



Consolidated Financial Results for the Third Quarter and Nine Month Period for FY2004

(April 1, 2004 through December 30, 2004)

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)
English translation from the original Japanese-language document

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D&M Holdings Inc.

Code Number: 6735
 (URL) <http://www.dm-holdings.com/>
 Stock Exchange Listed: Tokyo Stock Exchanges
 Location of Principal: Kanagawa
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Matters Concerning on Preparing Quarterly Financial Results

- (1) Adoption of simplified method for accounting policies: Yes
The simplified method is applied for tax effect accounting.
- (2) Changes in accounting policies : None
- (3) Changes in the consolidation criteria and equity method application: None

1. Consolidated Results of the Third Quarter and Nine-Month period Ended December 2004 (April 1, 2004 to December 31, 2004)

(1) Consolidated Financial Results (Amounts less than one million yen are disregarded.)

	Sales		Operating Profit (loss)		Ordinary Profit (loss)	
	Million Yen	Change%	Million Yen	Change%	Million Yen	Change%
Nine months ended December 2004	69,186	4.6	1,171	-	723	-
Nine months ended December 2003	66,127		-	-	-	-
(Reference)						
Full fiscal year ended March 2004	87,417	-	1,035	-	489	-

	Net Income (loss)		Net Income per Share		Net Income per share, fully diluted	
	Million Yen	Change%	Yen Sen		Yen Sen	
Nine months ended December 2004	540	-	6.18		6.01	
Nine months ended December 2003	-	-	-		-	
(Reference)						
Full fiscal year ended March 2004	(276)	-	(3.19)		-	

- [Notes] (1) Percentages shown under sales represent the change compared to the same period of the previous fiscal year.
 (2) Only sales results were disclosed for the first quarter of the previous fiscal year, consequently percentages for operating income and ordinary income are not provided.

(2) Consolidated Financial Conditions

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio	Shareholders' Equity Per Share
	Million Yen	Million Yen	%	Yen Sen
Nine months ended December 2004	69,052	21,834	31.6	249.09
Nine months ended December 2003	-	-	-	-
(Reference)				
Full fiscal year ended March 2004	57,133	20,951	36.7	240.74

(3) Consolidated Cash Flow

	Cash flow by operating activities	Cash flow by investment activities	Cash flow by financing activities	Balance of cash and cash equivalents at end of the period
	Million Yen	Million Yen	Million Yen	Million Yen
Nine months ended December 2004	(4,478)	(203)	4,960	2,678
Nine months ended December 2003	-	-	-	-
(Reference)				
Full fiscal year ended March 2004	1,399	(7,029)	3,480	2,386

2. Business results outlook

Results of the Third Quarter and Nine Month Period of Fiscal Year 2004 (April 1, 2004 –December 31, 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 third quarter of Fiscal Year 2004 ended December 31, 2004 totaled JPY28.2 billion, an increase of 29 percent from the previous quarter ended September 30, 2004. For the nine-month period ended December 31, 2004, revenue totaled JPY69.2 billion, an increase of 4.6 percent compared with the same nine-month period of the previous year. The improved performance in revenue during the third quarter was due in part to new product introductions at Denon and McIntosh. Also, the sales of Rio portable music players in the US, Europe and Japan was the key driver for the sales increase in the Digital Network business.

Profitability improved during the third quarter as a result of the realization of anticipated cost savings from Premium A/V manufacturing. In the Digital Network segment, operating profit was improving compared to the six-month period, however, additional operational controls for inventory, pricing and rebates are required for additional improvements in profitability in that business segment.

For the nine-month period, the company reported an operating profit of JPY1,171 million, ordinary profit of JPY723 million and net income of JPY540 million.

3. Forecast for FY2004 (April 1, 2004 to March 31, 2005) consolidation results

Unit: million yen (Amounts less than one million yen are disregarded.)

The forecast for FY2004 remains unchanged from November 16, 2004. Consolidated revenue for FY2004 is on track as forecast. The profitability of the Digital Network segment is expected to be lower than forecast, however, the lower profit in that business segment will be offset by income from a volume rebate in that business segment as well as non-operating income from securities sales in the fourth quarter. As a result, the total ordinary profit and net profit will remain as previously forecast.

Condensed Consolidated Balance Sheets

Unit: million yen (Amounts less than one million yen are disregarded.)

	3rd Quarter of Current Fiscal Year		(Reference) Previous Fiscal Year	
	As of Dec 31, 2004		As of Mar. 31, 2004	
	Million Yen	(%)	Million Yen	(%)
Assets				
Current assets				
1. Cash and cash equivalents	2,678		2,386	
2. Notes and accounts receivables	20,850		14,562	
3. Inventories	14,652		10,200	
4. Deferred tax assets	2,372		1,475	
5. Other current assets	3,508		3,420	
6. Allowance for doubtful accounts	(633)		(470)	
Total current assets	43,430	62.9	31,574	55.3
Fixed assets				
1. Tangible fixed assets	8,053		7,719	
2. Intangible assets	9,536		9,678	
3. Invest ments	8,032		7,710	
Total fixed assets	25,367	36.7	25,108	43.9
Deferred assets	255	0.4	450	0.8
Total assets	69,052	100.0	57,133	100.0

