

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

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Company **D3 Inc.**  
 Stock Code 4311  
 U R L <http://www.d3i.co.jp>  
 Representative Yuji Ito  
 Contact Title Senior Vice President  
 Name Kenji Kotera

Registered on the JASDAQ

TEL 03-5428-8830

(Note: Rounded down to ¥ Million)

## 1. Financial Results for the third quarter ending March 2008 (April 1, 2007 through December 31, 2007)

### (1) Consolidated results of operations

(% change from the previous corresponding period )

	Net sales		Operating income		Ordinary income		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
FY2008 3 <sup>rd</sup> Quarter	8,648	13.8	-329	—	-464	—	-706	—
FY2007 3 <sup>rd</sup> Quarter	7,600	—	276	—	340	—	26	—
March 2007	9,784	—	542	—	594	—	147	—

	Net income per share	Diluted net Income per share
	¥	¥
FY2008 3 <sup>rd</sup> Quarter	-33,670.54	—
FY2007 3 <sup>rd</sup> Quarter	1,244.60	1,233.62
March 2007	7,039.77	6,978.54

(Note) 1. Information on diluted net income per share are not provided for the third quarter of the fiscal year ending March 31, 2008 since the Company posted net loss.

2. Since the fiscal year ended March 2006 was an irregular 5-month accounting period (November 1, 2005 through March 31, 2006), year-on-year changes for the third 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 3 <sup>rd</sup> Quarter	11,058	3,344	29.9	157,670.60
FY2007 3 <sup>rd</sup> Quarter	8,895	3,888	43.6	185,171.34
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 3 <sup>rd</sup> Quarter	-2,791	-399	2,338	1,837
FY2007 3 <sup>rd</sup> Quarter	-1,494	-12	2,855	2,659
March 2007	-1,166	-16	2,572	2,694

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

There are no revisions to full year consolidated business forecasts announced on May 8, 2007.

## 3. Others

- (1) Changes in significant subsidiary during the period (accompanying changes in the scope of consolidation): Yes  
New subsidiary: 1 (Company name: Vicious Cycle Software, Inc.)
- (2) Adoption of simplified accounting method: Yes
- (3) Changes 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 first three quarters of the fiscal year, demand for video game software continued to expand. The main reasons are the steady rise in the popularity of portable game consoles and purchases of next-generation home game units to replace older models.

In the mobile game sector, competition is even more intense as consumer preferences for cell phone games became even more diverse. One reason is advances in the performance of handsets. In addition, there are a growing number of rate structures, including the introduction of new ways to purchase games.

For the first three quarters, consolidated net sales increased 13.8% to 8,648,984 thousand yen, backed by higher sales in North America. However, higher earnings at subsidiaries in Japan were inadequate to offset losses caused by up-front business investments at overseas subsidiaries. As a result, there was an operating loss of 329,704 thousand yen compared with operating income of 276,237 thousand yen one year earlier. The ordinary loss was 464,415 thousand yen compared with ordinary income of 340,573 thousand yen and there was a net loss of 706,613 thousand yen compared with a net income of 26,096 thousand yen one year earlier.

Performance by business segment is outlined below.

No percentage changes from the previous corresponding period are shown because this is the first year in which we have released quarterly consolidated performance for business segments.

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

In Japan, we added 17 titles to the core SIMPLE SERIES of low-priced game software for casual game users during the third quarter, resulting in 33 new titles during the first three quarters. In the full-price game software category, we introduced *Hajime no Ippo ~PORTABLE VICTORIOUS SPIRITS~* and four other titles, raising the number of new titles during the first three quarters to 12.

Overseas, we started selling *Ben 10 ~Protector of Earth~* in North America and Europe. In North America, we launched *NARUTO ~Clash of Ninja Revolution* and *NARUTO~ Path of the Ninja*. In Europe~, we

continued to concentrate on sales of software from North America and Japan.

In the third quarter, consumer video game software sales totaled 1.85 million units, resulting in 3.28 million units for the first three quarters. Sales in the first three quarters amounted to 7,934,697 thousand yen and there was an operating loss of 652,040 thousand yen.

### **【Mobile Business】**

In the SIMPLE100 SERIES of low-priced games for casual users, we continued to expand the selection of titles. In particular, we started distribution of *THE Chokkan Fukiya*, *THE Chokkan Oshaberi Kotaete Tango* and other titles to take advantage of the latest audio functions of mobile phones. This series of games uses a membership-based software distribution system that generates monthly fees. At the end of the third quarter, there were 1.15 million members. The SIMPLE100 SERIES continues to attract more members by using growth in its content lineup and other initiatives to expand game distribution using EZweb of KDDI Corp. and Yahoo! Gateway of Softbank Mobile Corp.

In the SIMPLE500 SERIES of rich game content, which uses a fee-based game download system, we renamed the Web site the SIMPLE SERIES DX in conjunction with a review of the game lineup to attract even more users. The result was segment sales of 714,286 thousand yen and operating income of 511,682 thousand yen in the first three quarters.

Performance by geographic segment is outlined below.

### **【Japan】**

In the Computer Gaming Software Business segment, activities in the SIMPLE SERIES of low-priced game software mainly involved the sale of products for the Nintendo DS platform and the introduction of SIMPLE Wii SERIES games for the Wii. In the full-price category, there were several new titles, including *Hajime no Ippo ~PORTABLE VICTORIOUS SPIRITS~* and *K-1 World GP Zettai Oja Ikusei Keikaku*. Third quarter sales totaled 380,000 units, raising sales in the first three quarters to 1.02 million units.

