

Consolidated Statements of Cash Flows

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
Operating Activities:			
Income before income taxes	¥ 7,054	¥ 5,263	\$ 60,291
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Income taxes-paid	(670)	(593)	(5,726)
Depreciation and amortization	7,403	7,822	63,274
Provision for doubtful receivables	(102)	(267)	(872)
Loss on impairment of long-lived assets	988	-	8,444
Loss on disposal of property, plant and equipment	2,773	211	23,701
Gain on sales of property, plant and equipment, net	(192)	(194)	(1,641)
Gain on sales of investment securities	(1,830)	(599)	(15,641)
Loss on impairment of investment securities	250	13	2,137
Changes in assets and liabilities :			
Decrease in trade notes and accounts receivable	4,380	424	37,436
Decrease in inventories	670	1	5,726
Increase (Decrease) in trade notes and accounts payable	(4,988)	982	(42,632)
Increase (Decrease) in retirement benefits	(4,142)	1,694	(35,402)
Other, net	1,070	782	9,144
Net cash provided by operating activities	<u>12,664</u>	<u>15,539</u>	<u>108,239</u>
Investing Activities:			
Decrease in time deposits, net	28	3,625	239
Proceeds from sales of property, plant and equipment	1,536	2,209	13,128
Proceeds from sales of investment securities	2,018	625	17,248
Purchases of property, plant and equipment	(3,571)	(4,217)	(30,521)
Purchases of investment securities	(24)	(1,122)	(205)
Purchases of software and other intangibles	(4,306)	(4,700)	(36,803)
Other, net	(1)	67	(9)
Net cash used in investing activities	<u>(4,320)</u>	<u>(3,513)</u>	<u>(36,923)</u>
Financing Activities:			
Decrease in short-term borrowings, net	(4,277)	(22,404)	(36,556)
Proceeds from issuance of common stock	11,005	22,941	94,060
Repayments of long-term debt	(1,154)	(14,688)	(9,863)
Reduction of preferred stock	(15,000)	(16,100)	(128,205)
Cash dividends paid	(1,148)	-	(9,812)
Other, net	(99)	(83)	(846)
Net cash used in financing activities	<u>(10,673)</u>	<u>(30,334)</u>	<u>(91,222)</u>
Foreign Currency Translation Adjustments			
on Cash and Cash Equivalents	<u>462</u>	<u>407</u>	<u>3,949</u>
Net Decrease in Cash and Cash Equivalents	<u>(1,867)</u>	<u>(17,901)</u>	<u>(15,957)</u>
Cash and Cash Equivalents of Newly Consolidated Subsidiaries, Beginning of Year	-	79	-
Cash and Cash Equivalents at Beginning of Year	<u>15,876</u>	<u>33,698</u>	<u>135,692</u>
Cash and Cash Equivalents at End of Year	<u>¥ 14,009</u>	<u>¥ 15,876</u>	<u>\$ 119,735</u>
Non-Cash Financing Activity:			
Reduction in shareholders' stated capital without a reduction in the number of shares outstanding	<u>¥ -</u>	<u>¥ 20,000</u>	<u>\$ -</u>

See notes to consolidated financial statements.