

# Summary of Financial Results for the First Quarter ending March 2008

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Company **D3 Inc.**  
 Stock Code 4311  
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Registered on the JASDAQ

T E L 03-5428-8830

(Note: Rounded down to ¥ Million)

## 1. Financial Results for the first quarter ending March 2008 (April 1, 2007 to June 30, 2007)

### (1) Consolidated results of operations

	Net sales		Operating income		Ordinary income		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
FY2008 1 <sup>st</sup> Quarter	2,174	21.4	37	37.1	122	—	-129	—
FY2007 1 <sup>st</sup> Quarter	1,790	—	27	—	4	—	-149	—
March 2007	9,784	—	542	—	594	—	147	—

	Net income per share	Diluted net income per share
	¥	¥
FY2008 1 <sup>st</sup> Quarter	-6,151.65	—
FY2007 1 <sup>st</sup> Quarter	-7,114.55	—
March 2007	7,039.77	6,978.54

- (Note) 1. Information on diluted net income per share are not provided for the first quarter of the fiscal year ending March 31, 2008 and for the first quarter of the fiscal year ended March 31, 2007 since the Company posted net losses.
2. Since the fiscal year ended March 2006 was an irregular 5-month accounting period (November 1, 2005 to March 31, 2006), year-on-year changes for the first quarter of the fiscal year ended March 31, 2007 is not presented.

### (2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	¥ Million	¥ Million	%	¥
FY2008 1 <sup>st</sup> Quarter	9,155	3,900	42.4	184,994.21
FY2007 1 <sup>st</sup> Quarter	5,491	3,689	67.2	175,965.23
March 2007	8,804	4,019	45.5	190,887.71

### (3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financial activities	Balance of cash and cash equivalents at the end of year
	¥ Million	¥ Million	¥ Million	¥ Million
FY2008 1 <sup>st</sup> Quarter	-819	-307	126	1,769
FY2007 1 <sup>st</sup> Quarter	-350	67	376	1,360
March 2007	-1,166	-16	2,572	2,694

## 2. Consolidated forecasts for the fiscal year ending March 2008 (From April 1, 2007 to March 31, 2008)

The first quarter business performance is in line with the forecast, and there are no revisions to the business forecasts announced on May 8, 2007.

### 3. Others

- (1) Change in important subsidiary during the period (change in specified subsidiary due to change in the scope of consolidation): Yes  
New subsidiary: 1 (Company name: Vicious Cycle Software, Inc.)
- (2) Adoption of simplified accounting method: Yes
- (3) Change in accounting treatment compared to the most recent fiscal year: Yes

#### \* Explanation regarding appropriate use of business forecasts and other special instructions

Forecasts regarding future performance in these materials are based on information and assumptions at the time this report was prepared. Therefore, actual results may differ significantly from the forecasts.

### **【Qualitative Analysis and Financial Statements】**

#### 1. Review of consolidated results of operations

In the consumer game sector, a generational change got underway in video game consoles while sales of handheld game consoles remained strong. These and other factors drove sales of video game software for handheld game consoles, which remained buoyant throughout the first quarter under review.

In game content for mobile phones, competition for customers intensified significantly with the introduction of the number portability system in October 2006 and the entry of a growing number of competitors into the market. In response, we strengthened our infrastructure in cooperation with telecommunication carriers, a move designed to enhance the overall marketability of our products, including mobile phone handsets, rate plans, content and applications. Simultaneously, we expanded the lineup of our services, introducing the *Chokkan Game* type of game content for mobile phones.

As a result of these and other factors, first-quarter consolidated operating income rose 37.1% year-on-year to 37,472 thousand yen on sales of 2,174,146 thousand yen, up 21.4% compared to the same period a year earlier. Ordinary income surged 2,594.8% to 122,650 thousand yen. However, we reported a net loss of 129,024 thousand yen (the loss in the same quarter a year earlier was 149,177 thousand yen), due in large part to a tax expense of 252,662 Thousand yen.

#### Review of operations by business segment

Comparisons with the previous first quarter are not presented in this Summary of Financial and Operating Results for the First Quarter since we started disclosing segment information effective from the current first quarter.

#### **【Computer Gaming Software Business】**

In the first quarter, we released six new titles in the SIMPLE SERIES of low-price software, our mainstay product for casual users. In full-price game software, we launched two new titles, in addition to *Certain Victory at Pachinko and Conquering Pinball-style Slot Machines Vol. 10 CR Neon Genesis Evangelion ~What's value of miracle~*.

