sales	1,028	976	-52	-5.1%
	Operating Profit	29	-1	-30	-103.4%
Total	Net Sales	90,069	81,660	-8,409	-9.3%
	Operating Profit	3,535	3,185	-349	-9.9%
	Ordinary Income	1,529	1,877	+347	+22.7%
	Net Income	2,897	1,253	-1,643	-56.7%

*** Car Electronics Business**

Sales of the Car Electronics Consumer (Multimedia) business increased from the previous interim period thanks to the enhanced lineup of self-developed car navigation systems and brisk sales of new concept car navigation systems launched on overseas markets. On the other hand, sales of the Car Electronics Consumer (Audio) business decreased year-on-year because of the prolonged influence of the delay in the discontinuation of some products throughout the market in the previous period, and because of intensified competition, mainly in Europe, and the decline in the market conditions in North America. Sales of the Car Electronics OEM business were also lower than the previous interim period because of reduced automobile sales for some models.

As a result, overall net sales of the Car Electronics business decreased approximately JPY6.6 billion (or 12.1%) from the previous interim period to JPY47,624 million.

Operating Profit of the Car Electronics Consumer (Multimedia) business declined from the previous interim period because funds were used to invest in strategic development, while operating profit of the Car Electronics Consumer (Audio) business also decreased year-on-year because of the drop in sales resulting from worsened market conditions. Meanwhile, the loss of the Car Electronics OEM business shrank, despite lower sales, thanks to improved profitability resulting from increased output at the Shanghai Plant and the transfer of production from domestic plants.

As a result, overall operating profit of the Car Electronics business stood at JPY106 million, down JPY7 billion (or 86.6%) from the previous interim period.

*** Communications Equipments Business**

Sales of the mainstay commercial wireless radio equipment were larger than sales of the previous interim period thanks to brisk sales on the back of favorable economic conditions in the U.S. market and sales expansion in Europe, Russia and emerging markets, including China. As a result, overall net sales of the Communications Equipment business rose approximately JPY6 billion (or 2.0%) from the previous interim period to JPY28,420 million, although sales of PDC phones decreased because of the business activities of PDC carriers.

Operating profit of the business grew approximately JPY4 billion (or 11.0%) from the previous interim period thanks to significantly increased profits resulting from sales expansion of commercial wireless radio equipment, and posted JPY3,999 million.

*** Home Electronics Business**

Sales of high-class pure audio products, portable HDD audio products and other main products for the domestic market were strong, but the Company narrowed down such conventional-type audio products as portable MD players and mass-market compact stereos, whose markets are dwindling considerably, and scaled down the home theater segment, mainly for overseas markets. Against this backdrop, sales of the Home Electronics business decreased approximately JPY2.3 billion (or 33.6%) from the previous interim period to JPY4,640 million.

Operating loss of the Home Electronics business remained almost unchanged from the previous interim period, despite lower sales, standing at JPY919 million because of the improved profitability through the promotion of a new strategy, aimed at shifting focus from the home theater field to the pure audio and portable audio businesses in a bid to give concrete form to the “Seamless Entertainment World,” and the narrowing down of conventional-type audio products.

(2) Non-Consolidated Operating Results

Net Sales

For reasons similar to those given for consolidated results, sales decreased approximately JPY6.6 billion (or 9.9%) from the previous interim period to JPY60,227 million.

Earnings

For reasons similar to those given for consolidated results, operating profit posted JPY965 million, a decrease of approximately 4 billion (or 31.5%) from the previous interim period.

Ordinary income increased 4.5% from the previous interim period to finish at JPY1,058 million for reasons similar to those given for consolidated results.

Interim net income decreased approximately JPY2.4 billion (or 66.7%) from the previous interim period to finish at JPY1,172 million, for reasons similar to those given for consolidated results.

Ordinary income was approximately JPY1 billion (or 11.8%) smaller than the revised forecast announced as of October 13 and interim net income was about JPY2 billion (or 16.2%) smaller for reasons similar to those given for consolidated results.

3. Consolidated Financial Position

(1) Assets, Liabilities and Total Net Assets at the End of the Current Interim Period

Total assets at the end of the interim period fell by approximately JPY3.6 billion from the previous fiscal year end to JPY105,918 million, partly because of decreased accounts receivable.

