

Consolidated Statements of Cash Flows

Kenwood Corporation and Consolidated Subsidiaries
For the Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of
	2007	2006	U.S. dollars (Note 1(a)) 2007
Operating Activities:			
Income before income taxes	¥ 2,517	¥ 7,054	\$ 21,327
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Income taxes-paid	(647)	(670)	(5,484)
Depreciation and amortization	6,950	7,403	58,898
Provision for doubtful receivables	(19)	(102)	(158)
Loss on impairment of long-lived assets	-	988	-
Loss on disposal of property, plant and equipment	98	2,773	833
Gain on sales of property, plant and equipment, net	(84)	(192)	(711)
Gain on sales of investment securities	(588)	(1,830)	(4,985)
Loss on impairment of investment securities	42	250	358
Changes in assets and liabilities :			
Decrease in trade notes and accounts receivable	827	4,380	7,005
Decrease in inventories	388	670	3,292
Increase (Decrease) in trade notes and accounts payable	1,475	(4,988)	12,498
Increase (Decrease) in retirement benefits	210	(4,142)	1,779
Other, net	288	1,070	2,441
Net cash provided by operating activities	<u>11,457</u>	<u>12,664</u>	<u>97,093</u>
Investing Activities:			
Decrease in time deposits, net	6	28	53
Proceeds from sales of property, plant and equipment	481	1,536	4,075
Proceeds from sales of investment securities	806	2,018	6,831
Purchases of property, plant and equipment	(2,408)	(3,571)	(20,410)
Purchases of investment securities	(1)	(24)	(11)
Purchases of software and other intangibles	(4,102)	(4,306)	(34,766)
Other, net	0	(1)	4
Net cash used in investing activities	<u>(5,218)</u>	<u>(4,320)</u>	<u>(44,224)</u>
Financing Activities:			
Decrease in short-term borrowings, net	(22,796)	(4,277)	(193,182)
Proceeds from long-term debt	19,925	-	168,856
Proceeds from issuance of common stock	-	11,005	-
Repayments of long-term debt	(0)	(1,154)	(1)
Reduction of preferred stock	-	(15,000)	-
Cash dividends paid	(729)	(1,148)	(6,181)
Other, net	(118)	(99)	(997)
Net cash used in financing activities	<u>(3,718)</u>	<u>(10,673)</u>	<u>(31,505)</u>
Foreign Currency Translation Adjustments			
on Cash and Cash Equivalents	<u>404</u>	<u>462</u>	<u>3,428</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,925	(1,867)	24,792
Cash and Cash Equivalents			
at Beginning of Year	<u>14,009</u>	<u>15,876</u>	<u>118,719</u>
Cash and Cash Equivalents at End of Year	¥ <u>16,934</u>	¥ <u>14,009</u>	\$ <u>143,511</u>

See notes to consolidated financial statements.