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D&M

FY07 Results and FY08 Outlook

23th May, 2008

DENON

marantz

McIntosh

Boston
SOUND

Snell

ESCIENT

DENON DJ

CALREC

ALLEN&HEATH

D&M Professional

D&M | Premium Sound Solutions

Forward Looking Statements



This presentation contains forward-looking statements regarding the company's future performance. These forward-looking statements are based on management's views and assumptions, and involve risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. These include, but are not limited to, statements related to revenue and earnings growth, competition and industry conditions, targeted cost savings programs, and acquisitions of business assets.

Agenda

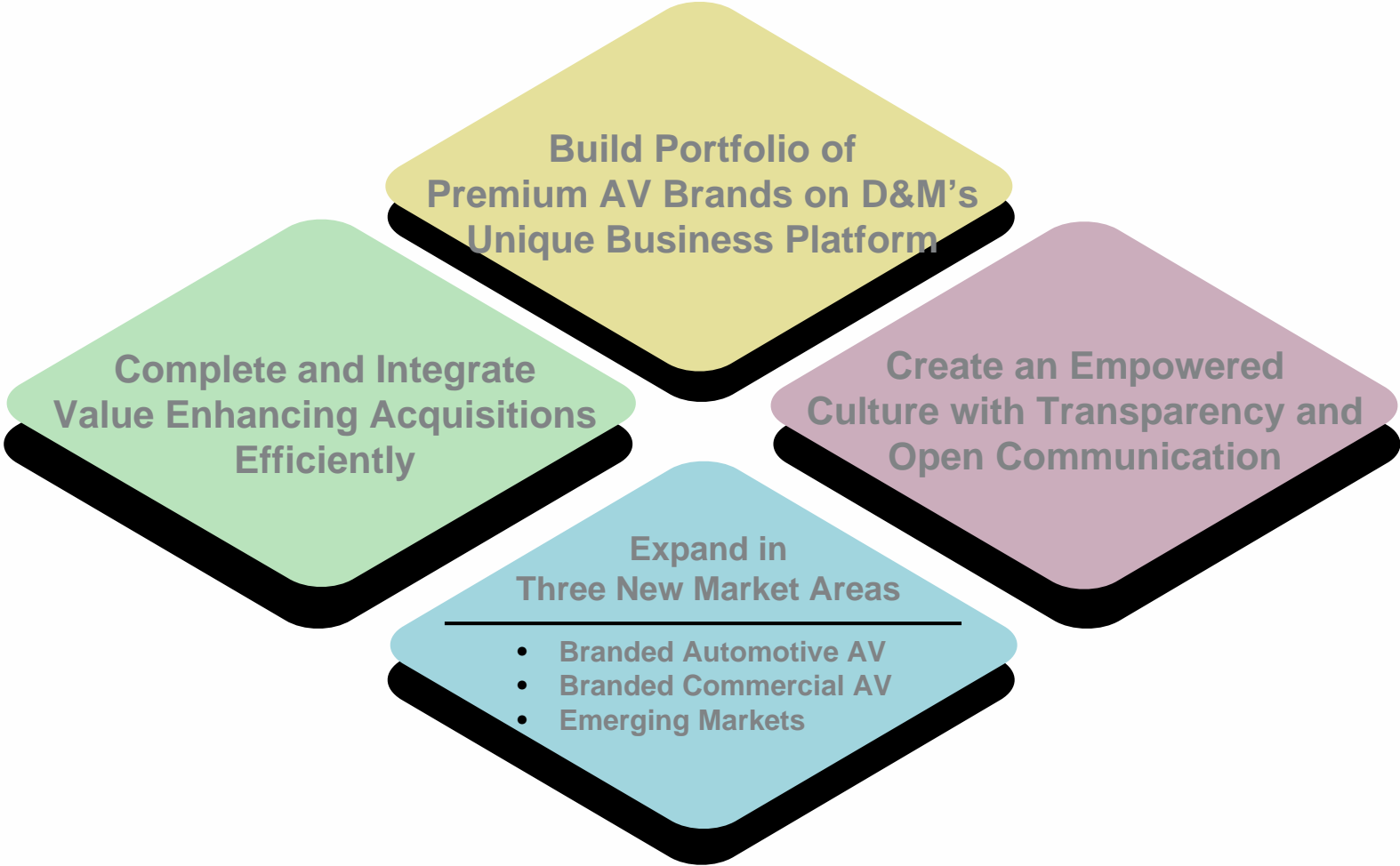


- Strategy Overview
- FY07 Results
- FY08 Outlook
- Q&A

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Strategy Overview

D&M's Corporate Strategy



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FY07 Results



FY07 Highlights

- Financial Results :

– Net Sales	:	112.1B JPY	} <i>Record High</i>
– Operating Profit	:	6.13B JPY	
– EBITDA	:	9.93B JPY	

- Potential tax assessment : 1.4 BJPY
- Completed successful acquisition of Calrec in August.
- Negotiated improved credit facility.