Total Net assets increased approximately JPY7 billion from the end of the previous fiscal year end to JPY38,159 million thanks to the increase in retained earnings and the rise in foreign currency translation adjustments resulting from foreign exchange fluctuations. The shareholders’ equity ratio improved 1.8 percentage points from the end of the previous fiscal year end to finish at 36.0%.

Interest-bearing liabilities fell by approximately JPY0.5 billion from the end of the previous fiscal year to JPY25,773 million, as the Company actively repaid loans extended by financial institutions. Net debt also fell by approximately

JPY1.8 billion to JPY10,408 million.

Moreover, retained earnings increased approximately JPY4 billion from the end of the previous fiscal year to JPY18,763 million as net income from business activities was added.

(JPY in millions)

	End of Previous Fiscal Year	End of Current Interim Period	Increase or Decrease	(Reference) End of Previous Interim Period
Total Assets	109,554	105,918	-3,635	110,988
Interest-Bearing Liabilities	26,263	25,773	-489	33,058
Net Debt	12,215	10,408	-1,806	18,497
Total Net Assets	37,486	38,159	+672	32,373
Shareholders' Equity Ratio	34.2%	36.0%	+1.8%	29.2%
Net Assets per Share (JPY)	101.97	103.98	+2.1	88.19
Retained Earnings	18,316	18,763	+447	15,065
Interest Coverage Ratio (Note)	19.88	20.25	+0.37	15.22

Note: Interest coverage ratio is calculated by dividing the cash flow from operating activities by interest payments.

(2) Cash Flow Conditions in the Interim Period under review

Cash flow from operating activities saw a net spending of JPY5,036 million or a decrease of approximately JPY4 billion compared with the previous interim period. This is mainly because the decrease in accounts payable decreased more than the decrease in accounts receivable.

Cash flow from investing activities saw a net spending of JPY2,414 million or approximately JPY1.2 billion less than the previous interim period. This is chiefly because investments in the expansion of the Shanghai Plant, which were made in the previous interim period, were not made in the current interim period and the expenditure for the acquisition of tangible fixed assets decreased.

Cash flow from financial activities saw a net spending of JPY1,491 million or approximately JPY2.1 billion less than the previous interim period, mainly because there was neither public offering nor disposal of preferred stock with compensation in the current interim period. In the previous interim period, the cash outflow associated with the disposal of preferred stock surpassed the cash inflow from the issuance of new shares.

(JPY in million)

	Previous Interim Period	Current Interim Period	Increase or Decrease
Cash Flow from Operating Activities	5,391	5,036	-355
Cash Flow from Investing Activities	-3,601	-2,414	+1,186
Cash Flow from Financial Activities	-3,590	-1,491	+2,098
Effect of Exchange Rate Changes on Cash and Cash Equivalents	449	191	-258
Net Increase (Decrease) of Cash and Cash Equivalents	-1,350	+1,321	+2,671
Cash and Cash Equivalents at Beginning of the Fiscal Year	15,875	14,008	-1,866
Cash and Cash Equivalents at the End of the Interim Period	14,525	15,329	+804

4. Earnings Outlook for Fiscal Year Ending March 2007

(1) Consolidated Outlook

*** Net Sales**

We expect sales of the Communications Equipment business to remain robust after the current interim period, and sales of the Car Electronics business are projected to grow thanks to the introduction of new products in the consumer segment and full-scale output expansion and shipment of products in the OEM business, and thanks to increased sales. Sales of the Home Electronics business are also expected to start increasing as a result of the popularization of digital media and the introduction of new products in anticipation of the increase in demand for pure audio . As a result, we maintain our initial expectations for consolidated sales of JPY185 billion.

*** Earnings**

Earnings of the Communications Equipment business, like its sales, are projected to become favorable, and earnings of the Car Electronics business are also expected to increase thanks to sales expansion during the sales season in the consumer field, sales expansion in the OEM field and effects of the improvement of profitability. The Home Electronics business is also expected to see its profitability improve because of the full-scale introduction of new products under the high-value-added strategy, and so we maintain our initial expectations for overall operating profit of JPY9 billion.

We finished the structural reform of assets in the previous fiscal year and there will be no temporary non-operating income/loss and extraordinary income/loss in the second half of the current fiscal year. Under such circumstances, we maintain our initial expectations for ordinary income of JPY6 billion and net income of JPY5 billion.