Overseas, in North America we introduced NARUTO 3, a new title for the Nintendo DS platform and started distributing MAD TRACKS, the first game software for Xbox Live Arcade. Like last fiscal year, in Europe the focus was on boosting sales of titles developed in North America and Japan.

Consequently, we sold 770,000 consumer game software packages in the first quarter. Sales totaled 1,974,707 thousand yen. However, sales failed to cover operating expenses, and as a result we posted an operating loss of 34,779 thousand yen.

### 【Mobile Business】

In the low-price game contents SIMPLE 100 SERIES (membership-based game software distribution system) we started distributing the *Chokkan Bowling* and *THE Chokkan Kingyo Tsukui*, *Chokkan Game*-compatible game software. We also continued to actively distribute content on the *Kochira Munekyun Otome*, a members-only video game site for women. As a result of the above initiatives, membership rose to 960,000 members as of the end of the first quarter. In the SIMPLE 500 SERIES (fee-based game download system) of rich game content, we promoted multiple-use of the content developed in our Computer Gaming Software Business segment. As a result, segment operating income was 140,947 thousand yen on sales of 199,438 thousand yen.

### Review of operations by geographic segment

#### 【Japan】

In the Computer Gaming Software Business, we focused on promoting game software for the low-price SIMPLE SERIES, mainly for the Nintendo DS platform. In full-price game software, sales of *Certain Victory at Pachinko and Conquering Pinball-style Slot Machines Vol. 10 CR Neon Genesis Evangelion ~What's value of miracle~* were particularly strong, with shipments exceeding 160,000 packages. Accordingly, first-quarter domestic sales totaled 310,000 packages.

Membership is also rising favorably for the SIMPLE100 SERIES and *Kochira Munekyun Otome*, the members-only site for women.

As a result, segment operating income was 320,713 thousand yen and sales totaled 1,236,568 thousand yen.

#### 【North America】

Sales in the North American market rose to 390,000 packages, helped in part by the launch of four new titles. NARUTO3, a game software title in the NARUTO SERIES for the Nintendo DS platform experienced robust sales, with shipments reaching 150,000 packages.

Reflecting these factors, segment sales were 889,874 thousand yen. However, the segment posted a loss of 165,333 thousand yen, mainly because sales failed to cover operating expenses.

#### 【Europe】

In Europe, we introduced five titles developed in Japan. Segment sales were 86,254 thousand yen. With sales falling short of offsetting the operating expenses, the segment posted an operating loss of 61,755 thousand yen.

### (5) Segment information

(Note) Comparisons with the previous year are not presented since the Company started disclosing segment information effective from the first quarter of the current fiscal year.

#### 【Operating segment information】

Current first quarter (First quarter of the fiscal year ending March 2008)

Yen in Thousands

	Computer Gaming Software Business	Mobile business	Total	Eliminations or corporate	Consolidated
Sales					
(1) Sales to external customer	1,974,707	199,438	2,174,146	—	2,174,146
(2) Inter-segment sales and transfers	—	—	—	—	—
Total	1,974,707	199,438	2,174,146	—	2,174,146
Operating expenses	2,009,486	58,491	2,067,978	68,695	2,136,673
Operating profit (loss)	(34,779)	140,947	106,168	(68,695)	37,472

(Notes)

1. Business segments are based on product categories and similarities of product markets.
2. Major products in each segment

Segment	Major products
Computer gaming software business	Package software, including consumer game software
Mobile business	Content for mobile phones

3. The eliminations and corporate component of operating expenses includes unallocated expenses of 68,695 thousand yen, which mainly represents the expenses of administrative departments.

For reference (Previous fiscal year ended March 2007)

Yen in Thousands

	Computer Gaming Software Business	Mobile business	Total	Eliminations or corporate	Consolidated
Sales					
(1) Sales to external customer	9,121,497	662,727	9,784,224	—	9,784,224
(2) Inter-segment sales and transfers	—	—	—	—	—
Total	9,121,497	662,727	9,784,224	—	9,784,224
Operating expenses	8,860,528	155,079	9,015,608	226,263	9,241,872
Operating profit (loss)	260,968	507,647	768,616	(226,263)	542,352

(Notes)

1. Business segments are based on product categories and similarities of product markets.
2. Major products in each segment

Segment	Major products
Computer gaming software business	Package software, including consumer game software
Mobile business	Content for mobile phones

3. The eliminations and corporate component of operating expenses includes unallocated expenses of 226,263 thousand yen, which mainly represents the expenses of administrative departments.