Potential Tax Assessment (Footnote)



Provision for potential additional tax liability based on the tax audit

D&M is currently audited by Tokyo Regional Taxation Bureau (TRTB) for Corporate Tax of the FY2005 (year-ended March 31 2006) and FY2006 (year-ended March 31 2007). In the tax audit, the tax inspectors verbally pointed out that the tax losses in Marantz, which were transferred to D&M by the merger of D&M (existing parent company), Denon and Marantz (merging subsidiaries) on April 1, 2005, should not be transferred to D&M, because, by the commencement of consolidated tax return filing on the same date (April 1, 2005), the tax losses of Marantz as a consolidated tax subsidiary should be excluded from the tax losses to be transferred to the new consolidated tax group and not to be utilized as D&M's tax losses.

No official tax correction notice has been issued by TRTB yet, however, in this fiscal year (year-ended March 31, 2008), D&M recorded provision for the potential additional tax liability ("Prior Year Corporate Taxes" on PL) in the amount of JPY 1,424M (including the penalty taxes of JPY 207M).

Corporate Tax Law (CTL) does not provide a clear guidance on this issue, but this indication by TRTB is based on their internal viewpoint on interpretation of the relevant tax regulations and their viewpoint has not been officially announced. In the event that the tax notice which will be issued by TRTB includes this issue, D&M intends to submit its objection to TRTB against their correction.

