

Briefing Materials for the Interim Accounts for the Fiscal Year Ending March 2008

November 7, 2007

D3 INC.

(JASDAQ : 4311)

Interim Account Report for the Period Ending March 2008



Consolidated P/L Statement

(unit: million yen)

	FY March 2007		FY March 2008				Comparison with Plan	
	Half year (results)	Percentage	Half year (planned)	Percentage	Half year (results)	Percentage	Change	% Change
Sales	3,787	100.0%	3,890	100.0%	3,976	100.0%	86	2.2%
Gross Profit on Sales	1,215	32.1%	1,222	31.4%	1,277	32.1%	55	4.5%
SGA	1,092	28.8%	1,587	40.8%	1,583	39.8%	- 4	- 0.3%
Operating Profit (Loss)	123	3.3%	- 364	- 9.4%	- 306	- 7.7%	58	15.9%
Ordinary Income (Loss)	130	3.5%	- 457	- 11.8%	- 350	- 8.8%	107	23.4%
Interim Net Loss	- 84	- 2.2%	- 611	- 15.7%	- 500	- 12.6%	111	18.2%

■ Sales

Positive revenue factors: Strong sales of the *Naruto* series in North America. Sales of domestic full-price titles remained steady.

Negative revenue factors: Weak sales of the domestic *SIMPLE* series. Price protection for a title released during the previous term was provided in Europe.

■ Operating Profit (Loss)

Gross profit increased with the higher revenue. SGA remained in line with the plan. As a result, the operating loss was below the plan.

■ Interim Net Loss

Exchange losses were 45M yen less than expected. As a result, the interim net loss was smaller than the plan.



SGA Account

(unit: million yen)

	FY Ending March 2007		FY Ending March 2008				Comparison with Plan	
	Half Year (results)	Percentage	Half Year (planned)	Percentage	Half Year (results)	Percentage	Change	% Change
SGA	1,092	100.0%	1,587	100.0%	1,583	100.0%	- 4	- 0.3%
Labor Cost	327	30.0%	417	26.3%	396	25.1%	- 21	- 5.0%
Advertising and General Publicity Expenses	382	35.0%	598	37.7%	532	33.6%	- 66	- 11.0%
Sales Promotion Expense/ Sales Charges	96	8.8%	107	6.8%	154	9.8%	47	43.9%
Others	286	26.2%	463	29.2%	499	31.5%	36	7.8%

■ Comparison with Plan

Overall SGA was in line with the plan. Among components, labor costs and advertising and general publicity expenses were less than expected. Sales promotion expense and other expenditure exceeded the plan.

■ Year-Over-Year

SGA significantly increased as a whole. Specifically, labor costs rose with the increase in the number of overseas staff. Advertising & general publicity expenses were higher given a step up in advertisement for domestic full-price titles, anticipatory investment for titles scheduled to be released during the second half in North America, and the bolstering of sales promotion activities in North America. Other costs moved higher as business expanded in North America.



Regional Segment Summary

(unit: million yen)

	FY Ending March 2007		FY Ending March 2008				Comparison with Plan	
	Half Year (result)	Percentage	Half Year (planned)	Percentage	Half Year (results)	Percentage	Change	% Change
Sales	3,787	100.0%	3,890	100.0%	3,976	100.0%	86	2.2%
Japan	2,178	57.5%	2,574	66.2%	2,440	61.4%	- 134	- 5.2%
North America	1,593	42.1%	1,285	33.0%	1,695	42.6%	410	31.9%
Europe	74	2.0%	276	7.1%	156	3.9%	- 120	- 43.5%
Elimination or all companies	- 59	- 1.6%	- 245	- 6.3%	- 315	- 7.9%	- 70	- 28.6%
Operating Profit (Loss)	123	100.0%	- 364	100.0%	- 306	100.0%	58	15.9%
Japan	567	460.8%	413	- 113.4%	474	- 154.6%	61	14.8%
North America	- 201	- 163.7%	- 443	121.7%	- 434	141.7%	9	2.0%
Europe	- 53	- 43.8%	- 113	31.0%	- 172	56.4%	- 59	- 52.2%
Elimination or all companies	- 188	- 153.3%	- 221	60.7%	- 173	56.5%	48	21.7%

■ Comparison with Plan

Sales: The shortfall of sales Japan and Europe were covered by sales in North America.

Operating Profit (Loss): The shortfall of operating profit in Europe was offset by the operating profit in both Japan and North America. Japan is the only country making a positive contribution to income at the moment.

