

Consolidated Statements of Shareholders' Equity

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
Common Stock (Note 8) :			
Beginning balance	¥ 8,697	¥ 26,969	\$ 74,333
Capital increase upon issuance of 92,000,000 shares of common stock on July 1, 2004	-	11,040	-
Capital increase upon issuance of 60,000,000 shares of common stock on June 30, 2005	11,112	-	94,974
Capital reduction of common stock without compensation on August 6, 2004	-	(20,000)	-
Capital reduction of 31,250,000 shares of preferred stock on August 6, 2004	-	(9,850)	-
Capital reduction of 31,250,000 shares of preferred stock on August 8, 2005	(8,750)	-	(74,786)
Capital increase upon issuance of 5,069,000 shares of common stock on March 18, 2005	-	538	-
Ending balance	¥ <u>11,059</u>	¥ <u>8,697</u>	\$ <u>94,521</u>
Preferred Stock (Note 8) :			
Beginning balance	¥ 6,250	¥ 12,500	\$ 53,419
Capital reduction of 31,250,000 shares of preferred stock on August 6, 2004	-	(6,250)	-
Capital reduction of 31,250,000 shares of preferred stock on August 8, 2005	(6,250)	-	(53,419)
Ending balance	¥ <u>-</u>	¥ <u>6,250</u>	\$ <u>-</u>
Capital Surplus (Note 8) :			
Beginning balance	¥ 13,374	¥ -	\$ 114,308
Capital increase upon issuance of 92,000,000 shares of common stock on July 1, 2004	-	10,983	-
Capital reduction of common stock without compensation on August 6, 2004	-	1,859	-
Capital increase upon issuance of 5,069,000 shares of common stock on March 18, 2005	-	532	-
Ending balance	¥ <u>13,374</u>	¥ <u>13,374</u>	\$ <u>114,308</u>
Retained earnings (Accumulated Deficit) (Note 8) :			
Beginning balance	¥ 13,199	¥ (9,778)	\$ 112,812
Net income	6,104	4,836	52,171
Capital reduction of common stock without compensation on August 6, 2004	-	18,141	-
Cash dividends paid	(1,148)	-	(9,812)
Transfer to employee welfare fund	(5)	-	(43)
Bonuses paid to directors and corporate auditors	(46)	-	(393)
Reversal of land revaluation surplus due to sale of land	168	-	1,436
Reversal of land revaluation surplus due to impairment of land	45	-	385
Ending balance	¥ <u>18,317</u>	¥ <u>13,199</u>	\$ <u>156,556</u>
Land Revaluation Surplus (Note 4):			
Beginning balance	¥ 3,167	¥ 3,167	\$ 27,069
Reversal of land revaluation due to sale of land	(168)	-	(1,436)
Reversal of land revaluation due to impairment of land	(45)	-	(385)
Ending balance	¥ <u>2,954</u>	¥ <u>3,167</u>	\$ <u>25,248</u>
Net Unrealized Gain on Available-for-sale Securities:			
Beginning balance	¥ 619	¥ 254	\$ 5,291
Net increase of unrealized gain of available-for-sale securities	1,271	365	10,863
Ending balance	¥ <u>1,890</u>	¥ <u>619</u>	\$ <u>16,154</u>
Foreign Currency Translation Adjustments:			
Beginning balance	¥ (12,109)	¥ (12,901)	\$ (103,496)
Net increase of foreign currency translation adjustments	2,088	792	17,846
Ending balance	¥ <u>(10,021)</u>	¥ <u>(12,109)</u>	\$ <u>(85,650)</u>
Treasury Stock, at cost, Common Stock:			
Beginning balance	¥ (64)	¥ (50)	\$ (547)
Repurchase of treasury stock	(22)	(14)	(188)
Ending balance	¥ <u>(86)</u>	¥ <u>(64)</u>	\$ <u>(735)</u>
Total Shareholders' Equity	¥ <u>37,487</u>	¥ <u>33,133</u>	\$ <u>320,402</u>
Thousands of shares			
Number of Outstanding Shares:			
Beginning balance	338,383	272,629	
Issuance of common stock	60,000	97,069	
Reduction of preferred stock	(31,250)	(31,250)	
Repurchase of treasury stock	(95)	(65)	
Ending balance	<u>367,038</u>	<u>338,383</u>	

See notes to consolidated financial statements.