

# D&M

## D&M Holdings Inc.

### For Immediate Release

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

TOKYO—November 16, 2004—D&M Holdings Inc. (TSE II: 6735), today filed with the Tokyo Stock Exchange results for the first half (April 1—Sept. 30, 2004) and its financial forecast for 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 Half of Fiscal Year 2004 (April 1, 2004 – Sept. 30, 2004)

The company's consolidated revenue for the first half ended Sept. 30, 2004 totaled JPY41 billion, an increase of nearly 3 percent compared with the same period of the previous year. During the period, D&M gained market share in its largest category of premium A/V receivers and hi-fi amplifiers and reported strong growth in the Digital Network business segment.

The company benefited from 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. Denon branded home theater products in North America reported very good results, due in part to strong reception for the AVR-3805 and AVR-2805, both 7.1 channel, multi-source, multi-zone receivers, and the DVD-1910. Sales in the Digital Network business segment rose 40% from the year-ago period, due primarily to strong market demand for the Rio MP3 players. All D&M brands continued to achieve critical acclaim in product reviews and win numerous industry awards around the globe, including the recently announced 2005 CES Innovations Awards for: Denon's AVR-5805 multi-channel, multi-zone fully configurable A/V receiver; the Marantz VP-12S4 High-Definition DLP® projector; the McIntosh MX135 A/V Control Center; and the Rio Carbon, a 5 GB player that's about the size of a business card.

For the first half ended Sept. 30, 2004, the company reported an operating loss of JPY786 million, ordinary loss of JPY956 million and net loss of JPY253 million or (2.9) yen per share. Although losses had been forecast for the first half, the operating loss and ordinary loss were

larger than anticipated due to: an escalation in freight costs; strong industry demand for some key components that delayed an anticipated reduction in cost-of-goods; and severance expenses associated with the company's regional restructuring. However, net loss was smaller than previously forecast as a result of a non-cash extraordinary gain from an increase in value of a Denon leasehold due to a redevelopment project in the Shinjuku area.

## **2. 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 maintaining its previous forecast for consolidated revenue, operating income and net income for the full year ending March 31, 2005. For the period, the company affirms its forecast of consolidated revenue of JPY93.8 billion (Premium AV JPY76.5 billion, Digital Network JPY17.3 billion), operating income 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.

In the second half of the year, the company is anticipating additional positive sales and operating impact from: the previously announced D&M regional structure; recent new product introductions in the Premium AV segment and Digital Network market segment; and the opening of a manufacturing facility in China, which began operations in the fall.

D&M also is anticipating benefits from additional sales and marketing changes. Escent products are being leveraged in the Marantz sales channels, and a new retail outreach program for Denon, the Denon Premium Member's Association, provides additional service to 60 major AV specialty stores in Japan. Additionally, Japan is restructuring its Rio business under the new D&M regional structure. Sales and marketing personnel will absorb responsibility for Rio from a now discontinued distributor. This step effectively rationalizes costs against a larger revenue base, effectively lowering the cost of sales in Japan.

The company expects strong demand for flat panel displays and DVD markets and key advances in home networking and innovative system control technologies will continue. D&M anticipates that the market for premium A/V receivers, which will integrate these technologies, will benefit. The premium A/V receiver, such as Denon's AVR-5805, provides key format switching capabilities for multiple high-definition sources coming from satellite, cable and DVD players, and the demand for this expanded functionality is expected to grow.

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**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](http://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.*

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