Segment Summary by Business

(unit: million yen)

	FY Ending March 2007		FY Ending March 2008				Comparison with Plan	
	Half Year (result)	Percentage	Half Year (planned)	Percentage	Half Year (results)	Percentage	Change	% Change
Sales	3,787	100.0%	3,890	100.0%	3,976	100.0%	86	2.2%
Consumer	3,490	92.2%	3,406	87.5%	3,534	88.9%	128	3.8%
Mobile	297	7.8%	484	12.5%	441	11.1%	- 43	- 8.9%
Elimination or all companies	-	-	-	-	-	-	-	-
Operating Profit (Loss)	123	100.0%	- 364	100.0%	- 306	100.0%	58	15.9%
Consumer	61	49.8%	- 546	149.7%	- 475	155.1%	71	13.0%
Mobile	250	203.8%	354	- 97.0%	305	- 99.5%	- 49	- 13.8%
Elimination or all companies	- 189	- 153.6%	- 172	47.3%	- 136	44.4%	36	20.9%

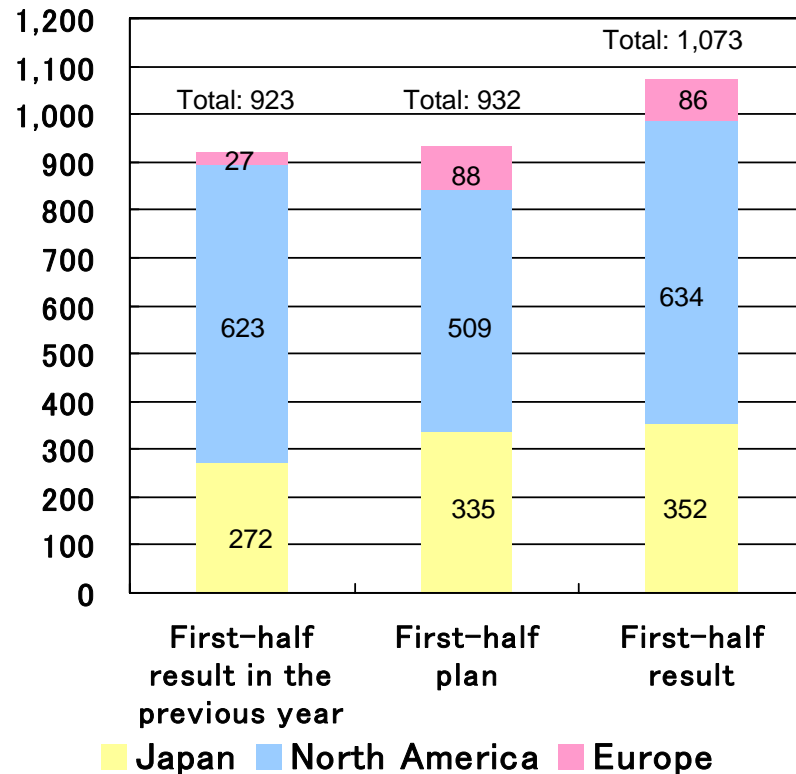
■ Comparison with Plan

(Sales) Consumer business: Sales exceeded the plan thanks to North American results.
Mobile business: Pay-as-you-go rich content posted poor sales and fell short of the target.
(Operating Profit/Loss) Consumer business: The plan was exceeded on the higher sales.
Mobile business: Profit fell short of the plan because of the decline in sales.

Sales Results (Consumer Business)