FY07 Financial Results

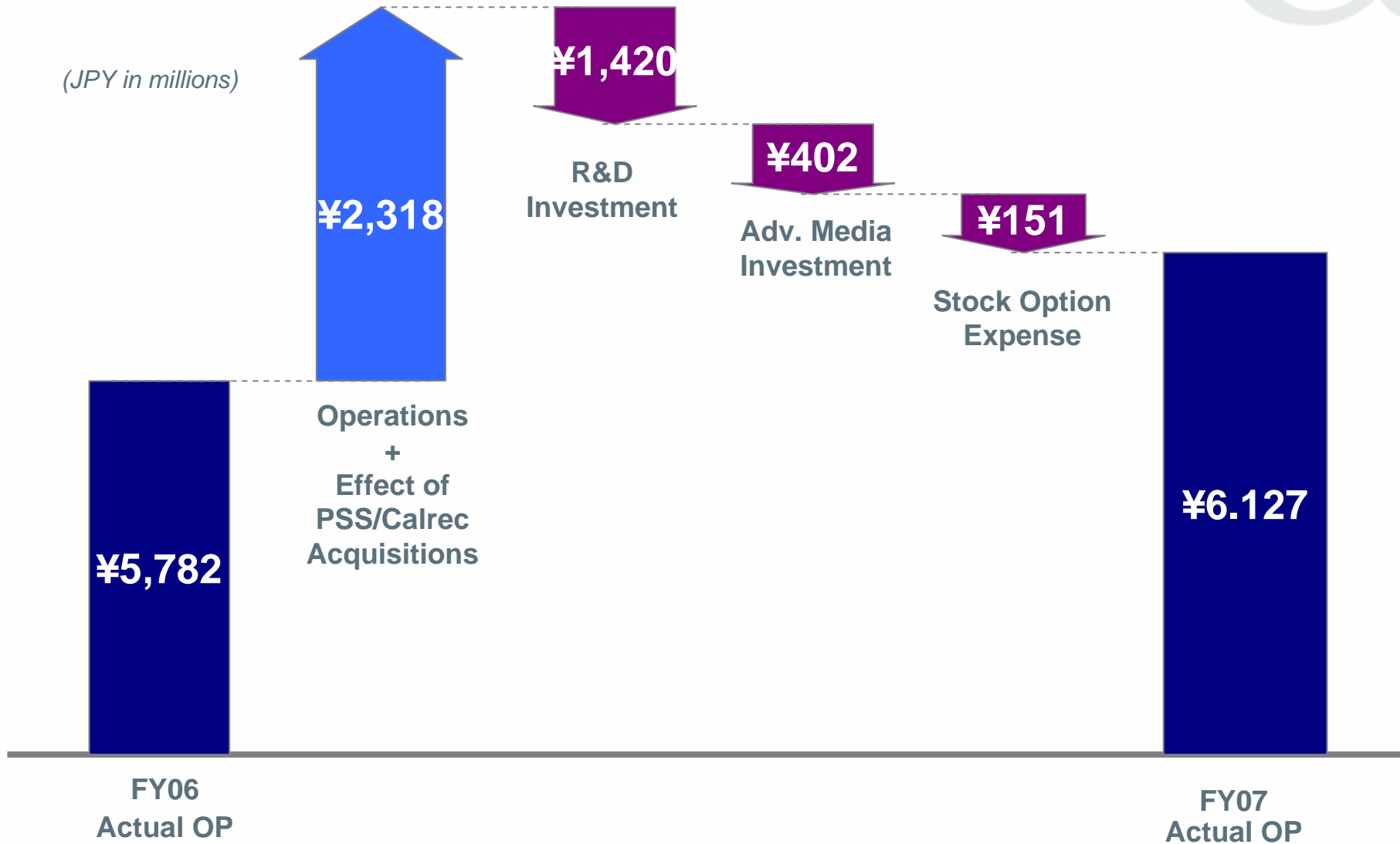


	<i>(JPY in millions)</i>				
	FY05	FY06	FY07		Variance
	Actual	Actual	Disclosure	Actual	vs. FY06
Revenue	89,312	100,039	108,500	112,124	12%
Gross Profit	33,569	39,204	41,700	44,331	
Operating Profit	3,606	5,782	6,400	6,127	6%
Ordinary Profit	3,106	5,687	5,900	5,146	
Extraordinary Loss (Gain)	(953)	74	0	(142)	
Pretax Income	4,059	5,613	5,900	5,288	
Income Taxes	1,662	2,695	2,550	3,618	
Net Income	2,397	2,918	3,350	1,669	
EBITDA	5,762	8,179	9,370	9,925	21%
EPS	26.6	31.9	36.6	17.4	
EPS before extraordinary items	20.3	32.3	36.6	31.4	
Reference:					
Gross margin	37.6%	39.2%	38.4%	39.5%	
Operating margin	4.0%	5.8%	5.9%	5.5%	
Ordinary profit margin	3.5%	5.7%	5.4%	4.6%	
EBITDA margin	6.5%	8.2%	8.6%	8.9%	
Fully Diluted shares outstanding	90.2	91.4	91.4	96.0	

D&M Total Operating Profit Improvement vs. FY06



(JPY in millions)



