

# Consolidated Balance Sheets

Kenwood Corporation and Consolidated Subsidiaries  
As of March 31, 2006 and 2005

| ASSETS   | Millions of yen  |                  | Thousands of                     |
|--|------------------|------------------|----------------------------------|
|  | 2006             | 2005             | U.S. dollars (Note 1(a))<br>2006 |
| <b>Current Assets:</b>   |                  |                  |                                  |
| Cash and cash equivalents .....  | ¥ 14,009         | ¥ 15,876         | \$ 119,735                       |
| Time deposits .....  | 39               | 66               | 333                              |
| Receivables —  |                  |                  |                                  |
| Trade notes and accounts receivable .....  | 29,231           | 31,502           | 249,838                          |
| Less: Allowance for doubtful receivables .....   | (733)            | (785)            | (6,265)                          |
| Inventories —  |                  |                  |                                  |
| Finished goods .....   | 17,736           | 15,004           | 151,590                          |
| Work in process and raw materials .....  | 8,151            | 10,253           | 69,667                           |
| Deferred tax assets (Note 10) .....  | 690              | 692              | 5,897                            |
| Prepaid expenses and other .....   | 4,152            | 5,012            | 35,487                           |
| Total current assets .....   | <u>73,275</u>    | <u>77,620</u>    | <u>626,282</u>                   |
| <b>Property, Plant and Equipment, at Cost (Notes 3, 5 and 6):</b>                            |                  |                  |                                  |
| Land (Note 4) .....  | 9,216            | 10,797           | 78,769                           |
| Buildings and structures .....   | 17,310           | 18,091           | 147,949                          |
| Machinery and equipment .....  | 19,039           | 17,054           | 162,727                          |
| Tools, furniture and fixtures .....  | 13,602           | 12,781           | 116,256                          |
| Construction in progress .....   | -                | 148              | -                                |
|  | <u>59,167</u>    | <u>58,871</u>    | <u>505,701</u>                   |
| Less: Accumulated depreciation .....   | <u>(37,252)</u>  | <u>(35,316)</u>  | <u>(318,393)</u>                 |
| Net property, plant and equipment .....  | <u>21,915</u>    | <u>23,555</u>    | <u>187,308</u>                   |
| <b>Investments and Other Assets:</b>   |                  |                  |                                  |
| Investment securities (Note 2) .....   | 5,640            | 3,847            | 48,205                           |
| Investments in and advances to<br>unconsolidated subsidiaries and associated companies ..... | 19               | 83               | 162                              |
| Software .....   | 5,525            | 7,124            | 47,222                           |
| Deferred tax assets (Note 10) .....  | 744              | 900              | 6,359                            |
| Other .....  | 2,522            | 3,091            | 21,556                           |
| Less: Allowance for doubtful accounts .....  | (86)             | (83)             | (735)                            |
| Total investments and other assets .....   | <u>14,364</u>    | <u>14,962</u>    | <u>122,769</u>                   |
| Total .....  | <u>¥ 109,554</u> | <u>¥ 116,137</u> | <u>\$ 936,359</u>                |

See notes to consolidated financial statements.

| LIABILITIES AND<br>SHAREHOLDERS' EQUITY                                      | Millions of yen  |                  | Thousands of<br>U.S. dollars (Note 1(a)) |
|--|------------------|------------------|--|
|  | 2006             | 2005             | 2006                                     |
| <b>Current Liabilities:</b>  |                  |                  |  |
| Short-term borrowings (Note 6) .....   | ¥ 26,263         | ¥ 29,954         | \$ 224,470                               |
| Current portion of long-term debt (Note 6) .....                             | 0                | 1,134            | 0  |
| Trade notes and accounts payable .....                                       | 24,092           | 27,047           | 205,915                                  |
| Income taxes payable (Note 10) .....   | 536              | 452              | 4,581                                    |
| Accrued expenses .....   | 6,982            | 6,669            | 59,675                                   |
| Deferred tax liabilities (Note 10) .....                                     | 15               | 8                | 128                                      |
| Other .....  | 1,131            | 1,471            | 9,667                                    |
| Total current liabilities .....  | <u>59,019</u>    | <u>66,735</u>    | <u>504,436</u>                           |
| <b>Long-term Liabilities:</b>  |                  |                  |  |
| Long-term debt (Note 6) .....  | -                | 0                | -  |
| Liability for employees' retirement benefits (Note 7) .....                  | 9,364            | 13,492           | 80,034                                   |
| Deferred tax liabilities (Note 10) .....                                     | 3,482            | 2,739            | 29,761                                   |
| Other .....  | 202              | 38               | 1,726                                    |
| Total long-term liabilities .....  | <u>13,048</u>    | <u>16,269</u>    | <u>111,521</u>                           |
| <b>Commitments and Contingent Liabilities (Notes 3, 12 and 13)</b>           |                  |                  |  |
| <b>Shareholders' Equity (Note 8):</b>  |                  |                  |  |
| Common stock, authorized - 672,500,000 shares                                |                  |                  |  |
| issued - 367,524,995 shares in 2006 and 307,524,995 shares in 2005 .....     | 11,059           | 8,697            | 94,521                                   |
| Preferred stock, authorized - 0 shares in 2006 and 31,250,000 shares in 2005 |                  |                  |  |
| issued - 0 shares in 2006 and 31,250,000 shares in 2005 .....                | -                | 6,250            | -  |
| Capital Surplus .....  | 13,374           | 13,374           | 114,308                                  |
| Retained earnings .....  | 18,317           | 13,199           | 156,556                                  |
| Land revaluation surplus (Note 4) .....                                      | 2,954            | 3,167            | 25,248                                   |
| Net unrealized gain on available-for-sale securities .....                   | 1,890            | 619              | 16,154                                   |
| Foreign currency translation adjustments .....                               | (10,021)         | (12,109)         | (85,650)                                 |
| Total .....  | <u>37,573</u>    | <u>33,197</u>    | <u>321,137</u>                           |
| Less: Treasury stock, at cost; Common Stock,                                 |                  |                  |  |
| 487,127 shares in 2006 and 391,729 shares in 2005 .....                      | (86)             | (64)             | (735)                                    |
| Total shareholders' equity .....   | <u>37,487</u>    | <u>33,133</u>    | <u>320,402</u>                           |
| Total .....  | <u>¥ 109,554</u> | <u>¥ 116,137</u> | <u>\$ 936,359</u>                        |