

## Summary of Financial Results for the First Quarter Ended January 2006 (Consolidated)

Company name: D3 PUBLISHER INC.  
 Stock code: 4311  
 Stock exchange listing: JASDAQ market  
 URL: <http://www.d3p.co.jp>  
 President and CEO: Yuji Itoh  
 Contact: Kenji Kotea, Executive Managing Director and Manager, Administration Division  
 Tel: +81-(0) 3-5428-3455

### 1. Significant policies in the preparation of the quarterly financial report:

(1) Application of the simple method in accounting: Yes

The simple method has been applied in accounting for certain items, income tax expense, that have no significant impact on the consolidated financial statements.

(2) Changes in accounting treatment compared to the most recent consolidated fiscal year: None

(3) Changes in the scope of consolidation and the application of the equity method: Yes

Affiliates accounted for by the equity method: Excluded: 1

### 2. Financial position and operating results for the first quarter ended January 2006 (November 1, 2005 – January 31, 2006)

(1) Results of Operations

( Note: Rounded down to ¥ Million )

	Net sales		Operating income		Ordinary income		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
1Q of FY 3/2006	1,266	8.1	95	15.1	111	34.3	-26	-
1Q of FY 10/2005	1,171	40.0	83	-	83	-	61	-
(Ref.) FY 10/2005	4,358		406		473		116	

	Net income per share	Diluted net income per share
	¥	¥
1Q of FY 3/2006	-1,276.64	-
1Q of FY 10/2005	4,438.71	4,388.11
(Ref.) FY 10/2005	6,311.65	6,235.67

Notes:

- Percentages indicate changes compared with the same period in the previous fiscal year.
- Comparisons with the first quarter of the previous fiscal year are not presented (except net sales) for the first quarter of the fiscal year ended October 2005, as the Company started to disclose summary information on its quarterly financial position and quarterly financial results from the first quarter of the fiscal year ended October 2005.
- Diluted net income per share is not presented for the first quarter of the fiscal year ending March 2006 since the Company posted a net loss.
- The fiscal year ending March 2006 will be an irregular 5-month accounting period (November 1, 2005 – March 31, 2006), as the Company has changed its year fiscal year end to March 31.

### Narrative Analysis of Results of Operations (consolidated)

#### Japan

In the first quarter of the current fiscal year (November 1, 2005 – January 31, 2006) ended January 31, 2006, the Company launched several new full-price game software packages in the package software segment. These included the *Hissho Pachinko Koryaku Series Vol. 2 Bon Powerful & Yume Yume World DX* for pachinko and pachislot game machines, *Last Escort* for women players, *Chicken Little* for the family market, and *K-1 WORLD GP 2005* for martial art fans. In the economically priced Simple Series, our core game software product line, we released nine new titles for existing consumer game machine platforms, in addition to launching one title in the SIMPLE2500 Series Portable!! for the PlayStation 2 Portable platform. As a result of the above and other factors, the Package Software Segment reported strong performance.

The Network Segment also posted favorable sales, on renewed membership growth for SIMPLE100 Series game content for mobile phones after a temporary slowdown.

## Overseas

Our overseas subsidiaries in North America and European countries are implementing strategies suited for the markets in which they operate.

Regarding overseas consolidated subsidiaries, in North America, D3Publisher of America, Inc. launched two new game software titles in the quarter under review, while at the same time making up-front investments in preparation for business in the coming fiscal years by starting development of two new titles, *Flushed Away* (due for launch in fall 2006) and *Dark Sector* (due for launch in fall 2007).

In Europe, we established D3Publisher of Europe Ltd. at the end of last year. This new European subsidiary is getting ready to start marketing from March 2006. We recorded expenses related to the establishment of a new office, employment of new staff, etc. in the current quarter. D3DB S.r.l., another European subsidiary and a joint venture with a local European marketing company, continued to market localized versions of titles in the SIMPLE Series, originally developed in Japan. Plans calls for steadily shifting titles to be marketed in Europe to D3 Publisher of Europe Ltd.

As a result of the above and other factors, first-quarter operating income rose 15.1% year-on-year to ¥95 million on sales of ¥1,266 million, up 8.1%. Ordinary income increased 34.3% to ¥111 million. However, there was a net loss of ¥26 million, against net income of ¥61 million in the same period a year earlier. This is because the effective tax rate for the Group rose, due to an ordinary loss at an overseas subsidiary.

## (2) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity to total assets	Shareholders' equity per share
	¥ Million	¥ Million	%	¥
1Q of FY 3/2006	4,882	3,957	81.1	189,152.71
1Q of FY 10/2005	3,281	2,110	64.3	152,409.93
(Ref.) FY 10/2005	5,370	3,994	74.4	190,881.94

## [Results of Cash Flows]

	Net cash flows by operating activities	Net cash flows by investment activities	Net cash flows by financial activities	Balance of cash and cash equivalents at the end of year
	¥ Million	¥ Million	¥ Million	¥ Million
1Q of FY 3/2006	-161	-29	-46	1,633
1Q of FY 10/2005	70	-75	-366	990
(Ref.) FY 10/2005	-156	-315	918	1,858

## Narrative Analysis of Financial Position (consolidated)

The principal sources of cash were ¥111 million in income before income taxes due in part to a decline in trade accounts receivable. The principal uses of cash included an increase in advances paid and declines in trade accounts payable and other accounts payable. Consequently, cash and cash equivalents (hereafter "net cash") as of January 31, 2006 were ¥1,633 million, a decrease of ¥225 million compared to the end of the previous fiscal year.

### Cash flows from operating activities

Net cash used in operating activities totaled ¥161 million. The principal sources of cash flows from operating activities were a ¥558 million decrease in trade accounts receivable. Net cash used in operating activities included a ¥151 increase in advances paid, a ¥112 million decline in trade accounts payable, a ¥117 million decline other accounts payable, in addition to a ¥311 million payment of income taxes.

### Cash flows from investing activities

Net cash used in investing activities was ¥29 million. This included ¥28 million for the purchase of property, plant

and equipment.

Cash flows from financing activities

Net cash used in financing activities was ¥46 million. This included repayment of long-term loans of ¥33 million.

### **Supplementary information**

Summary consolidated balance sheets, summary consolidated income statement and summary cash flow statement.

### **[Reference]**

Forecasts for the current consolidated fiscal year ending March 2006 (November 1, 2005 – March 31, 2006)

We have not revised our previous forecasts of operating results for the fiscal year ending March 2006, released on December 13, 2005.

The current consolidated fiscal year ending on March 31, 2006 is an irregular 5-month (November 1, 2005 – March 31, 2006) accounting period, due to the change of our fiscal year end to March 31.