

## Consolidated Statements of Cash Flows

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
<b>Operating Activities:</b>			
Income before income taxes and minority interests .....	¥ 8,108	¥ 5,136	\$ 76,491
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Income taxes-paid .....	(728)	(1,172)	(6,868)
Depreciation and amortization .....	6,687	8,378	63,085
Provision for doubtful receivables .....	(199)	(128)	(1,877)
Loss on disposal of property, plant and equipment .....	213	797	2,009
Gain on sales of property, plant and equipment, net .....	(30)	(216)	(283)
Loss on sales of investment securities, net .....	8	148	76
Loss on impairment of investment securities .....	23	461	217
Changes in assets and liabilities:			
Decrease in provision for loss on business restructuring .....	-	(10,000)	-
Decrease in trade notes and accounts receivable .....	1,646	21,416	15,528
Decrease in inventories .....	6,109	9,031	57,632
Increase (decrease) in trade notes and accounts payable .....	2,360	(31,096)	22,264
Increase in retirement benefits .....	2,547	3,546	24,028
Other, net .....	758	4,057	7,151
Net cash provided by operating activities .....	<u>27,502</u>	<u>10,358</u>	<u>259,453</u>
<b>Investing Activities:</b>			
Decrease (increase) in time deposits, net .....	8	(1,165)	75
Proceeds from sales of property, plant and equipment .....	738	2,228	6,962
Proceeds from sales of investment securities .....	35	11	330
Proceeds from sales of shares of associated company .....	-	125	-
Purchases of property, plant and equipment .....	(3,582)	(3,237)	(33,792)
Purchases of investment securities .....	(156)	(538)	(1,472)
Purchases of software .....	(4,105)	(3,400)	(38,726)
Other, net .....	(613)	81	(5,783)
Net cash used in investing activities .....	<u>(7,675)</u>	<u>(5,895)</u>	<u>(72,406)</u>
<b>Financing Activities:</b>			
(Decrease) increase in short-term bank borrowings, net .....	(5,828)	4,982	(54,981)
Proceeds from long-term debt .....	-	3,464	-
Proceeds from issuance of common stock .....	-	1,970	-
Repayments of Bonds .....	(5,000)	-	(47,170)
Repayments of long-term debt .....	(1,724)	(9,177)	(16,264)
Other, net .....	(231)	(271)	(2,179)
Net cash (used in) provided by financing activities .....	<u>(12,783)</u>	<u>968</u>	<u>(120,594)</u>
<b>Foreign Currency Translation Adjustments on Cash and Cash Equivalents .....</b>			
	<u>(410)</u>	<u>(211)</u>	<u>(3,868)</u>
<b>Net Increase in Cash and Cash Equivalents .....</b>	<b>6,634</b>	<b>5,220</b>	<b>62,585</b>
<b>Cash and Cash Equivalents of Newly Consolidated Subsidiaries, Beginning of Year .....</b>			
	<b>-</b>	<b>157</b>	<b>-</b>
<b>Cash and Cash Equivalents at Beginning of Year .....</b>	<b>27,064</b>	<b>21,687</b>	<b>255,321</b>
<b>Cash and Cash Equivalents at End of Year .....</b>	<b>¥ 33,698</b>	<b>¥ 27,064</b>	<b>\$ 317,906</b>
<b>Non-Cash Financing Activity:</b>			
<b>Capital increase on issuance of convertible preferred stock</b>			
<b>Through debt-for-equity-swap (Note 7) .....</b>	<b>¥ -</b>	<b>¥ 25,000</b>	<b>\$ -</b>

See notes to consolidated financial statements.