

D&M

D&M Holdings Inc.

For Immediate Release

D&M Holdings Inc. Issues Notice of Consolidated Business Results for the First Quarter of Fiscal Year 2004 Ending March 31, 2005

TOKYO—August 25, 2004—D&M Holdings Inc. (TSE II: 6735), today filed with the Tokyo Stock Exchange results for the first quarter (April 1—June 30, 2004) and revised its financial forecast for the first half and full fiscal year ending March 31, 2005. D&M Holdings Inc. is based in Tokyo and owns the Denon, Marantz, McIntosh Laboratory, D&M Professional, ReplayTV®, Rio® and Escient® brands. All are established brands in premium home theater, audio-video consumer electronics, professional audio or networked digital entertainment markets.

1. Results of First Quarter of Fiscal Year 2004 (April 1, 2004 – June 30, 2004)

As a result of strong sales performance in both the Premium A/V and Digital Network business segments, the company's consolidated revenue for the first quarter ended June 30, 2004 totaled JPY19.2 billion, an increase of 6.5 percent compared with the same quarter of the previous year. The improved performance in revenue was due in part to the successful implementation of a new global structure that organized the sales and marketing organizations into four regional trading areas: North America, Europe, Japan and Asia Pacific. Revenue was particularly strong in the North American Region driven by the continued success of both the Denon branded products and the Rio portable music player business.

For the first quarter, the company reported an operating loss of JPY713 million, ordinary loss of JPY850 million and net loss of JPY530 million. While these losses were anticipated for the quarter, results were negatively impacted by higher than anticipated manufacturing costs and operating expenses as discussed below in the company's revised forecast for the first half and full fiscal year.

2. Outlook for First Half of Fiscal Year 2004 (April 1, 2004 -- September 30, 2004)

Based on the company's current outlook for the first half of the fiscal year ending March 31, 2005, D&M Holdings is revising its forecast for consolidated revenue, operating profit and net income for the first half ending September 30, 2004. For the same period, the company forecasts consolidated revenue of JPY41.7 billion (Premium AV JPY34.4 billion, Digital

Network JPY7.3 billion), an operating loss of JPY650 million (Premium AV JPY500 million, Digital Network JPY(1.15) billion), and a net loss of JPY550 million. This compares to the previous revenue forecast of JPY39.5 billion (Premium AV JPY33.5 billion, Digital Network JPY6.0 billion), an operating profit of JPY300 million (Premium AV JPY1.2 billion, Digital Network JPY(900) million) and break-even net profit for the same period.

Revenue for the premium A/V business is expected to be higher than originally forecast due to ongoing improvement from the new regional organization; growing strength in the Denon brand with new AV receivers, especially the best-selling AVR3805, and new HDMI (High Definition Multi-Media Interface) DVD players, the DVD2910 and DVD3910; and strong contributions from new products introduced this summer by Marantz, including the Super Audio CD player, SA-11S1, and Pre-main amplifier, PM-11S1.

The operating profit in the first half will be negatively impacted by manufacturing cost pressures and higher operating expenses. In the Premium A/V segment, manufacturing margins were hurt by: anticipated component price reductions that were delayed as a result of a highly competitive marketplace fueled by strong worldwide cross-industry demand; a write-down of Plasma display inventories resulting from declining marketplace prices; additional product promotions in Europe to reduce distributor inventories to take full advantage of new model introductions during the second half; and delays in introducing some new products at Denon and Marantz. Additional operating expenses included severance and other costs associated with implementing the new regional organization, higher than anticipated freight costs and general operating expense increases associated with anticipated higher revenue, particularly in Japan. In the Digital Network segment, operating profit was negatively impacted by increased operating expenses from higher than anticipated new product development expenses in Rio and Escient as well as higher warranty reserves at Rio.

3. Outlook for Fiscal Year 2004 (April 1, 2004—March 31, 2005)

Based on the company's current outlook for the fiscal year ending March 31, 2005, D&M Holdings is revising its forecast for consolidated revenue and operating profit for the full year ending March 31, 2005. For the period, the company forecasts consolidated revenue of JPY93.8 billion (Premium AV JPY76.5 billion, Digital Network JPY17.3 billion), operating profit of JPY3.1 billion (Premium AV JPY3.8 billion, Digital Network JPY(700) million) and net income of JPY1.65 billion or 18.3 yen per share. This compares to the previous forecast of consolidated revenue of JPY89.6 billion (Premium AV JPY74.6 billion, Digital Network JPY15.0 billion), operating profit of JPY4.25 billion (Premium AV JPY4.7 billion, Digital Network JPY(450) million) and net income of JPY2.2 billion or 24.40 yen per share.

In the second half of the year, the company expects to exceed the earlier revenue forecast due to additional positive impact from the new regional organization, continued new product introductions in the Premium AV segment and four new Rio MP3 players: the Rio Carbon 5GB, the Rio Forge 512MB, the Rio Forge 256MB and the Rio Forge 128MB.

Operating profit of the Premium A/V business in the second half is expected to be lower by JPY 200 million from the previous forecast due primarily to continued cost pressure on manufacturing components. The Digital Network business operating profit expected in the second half remains unchanged. Establishment of the China manufacturing facility is on track and will begin its operation this fall, and a global IT network based on SAP technology is under construction.

In Europe, D&M Holdings named Nick Isbouts, former senior vice president of Philips Division Consumer Electronics, President of D&M Sales and Marketing, Europe. This appointment, which will be effective in early September, completes the global sales and marketing reorganization that began in North America, Japan and Asia Pacific. The implementation of the reorganization in Europe will result in a one-time SG&A expense, but the new organizational structure is expected to deliver additional revenue and profit contributions from Europe.

D&M Holdings, Inc.
Yoshiyuki Honda
+81 42 748 7700

For D&M Holdings
Dobbin/Bolglia Associates
Sara Trujillo
+1 212 388-1400
strujillo@dba-pr.com

About D&M Holdings Inc.

D&M Holdings Inc. (TSE II: 6735) is based in Tokyo and owns the Denon, Marantz, McIntosh Laboratory, D&M Professional, ReplayTV®, Rio® 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. The ReplayTV, Rio and Escient brands represent award-winning technologies in digital home entertainment. Additional information is available at www.dm-holdings.com.

Statements in this news release regarding D&M Holdings, Inc. that are not statements of historical fact may include forward looking statements regarding future events or the future financial performance of the company. We wish to caution you that such statements are just predictions and that actual events or results may differ materially. Forward looking statements involve a number of risks and uncertainties surrounding the integration of the company's acquisitions, competitive and industry conditions, targeted cost savings programs, market acceptance for the company's products, technological changes, developing industry standards and other factors related to the company's businesses.

###