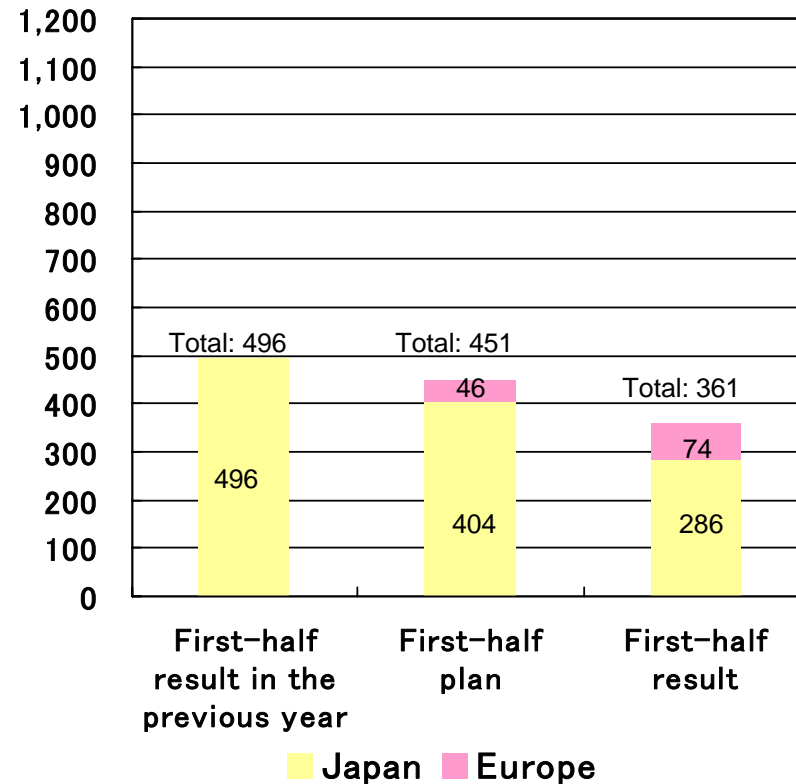
Full/Mid-Price Software

(unit: '000 unit)



Low-Price Software

(unit: '000 unit)





Summary of Consolidated BS/Consolidated CF

Consolidated BS (main items) (unit: million yen)				Consolidated cash flow statement (main items) (unit: million yen)			
	Period ending March 2007	Period ending Sept. 2007	Change		Period ending September, 2006	Period ending September, 2007	Change
Current assets	8,228	9,303	1,075	CF from operating activities	- 1,502	- 2,092	- 590
Cash and equivalents	2,775	2,395	- 380	Interim net income before income taxes and others	99	- 348	- 447
Receivables	1,668	1,433	- 235	Depreciation expense	85	36	- 49
Inventories	2,517	3,650	1,133	Changes in account receivable	- 419	264	683
Fixed assets	576	1,071	495	Changes in inventory	- 1,156	- 1,136	20
Tangible fixed assets	131	191	60	Changes in advanced money	- 737	- 408	329
Intangible fixed assets	154	632	478	Income taxes paid	- 118	- 736	- 618
Investments and other assets	290	246	- 44	CF from investing activities	1	- 357	- 358
Total assets	8,804	10,374	1,570	Acquisition of new consolidated subsidary	-	- 284	- 284
Current liabilities	3,759	5,960	2,201	Acquisition of tangible fixed assets	- 47	- 61	- 14
Payables	622	696	74	Acquisition of intangible fixed assets	- 35	- 16	19
Short-term debt	1,400	3,853	2,453	CF from financial activity	2,838	1,933	- 905
Current installments of long-term debt	753	700	- 53	Net change in short-term debt	900	2,453	1,553
Fixed liabilities	1,025	879	- 146	Proceeds of long-term debt	2,000	-	- 2,000
Equity capital	4,019	3,535	- 484	Repayment of long-term debt	- 53	- 385	- 332
Total liabilities/equity	8,804	10,374	1,570	cash and cash equivalents at the end of the year	2,621	2,182	- 439

Current assets: Inventories including work in process and content increased with the investment in global content.

Current liabilities: Short-term debt increased with the procuring of financing for game manufacturing and development with loans from banks and borrowings from our parent company.



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Plan for the Full Fiscal Year Ending March 2008



Plan for Full Fiscal Year Ending March 2008

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(unit: million yen)

	FY Ending March 2007		FY Ending March 2008				Year-on-Year	
	Full-Year (results)	Percentage	First Half	Second Half	Plan for Full Year	Percentage	Change	% Change
Sales	9,784	100.0%	3,890	11,782	15,673	100.0%	5,889	60.2%
Gross Profit on Sales	3,151	32.2%	1,222	4,463	5,686	36.3%	2,535	80.5%
SGA	2,608	26.7%	1,587	2,846	4,434	28.3%	1,826	70.0%
Operating Profit (Loss)	542	5.5%	- 364	1,617	1,252	8.0%	710	131.0%
Ordinary Income (Loss)	594	6.1%	- 457	1,528	1,071	6.8%	477	80.3%
Current Net Income (Loss)	147	1.5%	- 611	1,201	589	3.8%	442	300.7%
EPS (yen)	7,039		28,110				21,070	299.3%

■ Plan for full year:

There are no changes from the initial plan.

The first half was expected to produce a deficit. Sales should expand in the second half of FY2008 with the launch of a major, full-price title in European and American markets during the period. This will help offset the anticipatory investment in foreign operations and should take the Company into the black. Therefore, the loss in the first half will be offset and profitability will be restored in the second half of this fiscal year.



