



**D&M Holdings Inc. Reports Record Consolidated Business Results  
for Fiscal Year 2006 with Operating Profit up 60%;  
Forecast for Fiscal Year 2007 Anticipates Continued Double-Digit  
Earnings Growth**

TOKYO—May 23, 2007—D&M Holdings Inc. (TSE I: 6735) today filed with the Tokyo Stock Exchange results for the 2006 fiscal year ended March 31, 2007 and its financial forecast for the 2007 fiscal year ending March 31, 2008. The company reported record revenue and profits in FY2006, and forecast double-digit earnings growth in FY2007.

**1. Results of the Fiscal Year 2006 (April 1, 2006 – March 31, 2007)**

***Consolidated Business Results***

The company's consolidated revenue for the fiscal year ended March 31, 2007 totaled a record JPY100 billion (Premium AV JPY97.7 billion and Digital Network JPY2.3 billion), a 12% increase over FY2005 results. The company reported operating profit of JPY5.8 billion and ordinary profit of JPY5.7 billion for the fiscal year ended March 31, 2007. Operating profit was 60% higher than the year-ago period while ordinary profit increased by 83%. Net income for the fiscal year ended March 31, 2007 was JPY2.9 billion, an increase of 22% over the prior fiscal year, and fully diluted EPS was 31.9 yen, a 20% increase over the year-ago period. During the fourth quarter, D&M Premium Sound Solutions (PSS) contributed revenue of about JPY4 billion and operating profit of about JPY150 million after deducting JPY200 million in adjustments from a purchase accounting related evaluation of the PSS opening balance sheet. PSS was acquired in January 2007 from Royal Philips Electronics.

Consolidated business results for FY2006 and FY2005	Revenue	Operating profit	Ordinary Profit	Net income	Fully Diluted EPS (Yen)
March 31, 2007	100,039	5,782	5,687	2,918	31.9
March 31, 2006	89,312	3,606	3,106	2,397	26.6
Increase (decrease)	10,727	2,176	2,581	521	5.3
% Change	12%	60%	83%	22%	20%

(Units: in millions of yen)

## **Business Segment Results**

The company's revenue for the Premium AV segment for the fiscal year ended March 31, 2007 totaled JPY97.7 billion, 16% higher than the year-ago results due to the inclusion of a full-year contribution from Boston Acoustics, the addition of new distribution channels, continued expansion of emerging markets and professional/commercial markets, market share gains for the company's core target AV channels, and contributions from PSS.

Operating profit for the Premium AV segment for the fiscal year ended March 31, 2007 was JPY5.8 billion, 33% higher than year-ago results. The increase was due to a full-year contribution from Boston Acoustics, continued improvement in the operating performance of the company's premium AV business, improved cost controls and the inclusion of PSS results.

AV Premium Results for FY2006 and FY2005	Revenue	Operating profit
March 31, 2007	97,745	5,824
March 31, 2006	84,540	4,364
Increase (decrease)	13,205	1,462
% Change (decrease)	16%	33%

(Units: in millions of yen)

Revenue from the Digital Network segment for the fiscal year ended March 31, 2007 totaled JPY2.3 billion, 52 percent lower than the year-ago results. Revenue in this segment was higher in FY2005 since the year included revenue from the discontinued Rio unit. The Digital Network segment reported a small operating loss in FY2006 primarily due to marketing and product development investments associated with the launch of PC-DVR products from ReplayTV.

Digital Network Results for FY2006 and FY2005 with Rio	Revenue	Operating profit (loss)
March 31, 2007	2,294	(41)
March 31, 2006	4,772	(756)
Increase (decrease)	(2,478)	715
% Change (decrease)	(52%)	NA

(Units: in millions of yen)



“We are very pleased with our record performance in 2006,” said Eric C. Evans, Chairman & co-CEO of D&M Holdings. “The company’s earnings power is growing. Our brands are delivering innovative and high-quality CE products and are benefiting from our company’s world-class selling platforms,” he said.

## **2. Outlook for Fiscal Year 2007 (April 1, 2007—March 31, 2008)**

### **Forecast for Consolidated Business Results**

Based on the company’s current outlook for FY2007 ending March 31, 2008, D&M Holdings forecasts consolidated revenue of JPY108.5 billion and operating profit of JPY6.4 billion. For the same period, the company forecasts ordinary profit of JPY5.9 billion, net income of JPY3.35 billion and EPS of 36.6 yen.

