

# Summary of Financial Results for the First Quarter Ending March 31, 2009

August 5, 2008

Company **D3 INC.**  
 Stock Code 4311  
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(Rounded down to million yen)

## 1. Consolidated business results for the three months ended June 30, 2008

(April 1, 2008 through June 30, 2008)

### (1) Consolidated results of operations (cumulative)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 30, 2008	1,889	—	(1,093)	—	(867)	—	(858)	—
Three months ended Jun. 30, 2007	2,174	21.4	37	37.1	122	—	(129)	—

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2008	(40,876.23)	—
Three months ended Jun. 30, 2007	(6,151.65)	—

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Jun. 30, 2008	11,498	3,330	28.5	156,023.85
As of Mar. 31, 2008	13,519	4,206	30.8	198,220.41

### (Reference) Shareholders' equity

Three months ended June 30, 2008: 3,277 million yen  
 Year ended March 31, 2008: 4,163 million yen

## 2. Dividends

(Record date)	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen			Yen
Year ended Mar. 31, 2008	—	—	—	2,800.00	2,800.00
Year ending Mar. 31, 2009	—	—	—	—	—
Year ending Mar. 31, 2009 (forecast)	—	—	—	2,600.00	2,600.00

(Note) Revisions to dividend forecast for the current quarter: None

## 3. Forecast of consolidated business results for the year ending March 31, 2009

(April 1, 2008 through March 31, 2009)

(% change from the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the six months ending Sept. 2008	4,846	21.9	(777)	—	(809)	—	(1,024)	—	(48,785.33)
Year ending Mar. 31, 2009	15,382	7.7	1,206	12.8	1,155	179.0	550	87.7	26,185.87

(Note) Revisions to consolidated business forecast for the current quarter: None

## 4. Others

(1) Changes in significant subsidiary during the period (changes in specified subsidiary accompanying changes in the scope of consolidation): None

(2) Applications of simplified accounting procedures and accounting procedures unique to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in rules, procedures and indication methods of accounting process concerning the preparation of quarterly consolidated financial statements (Changes to important items that form basis for preparing quarterly consolidated financial statements)

- ① Changes due to revision of accounting standards: Yes
- ② Changes other than ①: None

(4) Shares outstanding (common shares)

- ① Number of shares outstanding at end of period (treasury stock included)
  - Three months ended June 30, 2008: 21,037 shares
  - Year ended March 31, 2008: 21,037 shares
- ② Treasury stock at end of period
  - Three months ended June 30, 2008: 32 shares
  - Year ended March 31, 2008: 32 shares
- ③ Average number of shares during period (quarterly consolidated cumulative period)
  - Three months ended June 30, 2008: 21,005 shares
  - Three months ended June 30, 2007: 20,974 shares

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

1. The forecasts regarding future performance in this report are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. Therefore, actual results may differ from the forecasts due to various factors.
2. “Accounting Standard for Quarterly Financial Statements” (Corporate Accounting Standard No. 12) and “Application Guideline of Accounting Standard for Quarterly Financial Statements” (Corporate Accounting Standard Application Guideline No. 14) have been applied from the current consolidated fiscal year. In addition, the Company prepares quarterly consolidated financial statements in accordance with the “Regulations of Quarterly Consolidated Financial Statements”.

**【Qualitative Analysis and Financial Statements】**

**1. Review of consolidated results of operations**

In the first quarter of the fiscal year (current quarter, same hereafter), Japan’s economy weakened as prices of raw materials continued to climb along with the cost of crude oil. In addition, consumer spending remained sluggish. In the United States, the economy is weakening because of turmoil in financial markets linked to the subprime loan crisis. In Europe as well, economic growth is slowly losing momentum.

In this environment, the D3 Group took many actions. A large number and variety of products and services were introduced in both the computer gaming software and mobile businesses. New products and services take advantage of the many features of home game consoles and cell phones and targeted customer segments ranging from casual users to core game players. The objective was to achieve greater satisfaction among current users of D3 games. Furthermore, to stimulate demand from individuals with the potential to become game players, measures were taken to capture synergies across different business units. These actions facilitated the multi-faceted use of content along with the sale of content on a global scale.

The current quarter consolidated sales decreased 13.1% to 1,889,089 thousand yen, there was an operating loss of 1,093,086 thousand yen compared with operating income of 37,472 thousand yen one year earlier, ordinary income fell from 122,650 thousand yen to a loss of 867,263 thousand yen, and the net loss was 858,605 thousand yen compared with a 129,024 thousand yen loss in the prior fiscal year’s first quarter.

Performance by business segment was as follows.

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

In Japan, we added five more titles to the SIMPLE SERIES of low-priced game software. In the full-price category, *CR Neon Genesis Evangelion – The Angels Are Back Again* went on sale during the current quarter.

Overseas, there were no new titles during the current quarter. However, the NARUTO Series and *BEN 10 – PROTECTOR OF EARTH*, which went on sale in the previous fiscal year, posted strong sales. *BEN 10 – PROTECTOR OF EARTH* was especially popular, with North American and European shipments exceeding 500,000 units in the current quarter. Cumulative shipments of this title are now more than 1.5 million units.

