

D&M

D&M Holdings Inc.

For Immediate Release

D&M Holdings Inc. to Exit Mass-Market Portable Digital Audio Player Business

TOKYO—August 26, 2005—D&M Holdings Inc. (TSE II: 6735), today announced it would exit the mass-market portable digital audio player business, currently marketed under the Rio brand, by September 30, 2005. D&M Holdings will retain the Rio brand and trademark, and as previously announced the company retains access via license to MP3 player technology that was sold in July to SigmaTel, Inc. (NASDAQ: SGTL).

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.

The company's decision to exit the Rio business followed a determination that the mass-market portable digital audio player market was not a strong enough strategic fit with the company's core and profitable premium consumer electronics brands to warrant additional investment in the category. The original goal of strategic advantage with wholly-owned and branded portable client devices was reconsidered in the context of the costs required to effectively scale and compete in this sector, where competition has grown intense. D&M Holdings will now focus all its resources on the core Premium AV business and advanced content server products.

"The digital audio market is evolving in such a way that our competitive advantage will be to focus on creating premium home network products that are designed for compatibility with a variety of client devices and services," said Vic Pacor, president of D&M Holdings.

D&M Holdings will continue to support retailers and customers of its Rio brand through all final sale and post-sales activities, including customer service, repair, warranty and sales channel support. D&M Holdings is committed to continuing service levels without compromise. Details of the financial impact of this plan are available in the company's latest financial results that were released today.

The company also said completion of the previously announced plans to purchase Boston Acoustics, Inc. is imminent. "This acquisition is right in line with our premium-focused strategy," Pacor said. "We see significant ways to immediately leverage the Boston Acoustics brand in our already established distribution channels,

and we look forward to bringing the signature Boston Sound™ to our family of premium brands,” he said. Boston Acoustics is a successful manufacturer of high-end, high-performance audio systems including home loudspeakers, tabletop models and speakers for the automotive industry

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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.

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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