* Including Calrec for FY07 Total



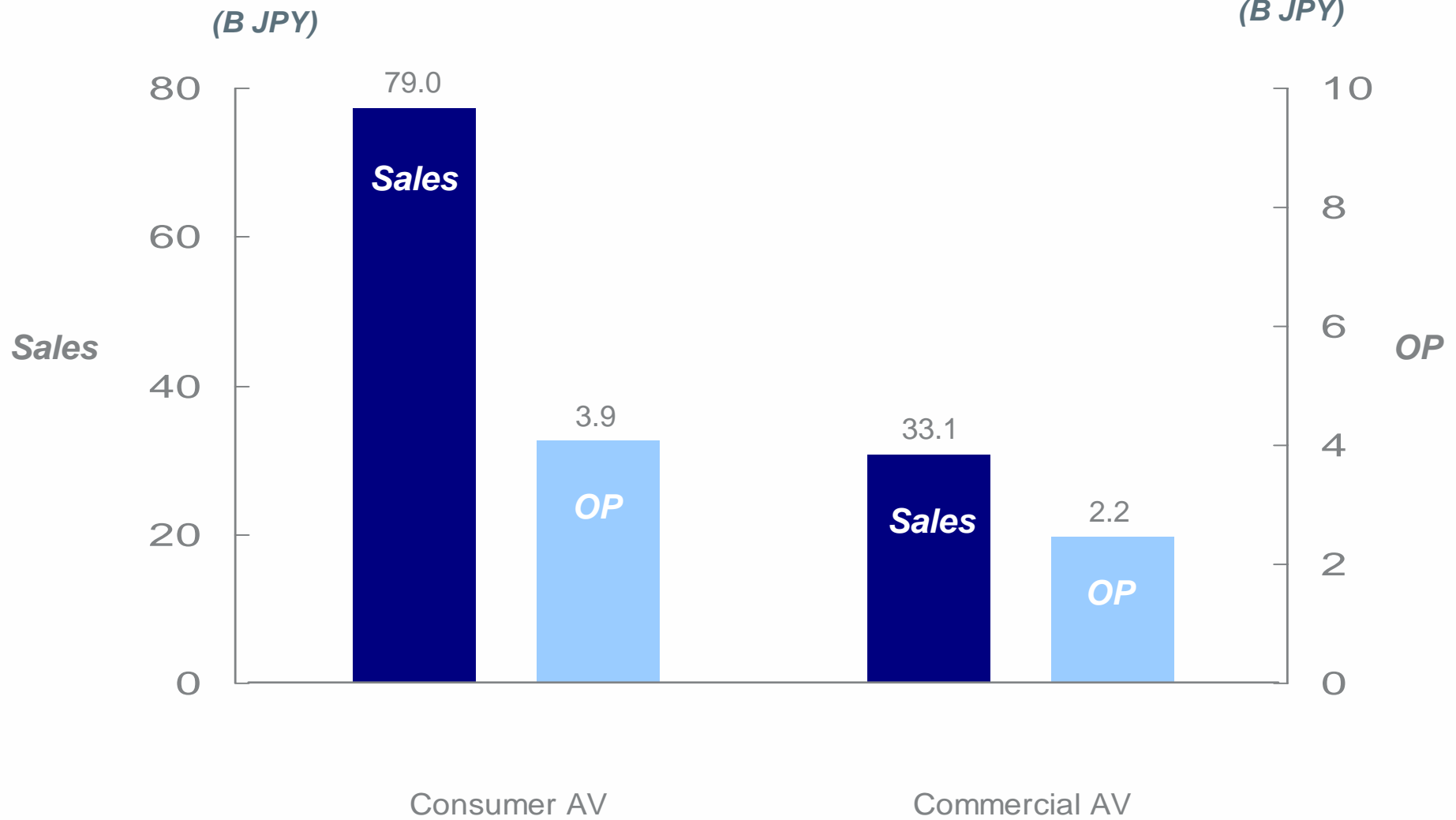
FY07 Performance vs. Disclosure

- Calrec acquisition completed Aug 20
 - Results since closure included
 - One time In-Process R&D charges absorbed
- Consumer Business product issues impacted results
 - Standard DVD players sales declined faster than expected
 - New AV Receivers delay due to High Definition Multi Media Interface (HDMI version 1.3a) user friendly software implementation taking longer than expected
- Commercial Business performed as planned.

FY07 Performance Breakdown by Segment



Sales & Operating Profit



Results by segment : Consumer AV

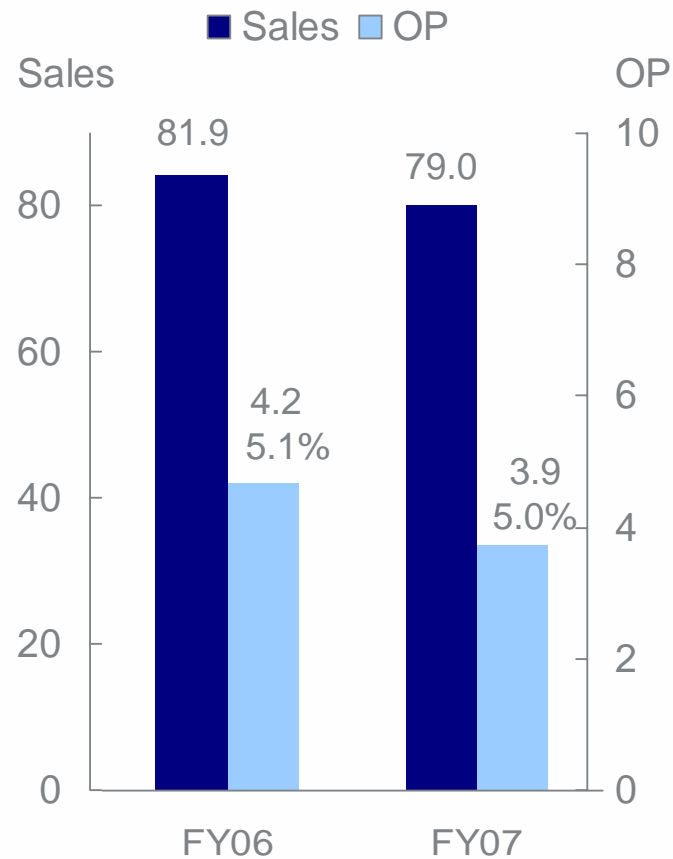


(JPY in millions)

	FY06 Actual	FY07 Actual	Variance
Net Sales	81,896	79,029	-4%
COGS	50,045	47,081	
Gross Profit	31,851	31,948	
Operating Expenses	27,690	28,034	+ 1%
Operating Profit	4,161	3,914	-6%
Key Stats:			
Gross margin	38.9%	40.4%	
Operating margin	5.1%	5.0%	
Operating Expenses (% of net sales)	33.8%	35.5%	

