

Summary of Consolidated Financial and Operating Results for the First Nine Months of the Fiscal Year Ending March 2007

February 7, 2007

Company name: D3 Incorporated
 URL: <http://www.d3i.co.jp>
 Stock market listing: JASDAQ
 Stock code: 4311
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1. Significant policies in the preparation of quarterly financial results

- (1) Application of the simple method: Yes
 - a. The simple method has been used for accounting treatment of certain tax items
- (2) Changes in accounting treatment from the most recent fiscal year: None
- (3) Changes in the scope of consolidation and application of the equity method: Yes
 Consolidated subsidiary (new): 1 (D3 PUBLISHER INC.)

Note: Information on the financial position, operating results and year-on-year comparisons is not provided since the Company did not prepare financial results for the first nine months of the previous fiscal year as it was an irregular 5-month accounting period due to a change in the fiscal year end.

2. Financial and Operating Results for the First Nine Months (3Q) of the Fiscal Year to March 2007 (April 1, 2006 – December 31, 2006)

(1) Consolidated Results of Operation

Yen in millions, rounded down

	Net sales	Operating income	Ordinary income	Net income (for the period)
FY March 07 3Q	7,600	276	340	26
FY March 06 (reference)	2,319	-53	-30	-139

	Net income per share (basic)	Net income per share (Diluted)
FY March 07 3Q	1,244.60	1,233.62
FY March 06 (reference)	-6,675.66	—

Notes:

1. Information on Net Income Per Share (Diluted) is not provided for the fiscal year ended March 2006 since the Company posted a net loss.
2. Fiscal year ended March 2006 was an irregular 5-month (November 1, 2005 – March 31, 2006)

Qualitative analysis of consolidated operating results

Domestic operations

In the Consumer Business, 11 new low-priced game software titles (26 total as of the third quarter) were released for the SIMPLE Series, which primarily targets light users and includes the SIMPLE DS Series for the hot-selling Nintendo DS game console.

In full-priced game software, in addition to the release of hits “Earth Defense Force 2” and “Onee-Chanbara” from the SIMPLE Series as “Earth Defense Force 3” and “Onee-Chanbara Vortex” for Xbox 360, six titles (12 total as of the third quarter) targeting core game users were released, including “Mermaid Prism,” which targets women, and “CR Fever Powerful Zero” and “CR Matsuura Aya” from the Pachinko Pachi-Slot Kouryoku series.

As a result, the Company sold 380,000 copies of 17 game software titles in Japan in the third quarter. The Company has sold a total of 1,150,000 copies of 38 titles in Japan between the first and third quarters (April 1 to December 31, 2006).

In the Mobile Business, the Company began delivering the SIMPLE 500 Series (fee-based download system) as rich game content for cellular phones. The first release for this series was “Earth Defense Force Mobile,” and the Company began to utilize content developed for its consumer business to cultivate new mobile game users.

In addition, the Company is making efforts to build a stable and flexible profit structure, including offering the SIMPLE 100 Series, which features low-priced game content and was formerly offered as fee-based downloads with some carriers, through all carriers as a monthly-fee-based service. The Company continues to deliver new game content for the SIMPLE 100 Series each month, and the number of subscribers for the Kochira Munekeyun Otome content for women grew steadily thanks to the periodic release of new applications in conjunction with the Consumer Business.

Overseas

In North America, 470,000 copies of “Flushed Away,” the Company’s first global content release, were shipped. Also, “NARUTO 2” was released for Game Boy Advance in October, with 300,000 copies of the Company’s two “NARUTO” titles shipped so far. “Flushed Away” was also released in Europe, with 360,000 copies shipped.

As a result, 1,260,000 game software copies have been sold overseas in the third quarter: 830,000 copies of four titles in North America, and 420,000 copies in Europe. A total of 1,910,000 copies of 12 titles have been sold in Japan between the first and third quarters (April 1 to December 31, 2006): 1,450,000 in North America, and 450,000 in Europe.

As a result, consolidated third quarter sales were 7.6 billion yen. Operating income was 276 million yen, and ordinary income totaled 340 million yen. However, net profit for the quarter was 26 million yen as the company booked 32 million yen in extraordinary losses and 283 million yen in tax expenses,

*As a result of reorganization of the Group’s businesses, certain operating segments were renamed. The former Package Software Business and Software Commissioned Development Business were integrated into a Consumer Business, and the Network Contents Business is now called the Mobile Business.

(2) Consolidated Financial Position

Yen in millions, rounded down

	Total assets	Net assets	Shareholders' equity ratio (%)	Net assets per share (yen)
FY March 07 3Q	8,895	3,888	43.6	185,171.34
FY March 06 (reference)	5,147	3,853	74.9	183,781.74

Consolidated Cash Flows

Yen in millions, rounded down

	Net cash used in operating activities	Net cash used in investing activities	Net cash provided by financing activities	Cash and cash equivalents at end of period
FY March 07 3Q	-1,494	-12	2,855	2,659
FY March 06 (reference)	-735	-75	210	1,275

Qualitative analysis of changes in consolidated financial position

Cash and cash equivalents as of the end of the third quarter were 2.659 billion yen, an increase of 1.384 billion yen compared to the end of the previous fiscal year. Major factors affecting cash and cash equivalents during the period under review were increases in accounts receivable and inventory assets, corporate tax payments, and fund procurement through bank loans.