Sales of *dark Sector*, which made its debut in the past fiscal year, weakened in the current quarter because a major overseas competitor started selling a competing title. As a result, sales were recorded after adjusting for projected price protection (note), in which D3 makes sales support payments to offset reductions in retail prices.

Overall, the current quarter consumer game software shipments totaled 950,000 units (total for new and established titles), sales decreased 18.7% to 1,605,592 thousand yen, and there was an operating loss of 1,220,969 thousand yen compared with a 34,779 thousand yen loss one year earlier.

(Note) Price Protection is sales support expense resulting from the retail price decrease and has been deducted from sales.

### **【Mobile Business】**

In the SIMPLE100 SERIES of low-priced games, where users are billed monthly, more titles were introduced, including sports content timed to benefit from interest in the Beijing Olympics. In the SIMPLE SERIES DX of rich-content games, which uses a fee-based download system, the lineup was expanded with the introduction of new titles. The result was a strong performance in the number of downloads.

For women, we started distribution of *Kikenna My★Idol*, which uses the monthly billing system, and took other many actions to attract new customers.

The result was a 42.1% increase in the current quarter segment sales to 283,497 thousand yen and a 43.3% increase in operating income to 201,936 thousand yen.

Performance by geographic segment was as follows.

#### **【Japan】**

In the Computer Gaming Software Business segment, there were five new titles in the SIMPLE SERIES of low-priced software and the new full-price game *CR Neon Genesis Evangelion – The Angels Are Back Again* recorded shipments of more than 140,000 units. Overall, the current quarter shipments in Japan totaled 220,000 units.

In the Mobile Business, competition heated up due mainly to growth of the free game market. Despite this challenge, the number of SIMPLE100 SERIES members at Japan's major three mobile carriers totaled 1.17 million at the end of the current quarter.

In Japan, the current quarter sales increased 7.1% to 1,324,880 thousand yen. But depreciation expenses for posting consumer game titles introduced in the previous year, along with other factors, resulted in an operating loss of 128,683 thousand yen compared with operating income of 320,713 thousand yen one year earlier.

#### **【North America】**

Performance benefited from the NARUTO Series, which was introduced in the previous fiscal year, and repeat sales of *BEN 10 – PROTECTOR OF EARTH*. However, we recorded additional price protection expenses for *dark Sector* because of competition from a major title introduced by a competitor. With no new titles introduced in the current quarter, shipments in North America totaled 500,000 units. Sales decreased 21.9% to 694,988 thousand yen and the

operating loss increased from last year's 165,333 thousand yen to 725,583 thousand yen.

## 【Europe】

As in North America, there were strong repeat sales of *BEN 10 – PROTECTOR OF EARTH* in Europe but competition from a major new title resulted in additional price protection expenses for *dark Sector*. Titles from Japan and North America accounted for all sales in Europe as there were no new titles in this region in the current quarter.

Shipments in the current quarter totaled 210,000 units. The current quarter sales in Europe increased 203.4% to 261,651 thousand yen and the operating loss increased from 61,755 thousand yen to 119,715 thousand yen.

### 3. Consolidated business forecast

In the Computer Gaming Software Business, some titles that were introduced in the previous fiscal year had a negative effect on earnings. However, total current quarter earnings were generally in line with our forecast due to the popularity of *BEN 10 – PROTECTOR OF EARTH* and a solid performance by the Mobile Business.

We plan to introduce major new titles in the second half of this fiscal year. There are no revisions to the consolidated forecast for the fiscal year ending in March 2009 (April 1, 2008 through March 31, 2009) that was announced on May 8, 2008 with our earnings release for the previous fiscal year.

## (5) Segment information

### a. Operating segment information

Three months ended June 30, 2008 (April 1, 2008 through June 30, 2008)

Yen in Thousands

	Computer Gaming Software Business	Mobile business	Total	Eliminations or corporate	Consolidated
Sales					
(1) Sales to external customer	1,605,592	283,497	1,889,089	—	1,889,089
(2) Inter-segment sales and transfers	—	—	—	—	—
Total	1,605,592	283,497	1,889,089	—	1,889,089
Operating profit (loss)	(1,220,969)	201,936	(1,019,033)	(74,053)	(1,093,086)

(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

### b. Geographical segment information

Three months ended June 30, 2008 (April 1, 2008 through June 30, 2008)

Yen in Thousands

	Japan	North America	Europe	Total	Eliminations or corporate	Consolidated
Sales						
(1) Sales to external customer	1,090,881	536,555	261,651	1,889,089	—	1,889,089
(2) Inter-segment sales and transfers	233,998	158,432	—	392,431	(392,431)	—
Total	1,324,880	694,988	261,651	2,281,520	(392,431)	1,889,089
Operating loss	(128,683)	(725,583)	(119,715)	(973,981)	(119,104)	(1,093,086)

(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: Great Britain, Italy

**c. Overseas sales**

Three months ended June 30, 2008 (April 1, 2008 through June 30, 2008)

Yen in Thousands

	North America	Europe	Other regions	Total
I. Overseas sales	557,304	209,145	86,829	853,280
II. Consolidated sales				1,889,089
III. Overseas sales Vs. consolidated sales (%)	29.5	11.1	4.6	45.2

(Notes)

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