Consumer AV Results

Sales & Operating Profit (BJPY)



Key Drivers in FY07

-) Faster-than-expected sales decline of standard DVD players
-) Strategic sales reduction of low-margin set stereo

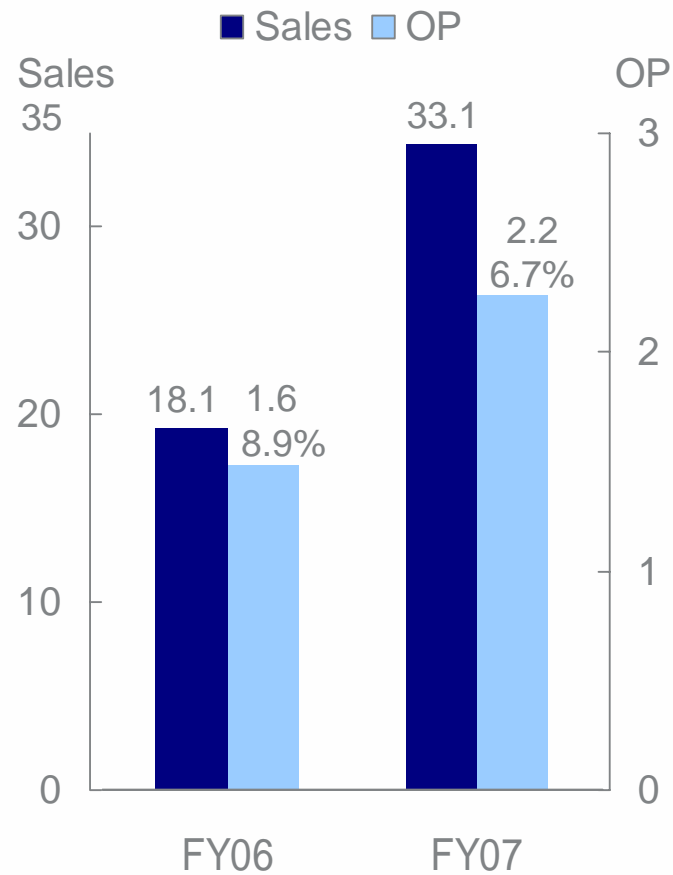
Results by segment : Commercial AV



<i>(JPY in millions)</i>	FY06	FY07	Variance
Net Sales	18,142	33,094	+ 82%
COGS	10,790	20,711	
Gross Profit	7,353	12,383	
Operating Expenses	5,732	10,170	
Operating Profit	1,621	2,213	+ 37%
<u>Key Stats:</u>			
Gross margin	40.5%	37.4%	
Operating margin	8.9%	6.7%	
Operating Expenses (% of net sales)	31.6%	30.7%	

Commercial AV Results

Sales & Operating Profit (BJPY)



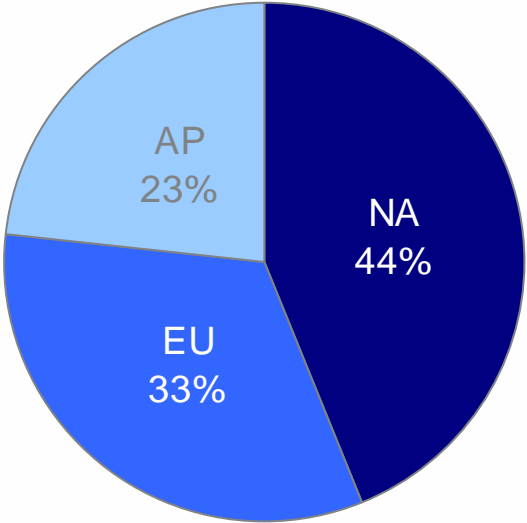
Key Drivers in FY07

- +) Inclusion of Calrec
- +) Inclusion of PSS
-) Boston Acoustics OEM Sales to Chrysler down vs. prior year reflecting U.S. Automotive market situation