Regional Segment Plan

(unit: million yen)

	FY Ending March 2007		FY Ending March 2008				Year-on-Year	
	Full-Year (results)	Percentage	First Half	Second Half	Plan for Full Year	Percentage	Change	% Change
Sales	9,784	100.0%	3,890	11,782	15,673	100.0%	5,889	60.2%
Japan	4,765	48.7%	2,574	5,321	7,895	50.4%	3,130	65.7%
North America	4,442	45.4%	1,285	6,865	8,150	52.0%	3,708	83.5%
Europe	1,246	12.7%	276	1,985	2,262	14.4%	1,016	81.5%
Elimination or all companies	- 669	- 6.8%	- 245	- 2,389	- 2,635	- 16.8%	- 1,966	- 293.9%
Operating Profit (Loss)	542	100.0%	- 364	1,617	1,252	100.0%	710	131.0%
Japan	903	166.6%	413	691	1,104	88.2%	201	22.3%
North America	- 216	- 39.8%	- 443	896	452	36.2%	668	309.3%
Europe	88	16.3%	- 113	354	241	19.3%	153	173.9%
Elimination or all companies	- 233	- 43.1%	- 221	- 325	- 547	- 43.7%	- 314	- 134.8%

■ Sales in second half

Dark Sector will be released in Japan, the United States and Europe. The *Naruto* series will continue to be marketed in North America. More than ten full-price titles will be released in Japan. The target is sales of three million full-price titles.

■ Operating profit (loss) in second half

Rising sales should offset the anticipatory investment in business in North America and Europe. The aim is to be operating in the black in all regions.

Segment Plan by Business

(unit: million yen)

	FY Ending March 2007		FY Ending March 2008				Year-on-Year	
	Full-Year (results)	Percentage	First Half	Second Half	Plan for Full Year	Percentage	Change	% Change
Sales	9,784	100.0%	3,890	11,782	15,673	100.0%	5,889	60.2%
Consumer	9,121	93.2%	3,406	11,198	14,605	93.2%	5,484	60.1%
Mobile	662	6.8%	484	584	1,068	6.8%	406	61.3%
Elimination or all companies	-	-	-	-	-	-	-	-
Operating Profit (Loss)	542	100.0%	- 364	1,617	1,252	100.0%	710	131.0%
Consumer	260	48.1%	- 546	1,350	804	64.2%	544	209.2%
Mobile	507	93.6%	354	435	790	63.1%	283	55.8%
Elimination or all companies	- 226	- 41.7%	- 172	- 169	- 342	- 27.3%	- 116	- 51.3%

■ Sales in second half

Consumer business: Strong sales growth is expected as investment for new development through global expansion and shift to full-price strategies enters the recovery cycle.

Mobile business: Sales will be secured through a net increase in the number of SIMPLE100 members.

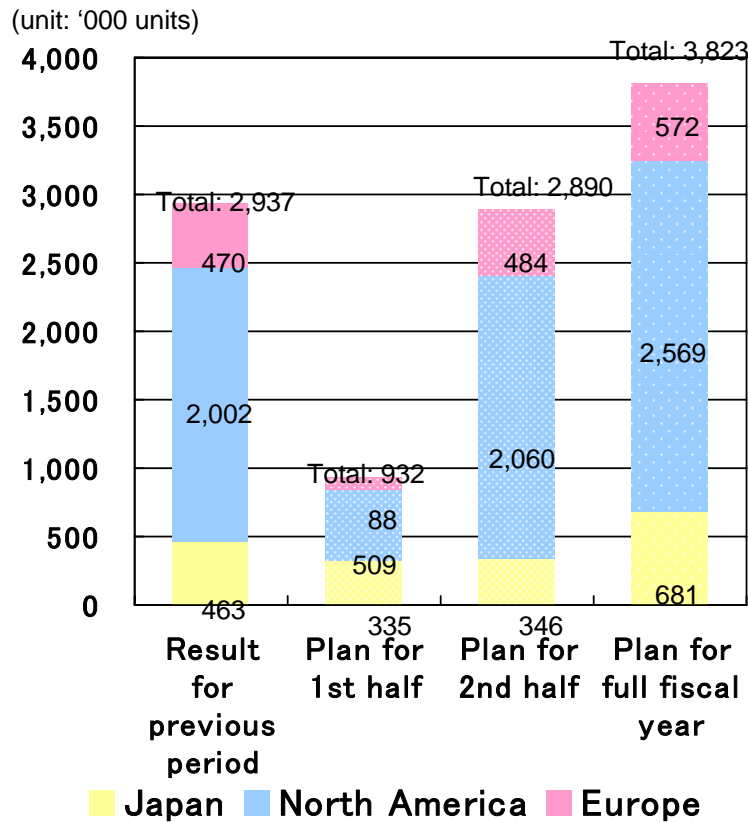
■ Operating profit (loss) in second half

Consumer business: It will move into the black as the increase in income offsets operating costs.

