

Consolidated Statements of Cash Flows

Kenwood Corporation and Consolidated Subsidiaries
For the Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of
	2005	2004	U.S. dollars (Note 1(a))
			2005
Operating Activities:			
Income before income taxes			
and minority interests	¥ 5,263	¥ 8,108	\$ 49,187
Adjustments to reconcile income			
before income taxes and minority interests			
to net cash provided by operating activities:			
Income taxes-paid	(593)	(728)	(5,542)
Depreciation and amortization	7,822	6,687	73,103
Provision for doubtful receivables	(267)	(199)	(2,495)
Loss on disposal of property, plant and equipment	211	213	1,972
Gain on sales of property, plant and equipment, net	(194)	(30)	(1,813)
(Gain) Loss on sales of investment securities, net	(599)	8	(5,598)
Loss on impairment of investment securities	13	23	122
Changes in assets and liabilities:			
Decrease in trade notes and accounts receivable	424	1,646	3,963
Decrease in inventories	1	6,109	9
Increase in trade notes and accounts payable	982	2,360	9,177
Increase in retirement benefits	1,694	2,547	15,831
Other, net	782	758	7,308
Net cash provided by operating activities	<u>15,539</u>	<u>27,502</u>	<u>145,224</u>
Investing Activities:			
Decrease in time deposits, net	3,625	8	33,878
Proceeds from sales of property, plant and equipment	2,209	738	20,645
Proceeds from sales of investment securities	625	35	5,841
Purchases of property, plant and equipment	(4,217)	(3,582)	(39,411)
Purchases of investment securities	(1,122)	(156)	(10,486)
Purchases of software	(4,700)	(4,105)	(43,925)
Other, net	67	(613)	626
Net cash used in investing activities	<u>(3,513)</u>	<u>(7,675)</u>	<u>(32,832)</u>
Financing Activities:			
Decrease in short-term bank borrowings, net	(22,404)	(5,828)	(209,383)
Proceeds from issuance of common stock	22,941	-	214,402
Repayments of Bonds	-	(5,000)	-
Repayments of long-term debt	(14,688)	(1,724)	(137,271)
Reduction of preferred stock	(16,100)	-	(150,467)
Other, net	(83)	(231)	(776)
Net cash used in financing activities	<u>(30,334)</u>	<u>(12,783)</u>	<u>(283,495)</u>
Foreign Currency Translation Adjustments			
on Cash and Cash Equivalents	407	(410)	3,804
Net (Decrease) Increase in Cash and Cash Equivalents	(17,901)	6,634	(167,299)
Cash and Cash Equivalents of			
 Newly Consolidated Subsidiaries, Beginning of Year	79	-	738
Cash and Cash Equivalents			
 at Beginning of Year	33,698	27,064	314,935
Cash and Cash Equivalents at End of Year	¥ 15,876	¥ 33,698	\$ 148,374
Non-Cash Financing Activity:			
Reduction in shareholders' stated capital without a reduction			
in the number of shares outstanding (Note 7)	¥ 20,000	¥ -	\$ 186,916

See notes to consolidated financial statements.