

D&M

D&M Holdings Inc.

Q&A about Acquisition of Philips Sound Solutions (PSS)

Overview of the transaction

Q: Who is PSS?

PSS is a division of Philips, which develops, manufactures and sells high-quality audio products that range from interfaces, DSP and amplification to tuning and loudspeakers for the B2B automotive and consumer electronics markets. Annual revenue in FY2005 (12 months ending Dec. 31) is EURO120 million (approximately JPY 18 billion and US\$150 million)

Q: Why is D&M buying PSS? What's the strategy?

This is a great opportunity for D&M to expand its OEM automotive business. PSS provides:

- An attractive customer base and opportunity to expand our branded automotive OEM business.
D&M can obtain new business relationships with several European automotive manufacturers. Furthermore, we can develop the branded automotive OEM business by introducing all our premium brands to those customers.
- Technological differentiation
D&M is obtaining patents and significant technology for both the auto and consumer businesses that will allow us to introduce differentiated products with new, cutting edge technology.
- Supply chain efficiency improvement
D&M expects to improve economy of scale by integrating our procurement operation with PSS.

We consider the PSS operations to be a strategic part of our business. We've become very successful in integrating A/V companies and this is another opportunity for D&M to enhance the value of our business.

Q: What is the goal of D&M in the Automotive OEM business?

We're aiming to make our branded automotive OEM business among the Top 3 in the speaker category and ultimately the leader in branded AV for automotive in the long term. Acquiring PSS, which has one of the largest automotive business bases in Europe, will help us achieve the target.

Q: How large is the impact of this transaction?

Revenue and profit from PSS will be added to our financial results immediately after the acquisition, however, the impact on the FY06 forecast will include only one quarter of PSS revenue and profit. We will disclose details on the projected impact as soon the numbers have been confirmed.

Q: When will PSS become part of D&M?

We anticipate that the acquisition will close at the end of 2006 and beginning in January 2007, . PSS will be part of the D&M family.

About the Business

Q: What is the automotive OEM business?

Most vehicles have audio and speaker equipment. The equipment can be either branded or non-branded (generic). Automotive OEM is the business that supplies all of this equipment and the associated technologies to automotive manufacturers. An example of the branded business is our own , Boston Acoustics, which supplies branded equipment for DaimlerChrysler, and the "300" Chrysler series has "Boston Acoustics" branded speakers as an optional order.

Q: What is the consumer OEM business?

The consumer OEM business is to supply speakers and speaker units to CE companies for use under the CE's own name. For example, PSS supplies speakers for flat panel displays and multimedia equipment.

Q: Who are customers of PSS?

Customers of the automotive OEM business are major auto manufacturers; BMW, Volkswagen, Seat, Jaguar and Toyota (Europe). Customers of the CE OEM business are: Philips and Dell.

Q: Will Philips continue to be a customer of PSS?

Philips has agreed to continue the existing business relationship with PSS for a certain period.

Others

Q: Are you planning restructuring or employee layoffs before or after the acquisition?

In this acquisition, we believe the continuity of the existing operations of PSS is the top priority. Therefore, we are not planning a shutdown or relocation of factories or lay-offs in the near future.

Q: Who will run PSS after this acquisition?

Current PSS CEO Bernard Geldof will stay on as CEO. PSS will be a part of our OEM Global Marketing Group, led by Michael J. Maloney.

Q: Does D&M have further plans for M&A?

This is our seventh acquisition, and we are always seeking the right opportunity. We have established an internal framework to manage all M&A activity. We have no additional transactions to announce at this time.