In the Mobile Business segment, the number of SIMPLE100 SERIES members at the three carriers was 1.13 million at the end of the third quarter.

As a result, sales in Japan totaled 4,092,628 thousand yen and operating income was 306,060 thousand yen.

### **【North America】**

There were six new titles during the third quarter in the full-price category, including *NARUTO ~Clash of Ninja Revolution~* for the Wii and *NARUTO ~Path of the Ninja~* for the Nintendo DS. This raised the number of new titles to 11 during the first three quarters. Shipments totaled 1.14 million units in the third quarter and 1.78 million units for the first three quarters. The core NARUTO Series posted sales of more than 490,000 units in the third quarter and 840,000 units for the first three quarters. In addition, *Ben 10 ~Protector of Earth~* has been very successful, recording shipments of more than 460,000 units. The result was sales of 4,819,419 thousand yen and an operating loss of 179,214 thousand yen.

### **【Europe】**

Backed by the popularity of *Ben 10 ~Protector of Earth~*, shipments in Europe were more than 200,000 units. Sales totaled 789,602 thousand yen and there was an operating loss of 218,885 thousand yen.

## (5) Segment information

(Note) No prior-year comparisons are shown because this is the first year in which we have released quarterly consolidated performance for business segments

### [Operating segment information]

Current third quarter (Third 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	7,934,697	714,286	8,648,984	—	8,648,984
(2) Inter-segment sales and transfers	—	—	—	—	—
Total	7,934,697	714,286	8,648,984	—	8,648,984
Operating expenses	8,586,738	202,603	8,789,342	189,346	8,978,688
Operating profit (loss)	(652,040)	511,682	(140,357)	(189,346)	(329,704)

(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 189,346 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.

4. Change in accounting policy

Beginning with the current consolidated fiscal year, D3 has applied "Accounting Standard for Stock Options" (Accounting Standards Board of Japan No. 8, December 27, 2005) and "Implementation Guidance for Accounting Standard for Stock Options" (Accounting Standards Board of Japan Implementation Guidance No. 11, May 31, 2006). Compared with the previous accounting method, this change increased operating expenses by 11,436 thousand yen in the computer gaming software business segment and 918 thousand yen in the mobile business segment and increased the eliminations or corporate item by 3,523, reducing operating income by the same amounts.

## Geographical segment information

Current third quarter (Third 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	3,307,278	4,552,103	789,602	8,648,984	—	8,648,984
(2) Inter-segment sales and transfers	785,349	267,315	—	1,052,665	(1,052,665)	—
Total	4,092,628	4,819,419	789,602	9,701,649	(1,052,665)	8,648,984
Operating expenses	3,786,567	4,998,633	1,008,488	9,793,689	(815,001)	8,978,688
Operating profit (loss)	306,060	(179,214)	(218,885)	(92,039)	(237,664)	(329,704)

(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 189,346 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.
- Change in accounting policy  
Beginning with the current consolidated fiscal year, D3 has applied "Accounting Standard for Stock Options" (Accounting Standards Board of Japan No. 8, December 27, 2005) and "Implementation Guidance for Accounting Standard for Stock Options" (Accounting Standards Board of Japan Implementation Guidance No. 11, May 31, 2006). Compared with the previous accounting method, this change increased operating expenses by 3,095 thousand yen in Japan, 8,884 thousand yen in North America, and 374 thousand yen in Europe and increased the eliminations or corporate item by 3,523 thousand yen, reducing operating income by the same amounts.

## Overseas sales

Current third quarter (Third quarter of the fiscal year ending March 2008)

Yen in Thousands

	North America	Europe	Other regions	Total
I. Overseas sales	4,609,132	791,368	14,202	5,414,703
II. Consolidated sales				8,648,984
III. Overseas sales Vs. consolidated sales (%)	53.3	9.1	0.2	62.6

(Notes)

- Countries and regions are based on geographic proximity
- Countries and regions include the following:

- (1) North America: U.S.A.  
 (2) Europe: Italy, Great Britain, etc.
3. 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. Over seas 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 third quarter】**

Full-price video game sales (packages)

Thousand packages

Region	Full-year forecast	3Q sales	Achievement rate (%)
Japan	681	436	64.1
North America	2,569	1,780	69.3
Europe	572	396	69.2
Total	3,823	2,613	68.3

Low-price video game sales (packages)

Thousand packages

Region	Full-year forecast	3Q sales	Achievement rate (%)
Japan	1,052	583	55.4
North America	—	—	—
Europe	136	91	67.2
Total	1,188	675	56.8

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

Thousand packages

Region	Full-year forecast	3Q sales	Achievement rate (%)
Japan	1,734	1,020	58.8
North America	2,569	1,780	69.3
Europe	708	487	68.8
Total	5,011	3,288	65.6

Best selling titles (3Q FY08)

Thousand packages

Title	Sales area	Sales
<i>NARUTO series</i>	North America	847
<i>Ben 10~Protector of Earth~</i>	North America/Europe	670
<i>Puzzle Quest~Challenge of the Warlords~</i>	Japan/North America/Europe	241