Cash flow from operating activities

Net cash used in operating activities was 1.494 billion. The principal sources of cash from operating activities were a pre-tax net income of 309 million yen, a 269 million yen decrease in advance payments and a 209 million yen increase in accounts payable. The main uses of cash in operating activities were a 1.317 billion yen increase in accounts payable, a 1.215 billion yen increase in inventories, and a corporate tax payment of 114 million yen.

Cash flow from investing activities

Net cash used in investment activities was 12 million yen. This principal source of cash from investing activities was 93 million yen in proceeds following the expiration of term deposits. The principal uses of cash included a payment of 61 million yen for the acquisition of property and equipment and a payment of 36 million yen for the acquisition of intangible assets.

Cash flow from financial activities

Net cash provided by financing activities was 2.855 billion yen. This included a 1.100 billion yen net increase in short-term loans and 2 billion yen in proceeds from long-term loans.

For reference

Consolidated business forecast for the current fiscal year ending March 31, 2007 (April 1, 2006 – March 31, 2007)

Yen in millions

	Net sales	Ordinary income	Net income
Full year	9,583	514	54

For reference: Consolidated net income per share: 2,591.62 yen

*The above projections are based on information available to management as of the release dates of these documents and assumptions as of the release dates of these documents as they relate to uncertainties that may impact future business results. Future actual performance may differ significantly due to a variety of factors.

Qualitative analysis on business forecasts

Domestic

In the Consumer Business, four titles are scheduled to be released as full-priced game software, including "Vitamin X," which will target female users, and "CR Fever Captain and Harlock" for Pachinko Pachislot machines. Moreover, for the SIMPLE Series low-priced game software, the Company will strive to increase sales by adding new titles to its lineup (five new titles scheduled) as well as through the marketing of existing titles.

In the Mobile Business, a number of measures will be implemented to increase the subscriber base for the SIMPLE 100 Series and Kochira Munekyun Otome, and additional content will be developed for all carriers for the SIMPLE 500 Series, which the Company recently began delivering.

Overseas

"Earth Defense Force 3" (for Xbox360), which attracted notice from foreign game users at the 2006 Tokyo Game Show, is scheduled to be released to the North American market as "Earth Defense Force 2017" (tentative title).

In view of the above trends, we are not revising the November 6, 2006 forecasts for the current fiscal year to March 2007.

February 7, 2007

APPENDIX

D3 Incorporated

1. Highlight of Consolidated Income Statement by Quarter

(Million yen)

	1Q	2Q	3Q	1Q - 3Q (Accumulated)
Net Sales	1,790	1,997	3,812	7,600
Gross Profit	580	634	1,103	2,318
SG&A	553	538	950	2,042
Operating Income	27	95	153	276
Ordinary Income	4	126	209	340
Net Income	149	65	110	26

2. Comparison of Results for the first nine months with Forecasts for full-term

(Million yen)

	Forecast for full-term		Results for the first nine months		Progress ratio %
	Amount	%	Amount	%	
Net Sales	9,583	100.0	7,600	100.0	79.3
Gross Profit	3,334	34.8	2,318	30.5	69.5
SG&A	2,748	28.7	2,042	26.9	74.3
Operating Income	586	6.1	276	3.6	47.1
Ordinary Income	514	5.4	340	4.5	66.1
Net Income	54	0.6	26	0.3	48.1

3. Highlight of Income Statement by Subsidiaries (Results for the first nine months)

(Million yen)

	Consolidated	Holding company	Subsidiaries		
		D3	JAPAN	USA	EUROPE
Net Sales	7,600	778	3,209	3,401	1,036
Gross Profit	2,318	290	1,121	866	326
Margin ratio (%)	30.5	37.3	35.0	25.5	31.5
SG&A	2,042	270	670	1,100	243
Margin ratio (%)	26.9	34.8	20.9	32.3	23.5
Operating Income	276	19	451	233	83
Margin ratio (%)	3.6	2.5	14.1	6.9	8.0
Ordinary Income	340	120	451	276	77
Margin ratio (%)	4.5	15.5	14.1	8.1	7.4
Net Income	26	66	216	287	63
Margin ratio (%)	0.3	8.5	6.7	8.5	6.1

Note;

JAPAN - D3 Publishers, Inc and Entertainment Software Publishing, Inc.

USA - D3Publisher of America, Inc.

EUROPE - D3Publisher of Europe Ltd. and D3DB S.r.l.

4 . Results of Sales units

(thousand)

		1Q	2Q	3Q	1-3Q	Target for full-term	Progress ratio (%)
JAPAN	Full price	185	87	121	393	460	85.6
	Low price	229	267	262	759	1,121	67.9
	Sub total	414	354	384	1,153	1,581	72.9
USA	Full price	221	402	834	1,458	1,799	81.0
	Low price	-	-	-	-	-	-
	Sub total	221	402	834	1,458	1,799	81.0
EUROPE	Full price	7	19	387	415	548	75.7
	Low price	-	-	40	40	41	97.9
	Sub total	7	19	428	455	589	77.2
TOTAL	Full price	413	509	1,344	2,267	2,808	80.7
	Low price	229	267	303	799	1,162	68.8
	Sub total	643	776	1,647	3,067	3,971	77.2