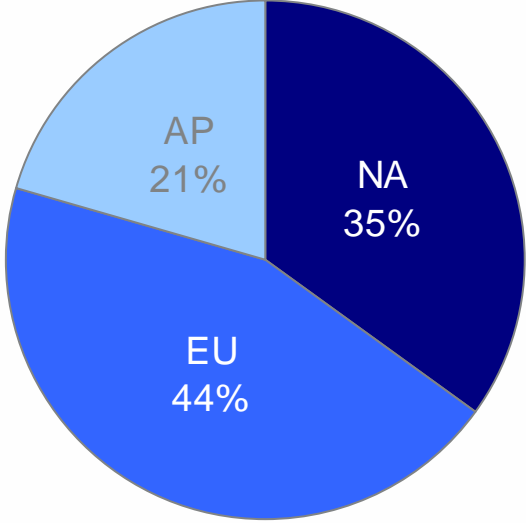
Geographical Sales Composition



FY06



FY07



	<u>FY06</u>	<u>FY07</u>	<u>Variance</u>	<u>Comment</u>
NA	44,029	39,308	-11%	-) No initial sales to Circuit City -) Sales decline of standard DVD players
EU	32,559	49,806	53%	+) PSS / Calrec sales addition
AP	23,449	23,009	-2%	-) Decrease in set stereo / karaoke in Japan
Total	100,039	112,124	12%	



Status of Recent Acquisitions

- **D&M Premium Sound Solutions (PSS)**

- Merged with Boston Acoustics Car OEM team and formed “Global OEM” team
 - Assigned dedicated sales experts in Europe, Americas, and Asia Pacific
 - Offering D&M branded sound system to several automotive customers
- Joint Development of DHT-FS series (television sound projector) by PSS & Denon
- Planning production of PSS products in D&M China factory

- **Calrec Audio**

- Focusing on expansion into new markets (e.g., Continental Europe and Radio broadcasting) through the collaboration with D&M regional organizations
- Studying the synergy opportunities with Allen & Heath



Balance Sheet Highlights

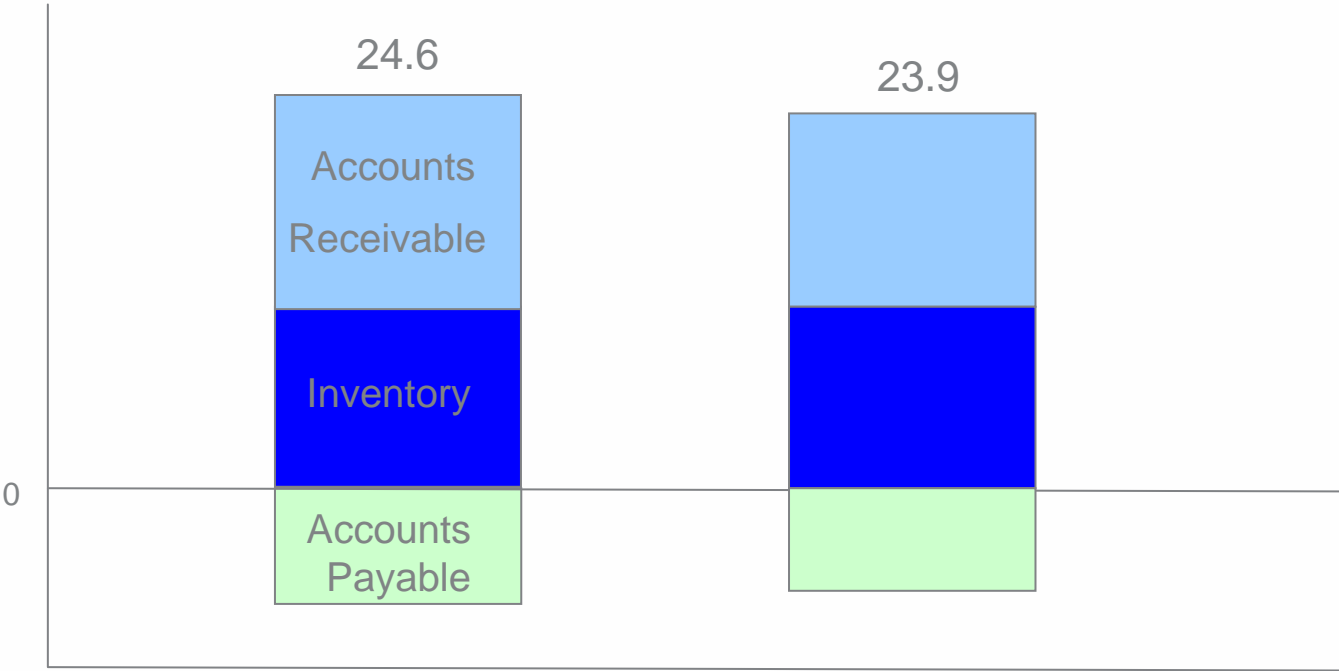
- Bank borrowing increased by 6.8 B JPY to fund Calrec Acquisition and A&H Acquisition since March 31, 2007.
- Established a new syndicated loan of 15 B JPY in September
 - Revolving loan 12B JPY and term loan 3B JPY
 - Five years terms (from Sep.2007 to Sep.2012)
 - Obtained better terms and conditions from previous facility
 - No collateral and no limitation on guarantee for subsidiaries.

