

# Consolidated Statements of Income

Kenwood Corporation and Consolidated Subsidiaries  
For the Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of
	2006	2005	U.S. dollars (Note 1(a))
			2006
<b>Net Sales</b> .....	¥ <b>183,616</b>	¥ 181,112	\$ <b>1,569,368</b>
<b>Cost of Sales (Note 9)</b> .....	<b>139,441</b>	137,664	<b>1,191,804</b>
Gross profit .....	<b>44,175</b>	43,448	<b>377,564</b>
<b>Selling, General and Administrative Expenses (Note 9)</b> .....	<b>35,488</b>	36,387	<b>303,316</b>
Operating income .....	<b>8,687</b>	7,061	<b>74,248</b>
<b>Other Income (Expenses):</b>			
Interest expense, net .....	(459)	(1,143)	(3,923)
Cash discount .....	(850)	(317)	(7,265)
Equity in earnings of unconsolidated subsidiaries and associated companies .....	-	45	-
Gain on sales of investment securities .....	1,830	599	15,641
Loss on impairment of investment securities .....	(250)	(13)	(2,137)
Loss on disposal of inventories .....	(2,140)	(1,102)	(18,291)
Loss on impairment of inventories .....	(242)	(204)	(2,068)
Loss on sales and disposals of property, plant and equipment, net .....	(2,662)	(17)	(22,752)
Loss on impairment of long-lived assets (Note 5) .....	(988)	-	(8,444)
Loss on liquidation of consolidated subsidiaries, net .....	-	(155)	-
Retirement allowances paid to directors and corporate auditors .....	(8)	(13)	(68)
Gain on prior years patent fee .....	-	313	-
Gain on transfer of the substitutional portion of the governmental pension program (Note 7).....	4,850	-	41,453
Other, net, .....	(714)	209	(6,103)
Total .....	<b>(1,633)</b>	(1,798)	<b>(13,957)</b>
<b>Income before Income Taxes</b> .....	<b>7,054</b>	5,263	<b>60,291</b>
<b>Income Taxes (Note 10):</b>			
Current .....	741	404	6,334
Prior year adjustment .....	130	-	1,111
Deferred .....	79	23	675
Total income taxes .....	<b>950</b>	427	<b>8,120</b>
<b>Net Income</b> .....	¥ <b>6,104</b>	¥ 4,836	\$ <b>52,171</b>

	Yen		U.S. dollars (Note 1(a))
<b>Per Share of Common Stock (Note 11):</b>			
Basic net income .....	¥ <b>17.16</b>	¥ 16.79	\$ <b>0.15</b>
Diluted net income .....	<b>15.13</b>	10.50	<b>0.13</b>
Cash dividends applicable to the year .....	<b>2.00</b>	3.00	<b>0.02</b>

See notes to consolidated financial statements.