(2) Non-consolidated Outlook

For reasons similar to those given in the consolidated outlook section, the Company expects to post sales of JPY130 billion, ordinary income of JPY3 billion and net income of JPY2.8 billion, as initially expected.

Note on Earnings Outlook

The earnings outlook discussed above 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 for a variety of reasons. Accordingly, the Kenwood Group recommends that you do not base your investment decisions solely on these 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.

Interim Consolidated Balance Sheet

(as of Sep. 30, 2006)

(JPY in Million)

Item	End of Previous Interim Period (4/1/05 ~ 9/30/05)		End of Current Interim Period (4/1/06 ~ 9/30/06)		End of Previous Fiscal Year (4/1/05 ~ 3/31/06)	
	Amount	%	Amount	%	Amount	%
(Assets)						
I Current Assets	74,277	66.9	71,240	67.2	73,275	66.9
Cash and cash equivalents	14,561		15,365		14,048	
Trade notes and accounts receivable	28,439		25,626		29,231	
Inventories	27,048		26,553		25,887	
Prepaid expenses	834		884		706	
Deferred tax assets	726		692		689	
Other current assets	3,474		2,901		3,444	
Allowance for doubtful receivables	-808		-782		-732	
II Fixed Assets	36,545	33.0	34,597	32.7	36,156	33.0
(1) Tangible fixed assets	23,152	20.9	21,114	19.9	21,914	20.0
Building and structures	18,350		16,921		17,310	
Machinery and equipment	17,936		19,378		19,039	
Tools, furniture and fixtures	13,484		13,898		13,601	
Land	10,360		9,210		9,215	
Construction in progress	10		2		-	
Total	60,142		59,412		59,166	
Accumulated depreciation	-36,989		-38,297		-37,252	
(2) Intangible fixed assets	6,638	6.0	6,410	6.1	6,412	5.9
(3) Investments and other assets	6,754	6.1	7,072	6.7	7,828	7.1
Investment securities	4,618		4,848		5,642	
Deferred tax assets	847		724		744	
Other investments	1,376		1,585		1,528	
Allowance for doubtful receivables	-87		-86		-86	
III Deferred Assets	165	0.1	79	0.1	122	0.1
New stock issuing expenses	165		79		122	
Total Assets	110,988	100.0	105,918	100.0	109,554	100.0

(JPY in Million)

Item	End of Previous Interim Period (4/1/05 ~ 9/30/05)		End of Current Interim Period (4/1/06 ~ 9/30/06)		End of Previous Fiscal Year (4/1/05 ~ 3/31/06)	
	Amount	%	Amount	%	Amount	%
(Liabilities)						
I Current Liabilities	66,262	59.7	34,634	32.7	59,019	53.9
Trade notes and accounts payable	17,412		14,675		18,132	
Short term bank borrowings	33,058		5,773		26,263	
Accounts payable (non trade)	6,815		5,001		5,959	
Income taxes payable	489		727		536	
Accrued expenses	7,127		7,180		6,982	
Deferred tax liabilities	8		2		15	
Other current liabilities	1,350		1,274		1,131	
II Long Term Liabilities	12,352	11.1	33,123	31.3	13,048	11.9
Long term debt	-		20,000		-	
Liability for employees' retirement benefits	9,100		9,546		9,363	
Deferred tax liabilities as a result of land revaluations	2,058		2,027		2,027	
Deferred tax liabilities	980		1,160		1,454	
Other long term liabilities	212		389		202	
Total Liabilities	78,614	70.8	67,758	64.0	72,067	65.8
(Shareholders' Equity)						
I Paid-in capital	11,059	10.0	-	-	11,059	10.1
II Capital surplus	13,373	12.0	-	-	13,373	12.2
III Retained earnings	15,065	13.6	-	-	18,316	16.7
IV Land revaluation surplus	2,999	2.7	-	-	2,954	2.7
V Net unrealized gain on available-for-sale securities	1,183	1.1	-	-	1,889	1.7
VI Foreign currency translation adjustments	-11,232	-10.1	-	-	-10,020	-9.1
VII Treasury stock	-74	-0.1	-	-	-86	-0.1
Total Shareholders' Equity	32,373	29.2	-	-	37,486	34.2
Total Liabilities and Shareholders' Equity	110,988	100.0	-	-	109,554	100.0