Forecast of consolidated business results for FY2007	Revenue	Operating profit	Ordinary profit	Net income	Fully Diluted EPS (Yen)
Forecast on May 23, 2007	108,500	6,400	5,900	3,350	36.6
Prior year results	100,039	5,782	5,687	2,918	31.9
Increase (decrease)	8,461	618	213	432	4.7
% Change (decrease)	8.5%	10.7%	3.7%	14.8%	14.7%

(Units: in millions of yen)

Beginning with the FY2007 forecast, the company has changed its business segments for reporting purposes to focus on two new business segments: Consumer AV and Commercial AV. The new segmentation replaces the previously reported segments, Premium AV and Digital Network, and presents the company’s business in two customer-focused categories: (1) products used by consumers primarily for home use and (2) products used by businesses in commercial applications. With the exit from Rio, the Digital Network segment is no longer material to the company’s overall results. In addition, the new segmentation better reflects the company’s expanded focus on commercial businesses. Consumer AV includes all premium consumer AV products: receivers, amplifiers, DVD players, CD changers, table radios, micro systems, headphones, video projectors, speakers and media servers. Commercial AV includes: branded and unbranded automotive products, professional AV equipment, professional DJ and other entertainment products, consumer products for other OEM customers and ReplayTV DVR software.

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## **Business Segment Forecast**

Based on the company's current outlook for the fiscal year ending March 31, 2008, D&M Holdings forecasts revenue of JPY81.9 billion and operating profit of JPY4.3 billion for Consumer AV. This forecast includes the earnings impact of a JPY500 million R&D initiative for advanced media players. For the same period, the company forecasts revenue of JPY26.6 billion and operating profit of JPY2.1 billion for Commercial AV. Much of the growth in Commercial AV is due to the PSS acquisition.

Forecast for FY2007 and FY2006 Results by Business Segments	Consumer AV Revenue	Consumer AV Operating Profit	Commercial AV Revenue	Commercial AV Operating Profit
March 31, 2008	81,900	4,300	26,600	2,100
March 31, 2007	81,894	4,160	18,145	1,622
Increase (decrease)	6	140	8,455	478
% Change (decrease)	0%	3%	47%	29%

(Units: in millions of yen)

## **3. Key accomplishments in FY2006 through early FY2007**

- D&M Holdings was listed on the first section of the Tokyo Stock Exchange in September 2006. This move from the second section to the first section of the exchange was an important milestone in the history of the company.
- D&M Holdings completed the acquisition and began the integration of D&M Premium Sound Solutions (PSS) and expanded marketing activities in the business unit's automotive segment.
- D&M Holdings took direct control over D&M distribution operations in Korea and Taiwan, sharing resources for cost efficiency, and announced a major expansion in Latin America. The company also expanded sales and marketing activities in China, India and Vietnam.
- McIntosh Laboratory established a new consumer marketing and sales company for the first time in Japan, replacing a third party distributor.
- D&M Holdings announced a research and development initiative to create the

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industry's best premium advanced video media player, serving as a common platform for all D&M brands.

- Denon and Boston Acoustics expanded their distribution reach to more than 600 Circuit City stores in North America. Denon also increased its distribution exposure through Magnolia Home Theaters inside Best Buy, with the number of those specialty boutiques tripling to 300.
- Boston Acoustics added the all-new Chrysler Sebring convertible to its impressive list of vehicles equipped with original equipment Boston Acoustics premium audio systems. This brings the total to 13 Chrysler Group vehicles available with award-winning Boston Acoustics audio systems.
- Denon Professional DJ saw continued growth and market share increases in US and Latin America during FY2006, and released its award-winning DN-HD2500, the company's first hard-disc-based DJ player, during the first quarter of FY2007. Meantime, D&M Professional added resources to deliver all D&M brands to upscale hotels and resorts looking to provide a premium in-room entertainment experience to customers.
- Marantz saw wide acceptance of its new receiver line, and the SR8500 AV receiver recently was named Home Theater Magazine's "Best Receiver Over \$1,000."

"The success we achieved in FY2006 has created great momentum for future growth," Evans said. "In FY2007, we continued to be well positioned in our key consumer AV markets, and we will see solid growth from the push into commercial AV. Additionally we continue to work at successfully integrating our recent acquisitions, while the effort to make further successful acquisitions continues," he said.

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**About D&M Holdings Inc.**

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D&M Holdings Inc. (TSE I: 6735) is based in Kawasaki, Japan and owns the Denon, Marantz, McIntosh Laboratory, Boston Acoustics, Snell Acoustics, D&M Professional, D&M Premium Sound Solutions, Denon DJ, ReplayTV® and Escient® brands. Denon, Marantz, McIntosh and D&M Professional are global industry leaders in the specialist home theater, audio/video consumer electronics or professional audio markets, with a strong and long-standing heritage of manufacturing and marketing high-performance audio and video components. Boston Acoustics, with its signature The Boston Sound, is a leader in premium loudspeakers for home and automotive audio markets. Snell is a super premium speaker brand. The ReplayTV and Escient brands represent award-winning technologies in digital home entertainment. D&M Premium Sound Solutions manufactures high-quality, Hi-Fi audio products for the B2B automotive and consumer electronics markets. Additional information is available at [www.dm-holdings.com](http://www.dm-holdings.com).

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