## Geographical segment information

Current first quarter (First quarter of the fiscal year ending March 2008)

Yen in Thousands

	Japan	North America	Europe	Total	Eliminations or corporate	Consolidated
Sales						
(1) Sales to external customer	1,201,035	886,856	86,254	2,174,146	—	2,174,146
(2) Inter-segment sales and transfers	35,532	3,017	—	38,550	(38,550)	—
Total	1,236,568	889,874	86,254	2,212,696	(38,550)	2,174,146
Operating expenses	915,854	1,055,208	148,009	2,119,072	17,600	2,136,673
Operating profit (loss)	320,713	(165,333)	(61,755)	93,623	(56,150)	37,472

(Notes)

1. Countries and regions are based on geographic proximity
2. Countries and regions, other than Japan, include the following:
  - (1) North America: U.S.A.
  - (2) Europe: Italy, Great Britain
3. The eliminations and corporate component of operating expenses includes unallocated expenses of 68,695 thousand yen which mainly represents the expenses of administrative departments.

For reference (Previous fiscal year ended March 2007)

Yen in Thousands						
	Japan	North America	Europe	Total	Eliminations or corporate	Consolidated
Sales						
(1) Sales to external customer	4,122,474	4,415,487	1,246,262	9,784,224	—	9,784,224
(2) Inter-segment sales and transfers	643,186	26,608	—	669,795	(669,795)	—
Total	4,765,661	4,442,095	1,246,262	10,454,020	(669,795)	9,784,224
Operating expenses	3,861,883	4,658,151	1,157,674	9,677,709	(435,837)	9,241,872
Operating profit (loss)	903,777	(216,055)	88,587	776,310	(233,957)	542,352

(Notes)

- Countries and regions are based on geographic proximity
- Countries and regions, other than Japan, include the following:
  - North America: U.S.A.
  - Europe: Italy, Great Britain
- The eliminations and corporate component of operating expenses includes unallocated expenses of 226,263 thousand yen, which mainly represents the expenses of administrative departments.

### Overseas sales

Current first quarter (First quarter of the fiscal year ending March 2008)

Yen in Thousands				
	North America	Europe	Other regions	Total
I. Overseas sales	894,234	86,837	495	981,567
II. Consolidated sales				2,174,146
III. Overseas sales Vs. consolidated sales (%)	41.1	4.0	0.0	45.1

(Notes)

- Countries and regions are based on geographic proximity
- Countries and regions include the following:
  - North America: U.S.A.
  - Europe: Italy, Great Britain, etc.
- Overseas sales represent sales of the Company and its consolidated subsidiaries in countries and regions excluding Japan.

For reference (Previous fiscal year ended March 2007)

Yen in Thousands				
	North America	Europe	Other regions	Total
I. Overseas sales	4,662,706	1,249,289	7,790	5,919,786
II. Consolidated sales				9,784,224
III. Overseas sales vs. consolidated sales (%)	47.6	12.8	0.1	60.5

(Notes)

- Countries and regions are based on geographic proximity
- Countries and regions include the following:
  - North America: U.S.A.
  - Europe: Italy, Great Britain, etc.
- Overseas sales represent sales of the Company and its consolidated subsidiaries in countries and regions excluding Japan.

**[Supplementary Information: Summary of financial and operating results for the first quarter]**

Full-price video game sales (packages)

Thousand packages

Region	Full-year forecast	1Q sales	Achievement rate (%)
Japan	681	192	28.3
North America	2,569	393	15.3
Europe	572	44	7.8
Total	3,823	630	16.5

Low-price video game sales (packages)

Thousand packages

Region	Full-year forecast	1Q sales	Achievement rate (%)
Japan	1,052	124	11.8
North America	—	—	—
Europe	136	16	12.4
Total	1,188	141	11.9

Total video game sales (Full-price + Low price video games)

Thousand packages

Region	Full-year forecast	1Q sales	Achievement rate (%)
Japan	1,734	317	18.3
North America	2,569	393	15.3
Europe	708	61	8.7
Total	5,011	771	15.4

Best selling titles (1Q FY08)

Thousand packages

Title	Platform	Sales
<i>CR Neon Genesis Evangelion ~What's value of miracle~</i>	PS2	165
NARUTO: Ninja Council 3	DS	156
NARUTO: Clash of Ninja 2	NGC	73