(JPY in Million)

Item	End of Previous Interim Period (4/1/05 ~ 9/30/05)		End of Current Interim Period (4/1/06 ~ 9/30/06)		End of Previous Fiscal Year (4/1/05 ~ 3/31/06)	
	Amount	%	Amount	%	Amount	%
(Net Assets)						
I Shareholders' equity						
1. Paid-in capital	-	-	11,059	10.5	-	-
2. Capital surplus	-	-	13,373	12.6	-	-
3. Retained earnings	-	-	18,763	17.7	-	-
4. Treasury stock	-	-	-94	-0.1	-	-
Total Shareholders' equity	-	-	43,102	40.7	-	-
II Valuation and Translation adjustment						
1. Unrealized gain and loss on available-for-sale securities	-	-	1,457	1.3	-	-
2. Land revaluation surplus	-	-	2,954	2.8	-	-
3. Foreign currency translation adjustment	-	-	-9,354	-8.8	-	-
Total Valuation and Translation adjustment	-	-	-4,942	-4.7	-	-
Total Net Assets	-	-	38,159	36.0	-	-
Total Liabilities and Net Assets	-	-	105,918	100.0	-	-

Interim Consolidated Statements of Income

(JPY in Million)

Item	Previous Interim Period (4/1/05-9/30/05)		Current Interim Period (4/1/206-9/30/06)		Previous Fiscal Year (4/1/05-3/31/06)	
	Amount	%	Amount	%	Amount	%
Net Sales	90,069	100.0	81,660	100.0	183,616	100.0
Cost of Sales	68,839	76.4	60,721	74.4	139,441	75.9
Gross Profit	21,229	23.6	20,938	25.6	44,174	24.1
Selling, General and Administrative Expenses	17,693	19.7	17,752	21.7	35,487	19.4
Operating Profit	3,535	3.9	3,185	3.9	8,686	4.7
Non-operating Profit						
Interest income	69		134		164	
Dividends received	26		32		38	
Other non-operating profit	277		263		462	
Sub-total	373	0.4	430	0.5	665	0.4
Non-operating Expense						
Interest expense	352		263		624	
Other non-operating expenses	2,026		1,476		3,841	
Sub-total	2,379	2.6	1,739	2.1	4,465	2.4
Ordinary Income	1,529	1.7	1,877	2.3	4,886	2.7
Extraordinary Profit						
Gain on sales of fixed assets	40		56		206	
Reversal of allowance for doubtful receivables	1		0		9	
Gain on sales of investment securities	21		117		1,829	
Amount of certain pension assets returned to the government	4,763		-		4,850	
Reversal of losses arising from the reorganization of affiliated companies	20		-		21	
Sub-total	4,847	5.4	174	0.2	6,916	3.7
Extraordinary Loss						
Loss on revision of profit and loss of previous year	-		-		68	
Loss on devaluation of golf membership	0		0		0	
Retirement allowance paid to directors	-		260		7	
Loss on devaluation of investment securities	247		39		249	
Loss on sales of fixed assets	3		0		14	
Loss on disposal of fixed assets	2,072		30		2,773	
Loss on devaluation of fixed assets	-		-		81	
Impairment loss	784		-		988	
Lease cancellation losses	36		-		38	
Extraordinary loss on disposal of inventories	-		-		528	
Sub-total	3,144	3.5	331	0.4	4,749	2.6
Income before Income Taxes	3,233	3.6	1,720	2.1	7,053	3.8
Corporate Tax, Corporate Inhabitant Tax and Corporate Enterprise Tax	277	0.3	447	0.6	740	0.4
Deferred Corporate Tax	127	0.1	-		129	0.1
Corporate Tax and Other Adjustment	-69	-0.0	18	0.0	78	0.0
Net Income	2,897	3.2	1,253	1.5	6,104	3.3

Interim Consolidated Statements of Retained Earnings

(JPY in Million)

