



**For Immediate Release**

**D&M Holdings Inc. Reports Consolidated Business Results for First Quarter of Fiscal Year 2007; Revenue up 21% Due to the Acquisition of D&M Premium Sound Solutions; Reaffirms First Half and Full Year Forecasts**

TOKYO--July 27, 2007—D&M Holdings Inc. (TSE I: 6735) today filed with the Tokyo Stock Exchange results from the first quarter (April 1—June 30, 2007) for the 2007 fiscal year ending March 31, 2008. Revenue for the first quarter rose 21% compared to the year-ago period. The company also affirmed its forecast for consolidated business results for the first-half and full 2007 fiscal year disclosed May 23, 2007.

**1. Results of the Three-Month Period of Fiscal Year 2007 (April 1, 2007 – June 30, 2007)**

**Consolidated Business Results**

The company's consolidated revenue for the first three months of the fiscal year ended June 30, 2007 totaled JPY23.1 billion (Consumer AV JPY15.0 billion and Commercial AV JPY8.1 billion). As noted in the full FY2006 earnings release, reporting segments were changed in FY2007 to reflect the company's two customer categories, Consumer AV and Commercial AV. Consolidated revenue was 21% higher compared to the same period of the previous year primarily due to the inclusion of results from the company's latest acquisition, Philips Sound Solutions, renamed D&M Premium Sound Solutions.

For the three-month period ending June 30, 2007, the company reported an operating loss of JPY300 million compared to an operating profit of JPY155 million in the same period one year ago. This operating loss in the first three months was expected due to the normal seasonality of the D&M revenue cycle and in line with the previously disclosed forecasts. In the same period last year, the company benefited from accelerated first quarter revenue on a one-time basis due to advance shipments of products in Europe prior to the implementation of the RoHS Directives restricting the use of certain hazardous substances in electrical and electronic equipment. These directives became effective in Europe in July 2006. Additionally, other factors impacting the first quarter results this year were the delay of certain new AVR product introductions from the first quarter to the second quarter caused by the company's decision to be the first in the industry to offer a full line of receivers upgraded to HDMI 1.3 and increased R&D investment in the company's advanced media project.

For the three-month period ended June 30, 2007, the company reported a net loss of JPY267 million and fully diluted EPS of JPY (2.8) compared to a net gain of JPY202 million and JPY2.2 EPS in the same period one year ago. These results were consistent with the company's previously announced guidance for first half and full year financial results.

-more-

(Units: in millions of yen)

Consolidated business results for three months of FY2007 and FY2006	Revenue	Operating profit (loss)	Ordinary profit (loss)	Net income (loss)	Fully Diluted EPS
June 30, 2007	23,098	(300)	(447)	(267)	(2.8)
June 30, 2006	19,066	155	90	202	2.2
Increase (decrease)	4,032	(455)	(537)	(469)	(5.0)
% Change	21%	NA	NA	NA	NA

### **Business Segment Results**

Revenue from the company's Consumer AV segment for the first three months of the fiscal year, normally the Consumer segment's lowest revenue quarter, totaled JPY15.0 billion, down 6 percent from the year-ago period. The company reported an operating loss of JPY712 million for the Consumer AV segment during the first three months, compared to a loss of JPY179 million one year ago.

The revenue decrease and operating loss increase over last year were mainly due to the impact from the RoHS Directive on European sales as previously discussed, the delay of some key AVR product introductions and the incremental investment in R&D for the advanced media project.

(Units: in millions of yen)

Consumer AV results for three months of FY2007 and FY2006 pro forma	Revenue	Operating profit (loss)
June 30, 2007	14,994	(712)
June 30, 2006	15,912	(179)
Increase (decrease)	(918)	(533)
% Change (decrease)	(6%)	NA

Revenue from the company's Commercial AV segment for the first three months of the fiscal year totaled JPY8.1 billion, up 157% from the year-ago period due to the acquisition of D&M Premium Sound Solutions. For the same period, the Commercial AV segment reported an operating profit of JPY413 million, up 24% from the year-ago period. Operating profits for the Commercial segment were in line with the company's expectations overall. Results for Premium Sound Solutions were slightly stronger than expected, but this was offset by additional product development expenses incurred at the company's Replay TV® operation.