	3rd Quarter of Current Fiscal Year As of Dec 31, 2004		(Reference) Previous Fiscal Year As of Mar. 31, 2004	
	Million Yen	(%)	Million Yen	(%)
Liabilities				
Current liabilities				
1. Notes and accounts payable	11,687		9,532	
2. Short-term borrowings	10,200		4,200	
3. Current portion of Long-term borrowings	1,000		1,000	
4. Other current liabilities	12,575		8,610	
Total current liabilities	35,462	51.4	23,343	40.9
Non current liabilities				
1. Long-term borrowings	4,875		5,901	
2. Allowance for employees' retirement benefits	6,087		6,503	
3. Other non current liabilities	719		393	
Total non current liabilities	11,682	16.9	12,798	22.4
Total liabilities	47,144	68.3	36,142	63.3
Minority interest				
Minority interest	73	0.1	38	0.0
Shareholders' equity				
Capital	3,255		3,247	
Capital surplus	15,629		15,620	
Retained earnings	3,242		2,713	
Unrealized gain on revaluation of securities	60		111	
Foreign currency translation adjustments	(336)		(726)	
Treasury stock	(17)		(14)	
Total shareholders' equity	21,834	31.6	20,951	36.7
Total liabilities and shareholders' equity	69,052	100.0	57,133	100.0

Condensed Consolidated Income Statements

Unit: million yen (Amounts less than one million yen are disregarded.)

	3rd Quarter of Current Fiscal Year (Apr. 1, 04 through Dec 31, 04)		(Reference) Previous Fiscal Year (Apr. 1, 03 through Mar. 31, 04)	
	Million Yen	(%)	Million Yen	(%)
Net sales	69,186	100	87,417	100.0
Cost of sales	44,854	64.8	55,649	63.7
Gross profit	24,331	35.2	31,768	36.3
Selling, general and administrative expenses	23,161	33.5	30,733	35.2
Operating profit (loss)	1,171	1.7	1,035	1.1
Non operating income	199	0.2	547	0.6
Non operating expenses	645	0.4	1,092	1.2
Ordinary income (loss)	723	1.0	489	0.5
Extraordinary gain	949	1.4	1,948	2.2
Extraordinary loss	781	1.1	3,361	3.8
Income (loss) before income taxes	891	1.3	(923)	(1.1)
Income taxes	338	0.4	(664)	(0.8)
Minority interest	13	0.0	17	0.0
Net income (loss)	540	0.9	(276)	(0.3)

Condensed consolidated cash flow statements

Unit: million yen (Amounts less than one million yen are disregarded.)

	3rd Quarter of Current Fiscal Year	(Reference) Previous Fiscal Year
	Apr. 1, 04 through Dec 31, 04	Apr. 1, 03 through Mar. 31, 04
Accounts	Million Yen	Million Yen
Operating activities		
Income before taxes	891	(923)
Depreciation and amortization	1,173	1,922
Goodwill amortization	139	169
Goodwill impairment	-	1,312
Amortization of start up cost/stock issue cost	191	256
Gain recognized on the exchange of leasehold	(899)	-
Decrease in allowance for employees' retirement benefits	(416)	(1,875)
(Increase)/decrease in receivables and other current assets	(5,610)	(2,025)
(Increase)/decrease in inventories	(3,876)	(333)
Increase/(decrease) in accounts payables and other current liabilities	1,999	2,793
Other (increase)/decrease by operations	1,930	95
Net cash provided by operating activities	(4,478)	1,399
Investing activities		
Purchase of fixed assets	(1,017)	(1,107)
Proceeds from sale of fixed assets	537	465
Purchase of intangibles	(20)	(296)
Acquisition of subsidiaries	-	(6,529)
Purchase of investments	260-	(115)
Proceeds from sale of investments	-	331
Cash increase from consolidation of Marantz Hong Kong Limited	20	
(increase)/decrease in loan receivables	16	221
Net cash used in investing activities	(203)	(7,029)
Financing activities		
(Decrease)/increase in short-term borrowings	5,127	4,200
(Decrease)/increase in long-term borrowings	(181)-	(851)
Proceeds from issuance of new stock	15	3
Treasury stock repurchase	(1)-	(6)
Proceeds from sales of treasury stock	-	132
Net cash used in financing activities	4,960	3,480
Effect of exchange rates on cash	14	(150)
Increase in cash and cash equivalents	292	(2,301)
Cash and cash equivalents at beginning of year	2,386	4,687
Cash and cash equivalents at end of period	2,678	2,386

Segment information

Unit: million yen (Amounts less than one million yen are disregarded.)

	3rd Quarter of Current Fiscal Year Apr. 1, 04 through Dec 31, 04				
	Premium A/V	Digital Network	Total	Eliminations and Corporates	Consolidated
Net sales					
(1) Sales to external customers	56,474	12,712	69,186	-	69,186
(2) Inter-segment sales or transfers	-	-	-	-	-
Total	56,474	12,712	69,186	-	69,186
Operating expenses	56,879	14,136	58,015	-	58,015
Operating profit (loss)	2,595	(1,424)	1,171	-	1,171

Notes: 1 Business segments are categorized primarily based on the nature of business operations, type of products, etc., which D&M group uses for its internal management purpose.

2 Main products for each business segments

	Main Products
Premium A/V	Stereo amplifier, AV receiver, Tuner, Speaker, Tape deck, MD deck, CD Player, CD Recorder, Video CD Player, DVD Player, System Audio, DLP Projector, MO Recorder, IC Memory, Electronic Piano, Industrial KARAOKE systems, DJ equipments, Long-hour communication recording device, Business-use AV equipment and systems, AV monitoring system
Digital Network	Network Media Server, Network Media extender, Personal video recorder, Portable Audio Player