Item	Previous Interim Period (4/1/05-9/30/05)		Previous Fiscal Year (4/1/05-3/31/06)	
(Capital Surplus)				
I Beginning balance of capital surplus		13,373		13,373
II Increase in additional capital surplus		-		-
III Decrease in additional capital surplus		-		-
IV Ending balance of capital surplus		13,373		13,373
(Retained Earnings)				
I Beginning balance of retained earnings		13,199		13,199
II Increase in retained earnings				
1 Net income	2,897		6,104	
2 Transfer from land revaluation surplus arising from impairment of land	167		167	
3 Transfer from land revaluation surplus arising from sale of land	-	3,065	45	6,317
III Decrease in retained earnings				
1 Dividends	1,148		1,148	
2 Compensation paid to directors	46		46	
3 Employee fellowships	5	1,199	5	1,199
IV Ending balance of retained earnings		15,065		18,316

Interim Consolidated Statements of Cash Flows

(JPY in Million)

Item	Previous Interim Period (4/1/05-9/30/05) Amount	Current Interim Period (4/1/206-9/30/06) Amount	Previous Fiscal Year (4/1/05-3/31/06) Amount
I Cash Flows from Operating Activities:			
1 Income before income taxes	3,233	1,720	7,053
2 Depreciation	3,549	3,415	7,403
3 Impairment loss	784	-	988
4 Amortization	29	-	58
5 Amortization of goodwill	-	29	-
6 Increase (decrease) in allowance for doubtful accounts	6	36	-102
7 Increase (decrease) in allowance for employees' retirement	-4,384	164	-4,141
8 Interest revenue and dividend income	-96	-166	-203
9 Interest expense	352	263	624
10 Gain on sale of investment securities	-21	-117	-1,829
11 Loss on devaluation of investment securities	247	39	249
12 Loss on devaluation of golf membership	0	0	0
13 Loss on disposal of fixed assets	2,072	30	2,773
14 (Gain) loss on sales of fixed assets	-36	-55	-192
15 Loss on devaluation of fixed assets	-	-	81
16 Decrease in trade notes and accounts receivable	3,837	4,222	4,379
17 (Increase) decrease in inventories	-1,278	-312	669
18 Decrease in accounts payable	-3,570	-4,770	-4,988
19 Increase (decrease) in consumption tax payable	54	-1	-61
20 Decrease in consumption tax refunds receivable	83	203	190
21 Amount paid as bonuses to directors	-46	-59	-46
22 Others	1,051	760	870
Sub-Total	5,868	5,401	13,778
23 Interest and dividends received	96	166	201
24 Interest paid	-354	-248	-637
25 Income taxes paid	-218	-283	-670
26 Disbursement to directors for retirement	-	-	-7
Net cash provided by operating activities	5,391	5,036	12,664
II Cash Flows from Investing Activities:			
1 Increase in (deposit to) time deposits	-2	-	-2
2 Decrease in (withdrawal from) time deposits	33	5	30
3 Capital investment (real estate, plants and equipment)	-1,663	-1,019	-3,570
4 Proceeds from sale of property, plant and equipment	49	433	1,535
5 Purchase of intangible fixed assets	-2,037	-1,977	-4,306
6 Purchase of investment securities	-10	-0	-23
7 Proceeds from sales of investment securities	31	143	2,017
8 Payment for loan receivables	-0	-	-0
9 Proceeds from collection of loan	0	0	0
10 Payment for long-term loan receivables	-1	-	-1
11 Proceeds from collection of long-term loan	0	0	0
Net cash used in investing activities	-3,601	-2,414	-4,320
III Cash Flows from Financing Activities:			
1 Increase (decrease) in short-term bank borrowings, net	2,524	-20,639	-4,276
2 Proceeds from long-term bank borrowings	-	19,925	-
3 Repayments of long-term debt	-923	-0	-1,154
4 Proceeds from issuance of common stock	11,004	-	11,004
5 Outflow by redemption (with compensation) of class-B preferred stock	-15,000	-	-15,000
6 Dividend payments	-1,148	-726	-1,148
7 Others	-48	-50	-99
Net cash used in financing activities	-3,590	-1,491	-10,673
IV Effect of Exchange Rate Fluctuations on Cash and Cash Equivalents	449	191	462
V Net Increase (decrease) in Cash and Cash Equivalents	-1,350	1,321	-1,866
VI Cash and Cash Equivalents at beginning of year	15,875	14,008	15,875
VII Cash and Cash Equivalents at end of period	14,525	15,329	14,008