-more-

(Units: in millions of yen)

Commercial AV results for three months of FY2007 and FY2006 pro forma	Revenue	Operating profit (loss)
June 30, 2007	8,105	413
June 30, 2006	3,154	334
Increase (decrease)	4,951	79
% Change (decrease)	157%	24%

## **2. Outlook for First Half of Fiscal Year 2007 (April 1, 2007 – September 30, 2007)**

### **Forecast for Consolidated Business Results**

Based on the company's current outlook for the first half of FY2007, the company affirmed its prior consolidated business results forecast released May 23, 2007.

(Units: millions of yen)

Forecast of consolidated business results for six months of FY2007	Revenue	Operating profit (loss)	Ordinary profit (loss)	Net income (loss)	Fully Diluted EPS (loss)
Forecast on May 23, 2007	47,300	700	500	270	3.0

## **3. Outlook for Fiscal Year 2007 (April 1, 2007—March 31, 2008)**

### **Forecast for Consolidated Business Results**

Based on the company's current outlook for full-year FY2007 results, the company affirmed its prior consolidated business results forecast released May 23, 2007.

(Units: millions of yen)

Forecast of consolidated business results for FY2007	Revenue	Operating profit (loss)	Ordinary profit (loss)	Net income (loss)	Fully Diluted EPS (loss)
Forecast on May 23, 2007	108,500	6,400	5,900	3,350	36.6

-more-

#### **4. Business Highlights from the First Quarter of Fiscal Year 2007:**

Other notable business developments in the quarter included:

- The formation of a major new partnership with Otsuka Kagu, Ltd., one of Japan's largest interior companies, to offer luxury designer furniture made especially for Denon and Marantz home theater products.
- Renovations at major manufacturing facilities in Shirakawa, Japan and Zongshan, China to further improve product speed to market.
- Strong year-over-year results for Latin America, as focus on the region continues following the appointment of a new senior vice president to run the operations. Expansion into Latin America has been expedited through the addition of new distributors, wider retail coverage and new representatives.
- Significant business improvements in Taiwan resulting from the establishment of D&M Taiwan which will handle all D&M brands in that country
- The launch of Denon's Home Theater System DHT-FS1 in March. This unique speaker/amplifier system offers Surround sound performance from a front speaker unit and subwoofer unit and is the result of technical collaboration between D&M Premium Sound Solutions and Denon. Initial market acceptance is strong.
- Strong media reviews of Denon's new line of five advanced, high-performance headphones. The headphones, which include earbud, over-the-ear, and on-the-ear models, are distinguished by signature sound-enhancing technologies.
- The highlighting of Boston Acoustics audio systems in Chrysler vehicles in the Chrysler Group North American dealer advertising campaign.

"The first quarter for D&M is always a challenge due to imminent new model transitions and the light consumer revenues normally seen this time of the year. However, we are on track to meet expectations for the fiscal year," said Eric C. Evans, chairman and chief executive officer.

"Although the results for the Consumer AV segment were not as strong as last year, they met our expectations. Our confidence for the success of our new products to be launched in the remainder of the year is supported by key customer forecasts and a strong backlog of orders. We continue to invest in our future product pipeline to satisfy clear customer needs," continued Evans. "In addition, Premium Sound Solutions has made a strong impact on our Commercial AV segment and contributed solid results to the quarter."

-more-

For further information contact:

D&M Holdings, Inc.  
Zen-Ichiro Ishibashi  
+81.44.70.1111

For D&M Holdings US  
Gail L. Petersen  
+1.201.762.6635

### **About D&M Holdings Inc.**

D&M Holdings Inc. (TSE I: 6735) is based in Kawasaki, Japan and owns the Denon, Marantz, McIntosh Laboratory, Boston Acoustics, Snell Acoustics, D&M Professional, D&M Premium Sound Solutions, Denon DJ, ReplayTV<sup>®</sup> and Escient<sup>®</sup> 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. Boston Acoustics, with its signature The Boston Sound, is a leader in premium loudspeakers for home and automotive audio markets. Snell is a super premium speaker brand. The ReplayTV and Escient brands represent award-winning technologies in digital home entertainment. D&M Premium Sound Solutions manufactures high-quality, Hi-Fi audio products for the B2B automotive and consumer electronics markets. Additional information is available at [www.dm-holdings.com](http://www.dm-holdings.com).

Denon and Marantz are registered trademarks of D&M Holdings Inc.; McIntosh is a registered trademark of McIntosh Laboratory, Inc.; Boston Acoustics is a registered trademark of Boston Acoustics, Inc. and ReplayTV and Escient are registered trademarks of Digital Networks North America, Inc.

### **Forward Looking Statement**

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.

###