Working Capital



Year-end Net Working Capital Balance

(B JPY)



Days Net Working Capital based on reported Sales & COGS

FY2006

103

FY2007

93

Debt Structure



	<u>Mar. 2007</u>	<u>Mar. 2008</u>
Debt outstanding	19.0B JPY	25.8B JPY
Leverage Ratio (Debt / EBITDA)	2.3X	2.6X

- Debt increased to finance Calrec and A&H acquisitions.
- Debt ratio still well below loan covenants (4.0X).

Balance Sheet : Summary



		M JPY			
		Mar.2006	Mar.2007	Mar.2008	(Versus Mar.2007) <u>Variance</u>
	Cash and bank deposits	1,294	2,800	1,503	-1,297
	Accounts and notes receivable	15,795	18,946	17,088	-1,858
	Inventories	14,504	15,881	15,952	+71
	Other current assets	3,830	5,695	4,965	-730
	Fixed assets	7,009	8,620	8,114	-506
	Intangibles and others	21,021	27,035	33,384	+6,349
Total assets		63,454	78,978	81,007	+2,029
	Accounts and notes payable	8,613	10,185	9,098	-1,087
	Short and long -term borrowings	10,490	19,029	25,827	+6,798
	Other liabilities	18,098	19,968	18,654	-1,314
	Minority interests and others	120	299	584	+285
	Stockholder's equity	26,133	29,497	26,843	-2,654
Total liabilities and Stockholder's equity		63,454	78,978	81,007	+2,029

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FY08 Outlook



D&M Key Events in FY08

- Calrec Audio, Allen & Heath : Full year operation and PMI
- Sales Benefit from New Products
 - Launch of Advanced Media Players (Blu-Ray Players)
 - Development of Accessories Business (e.g. headphones)
- Expansion of Branded Automotive AV
 - Boston Acoustics in new Dodge Challenger
 - Acceleration of sales in Europe, Americas, and Asia Pacific led by newly assigned dedicated experts
- Expansion of Branded Commercial AV
 - Sales expansion in Government market leveraging the successful supply of Portable Digital Recorder to Japanese Supreme Court
- Increase penetration in Emerging countries
 - Establishment of Russian Office
 - Acceleration of sales expansion in Latin America
 - Fully operated Dubai Office
- Pursuit of additional acquisitions

Allen & Heath Acquisition



- Completed April 2, 2008
- Strategic Rationale
 - Expands D&M's branded commercial AV business
 - Area of strategic focus for D&M
 - Strengthen D&M position in Audio Console market
 - Acquisition of A&H brand of renown in global professional audio console market
 - Complementary product areas (consoles for live performance, live sound and PA) with broadcasting console of Calrec
 - Synergies in development, manufacturing and sales
 - Technology transfer for competitive products - e.g. digital desk test technology
 - Combined purchasing and cost competitive manufacturing opportunities
 - Sales collaboration - e.g. DJ market

