

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

Company name: D3, Inc.
 Stock code: 4311
 Stock exchange listing: JASDAQ
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1. Significant policies followed in the preparation of the quarterly report:

- (1) Application of the simple method in the preparation of the quarterly financial statements: Yes
 The simple method has been applied in accounting for certain income tax items 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
 New: 1 (D3 Publishers Inc.)

The accounting periods of the current first quarter (April 1, 2006 – June 30, 2006) and the previous first quarter (November 1, 2005 – January 31, 2006) do not correspond, since the previous consolidated fiscal year was an irregular 5-month accounting period. Consequently, financial and business performance data and year-on-year changes from the previous first quarter are not presented.

2. Financial results for the first quarter ended June 2006 (April 1, 2006 – June 30, 2006)

(1) Results of operations (consolidated)

Yen in millions, rounded down

	Net sales	Operating income	Ordinary income
	Million yen	Million yen	Million yen
First quarter ended June 2006	1,790	27	4
Fiscal year ended March 2006 (for reference)	2,319	-53	-30

	Net income	Net income per share (basic)	Net income per share (diluted)
	Million yen	Yen	Yen
First quarter ended June 2006	-149	-7,114.55	—
Fiscal year ended March 2006 (for reference)	-139	-6,675.66	

Notes:

1. Net income per share (diluted) for the quarter and the previous consolidated fiscal year ended March 2006 are not presented, since the company reported a net loss per share for the current quarter and the previous consolidated fiscal year ended March 2006.
2. The consolidated fiscal year ended March 2006 was an irregular 5-month accounting period (November 1, 2005 – March 31, 2006)

Qualitative Data and Other Information Related to Consolidated Operating Results

1. Japan

In our package software business in Japan, shipments of low-priced game software and of full-price game software were strong in the first quarter (April 1, 2006 – June 30, 2006).

We launched seven new titles in the Simple Series of low-priced game software. Sales of new titles as well as already published titles for the Nintendo DS platform were brisk.

We also launched two new titles in the full-price game software category. Sales of *Hissho Pachinko** *Pachislo Koryaku Series Vol 5 CR* and *Shin Seiki Evan Gerion Second Impact & Pachislo Shin Seiki Evan Gerion* sold in large numbers. The number of game software packages shipped exceeded 150,000, repeating the success of the former series.

In the network business, the number of subscribers to the SIMPLE100 Series of low-price game content for mobile phones showed favorable growth.

2. Overseas

We launched three new full-price game software titles in the North American market. Sales of game software, including already published titles, were strong. Sales of NARUTO video game software were particularly strong, with shipments reaching 140,000 packages. In Europe, D3Publisher of Europe Ltd. started operations in the first quarter. However, the company did not record significant sales mainly due to delays in launching of new titles.

Software package sales totaled 640,000, including 410,000 in Japan, 220,000 in North America and 7,000 in Europe.

As a result of the above and other factors, first-quarter sales were ¥1,790 million and operating income was ¥27 million. However, ordinary income was ¥4 million due to the effect of exchange rate changes. There was a net loss of ¥149 million for the quarter as the company booked ¥11 million as an extraordinary loss and ¥142 million in income tax expenses.

The operating results for the first quarter were largely on target.

(2) Financial position

Yen in millions, rounded down

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
First quarter ended June 2006	5,491	3,689	67.2	175,965.23
Fiscal year ended March 2006 (for reference)	5,147	3,853	74.9	183,781.74

(3) Cash flow position

Yen in millions, rounded down

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
First quarter ended June 2006	-350	67	376	1,360
Fiscal year ended March 2006 (for reference)	-735	-75	210	1,275

Qualitative Data and Other Information Related to the Consolidated Financial Position

Cash and cash equivalents as of June 30, 2006 were ¥1,360 million, an increase of ¥84 million from the end of the previous consolidated fiscal year. The principal use of cash included a ¥6 million loss before income taxes, an increase in accounts receivable and inventories, in addition to income tax payments. This outflow was offset by a decline in advances, an increase in short-term borrowings and other factors, leading to an increase in cash and cash equivalents.

Cash flows from operating activities

Net cash used in operating activities totaled ¥350 million. The principal source of cash flows from operating activities was a decline in advances of ¥143 million. The principal uses of cash in operating activities included an increase in accounts receivable of ¥155 million, an increase in inventories of ¥343 million and income taxes paid of ¥119 million.

Cash flows from investing activities

Net cash provided by investing activities was ¥67 million. This included ¥24 million for the purchase of property, plant and equipment. It was offset by ¥100 million in proceeds from cancellation of time deposits.

Cash flows from financing activities

Net cash provided by financing activities was ¥376 million. This included ¥16 million in repayment of long-term debt and ¥7 million in payment of cash dividends. The principal source of cash from financing activities was a net ¥400 million increase in short-term borrowings.

Attachments

Summary Quarterly Consolidated Balance Sheet, Summary Quarterly Consolidated Statements of Income, Summary Quarterly Consolidated Statement of Changes in Shareholders Equity, Summary Quarterly Consolidated Statement of Cash Flows

Supplementary information

Forecast of Operating Results for the Fiscal Year Ending March 2007 (April 1, 2006 – March 31, 2007)

The company is not revising its forecasts of operating results for the first half and the full fiscal year ending March 2007, released on May 8, 2006