FY08 Financial Outlook

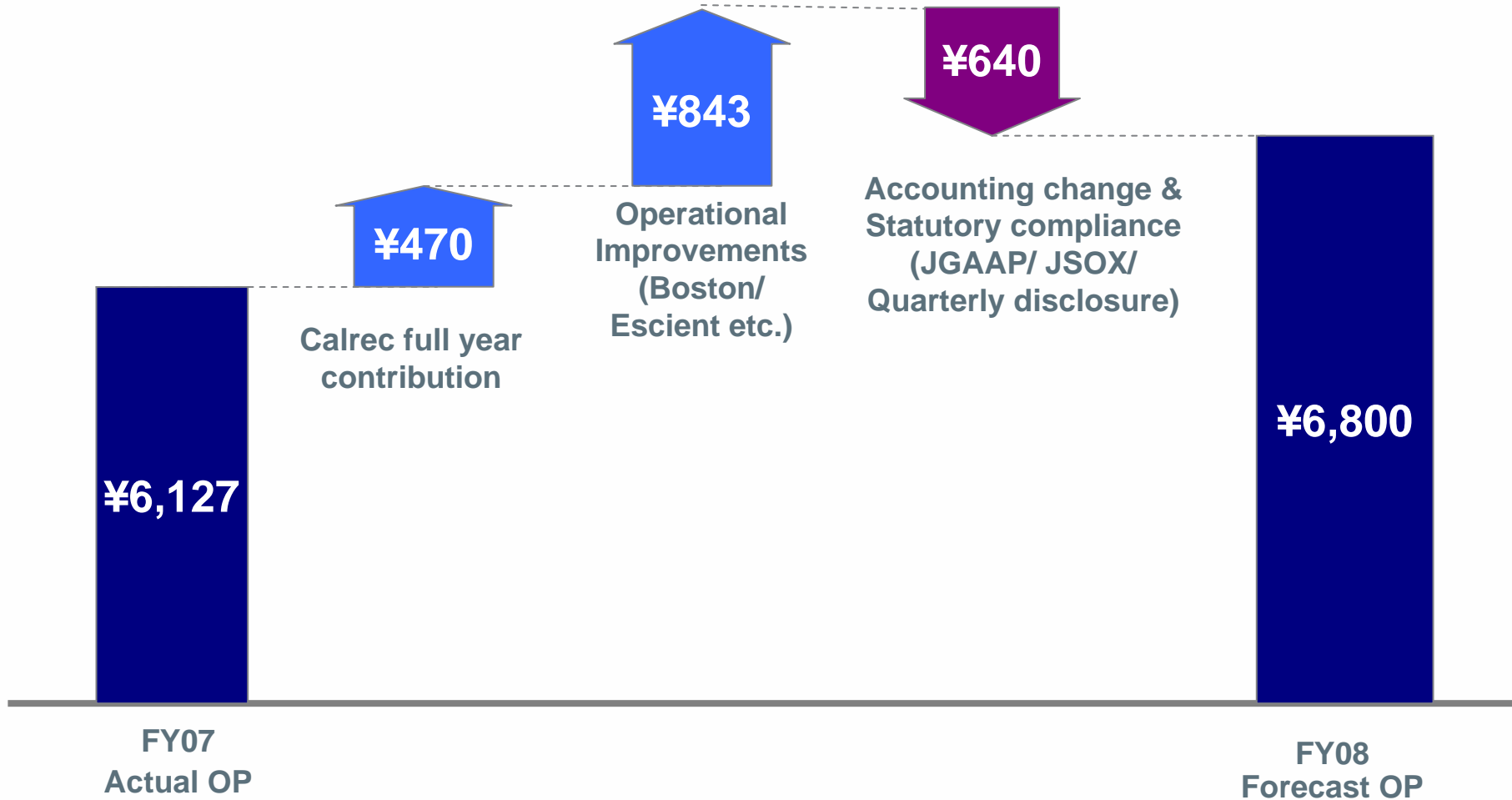


	FY07	FY08	Variance
<i>(JPY in millions)</i>	Actual	Forecast *	vs. FY07
Revenue	112,124	115,300	3%
COGS	67,793	69,400	
Gross Profit	44,331	45,900	
Operating Expenses	38,204	39,100	
Operating Profit	6,127	6,800	11%
Other Expenses (Income)	981	750	
Ordinary Profit	5,146	6,050	
Extraordinary Loss (Gain)	(142)	0	
Pretax Income	5,288	6,050	
Income Taxes	3,618	2,930	
Net Income	1,669	3,120	87%
EBITDA	9,925	11,300	14%
EPS	17.4	32.5	
Margin Data:			
Gross margin	39.5%	39.8%	
Operating margin	5.5%	5.9%	
Ordinary profit margin	4.6%	5.2%	
EBITDA margin	8.9%	9.8%	
Fully Diluted shares outstanding	96.0	96.0	

* Excluding Allen & Hearsh

D&M Operating Profit Forecast Improvement vs. FY07

(JPY in millions)



* Excluding A&H for FY08 Total

FY08 Financial Outlook : By Segment



	FY07	FY08	Variance
<i>(JPY in millions)</i>	Actual	Forecast	vs. FY07
Consumer AV			
Sales	79,029	80,500	2%
OP	3,914	4,600	18%
OP%	5.0%	5.7%	
Commercial AV			
Sales	33,094	34,800	5%
OP	2,213	2,200	
OP%	6.7%	6.3%	
Total			
Sales	112,124	115,300	3%
OP	6,127	6,800	11%
OP%	5.5%	5.9%	

* JGAAP Impact of Goodwill Acquisition: 0.2B JPY Consumer, 0.3B JPY Commercial

** Excludes A&H

D&M Investment Highlights



- Premium Focus makes D&M less vulnerable to current economic conditions.
- Earnings growth projected in FY08
 - Benefiting from new acquisitions (Calrec and Allen & Heath)
 - New DVD and Accessory Products
- Expansion in three new market areas continues
 - Branded automotive AV
 - Branded commercial AV
 - Emerging markets
- Pursuit of additional acquisitions continues



THANK YOU