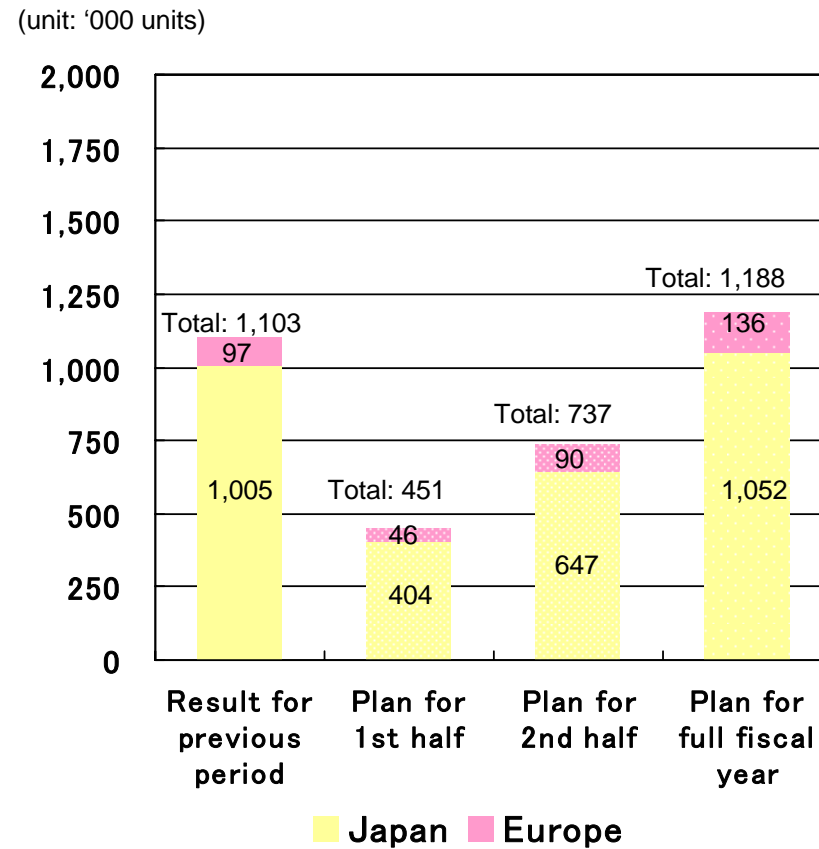
Mobile business: Profit is stable with strong margins.

Sales Plan for FY March 2008 (Consumer Business)

Full/Mid-Price Software



Low-Price Software



Group Sales Plan for FY March 2008

Sales forecast of the D3 Group: 5.01 million units

		Japan	North America	Europe	Total
Full-Price Software	Title/SKU	20/21	16/21	8/12	44/54
	Sales number ('000 units)	681	2,569	572	3,823
Low-Price Software	Title/SKU	36/36	-	16/16	52/52
	Sales number ('000 units)	1,052	-	136	1,188
Total	Title/SKU	56/57	16/21	24/28	96/106
	Sales number ('000 units)	1,734	2,569	708	5,011

(Note) The number for title/SKU in the chart differs from the actual number for title/SKU in the D3 Group. In the chart, the total number for title/SKU in all sales areas is displayed and includes the number of title/SKU scheduled to be released in two or more sales areas.



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Business Strategy



Strategy for Each Global Area

Diversify risks through globalization & multi-platform versions



Sales of Japan & U.S. titles

- C. Full-price software (sales only)
- C. Low-price software (sales only)



Stable earnings base by multiple earnings

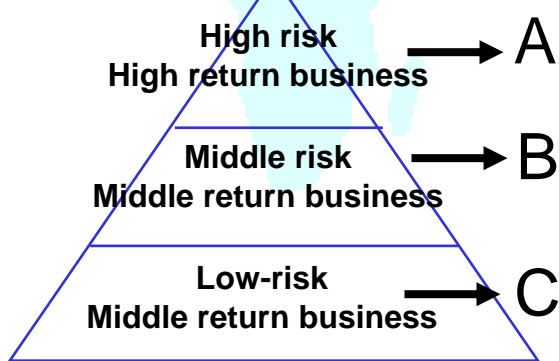
- B. Full-price software
 - Capture series for pachinko and pinball-style slot
 - Games for women
 - Low-price upgrades
- C. SIMPLE series
- C. Mobile content



Development of licensed & original titles

- A&B. Full-price software
 - Dark Sector
 - NARUTO
 - Ben10

(Profitability type)





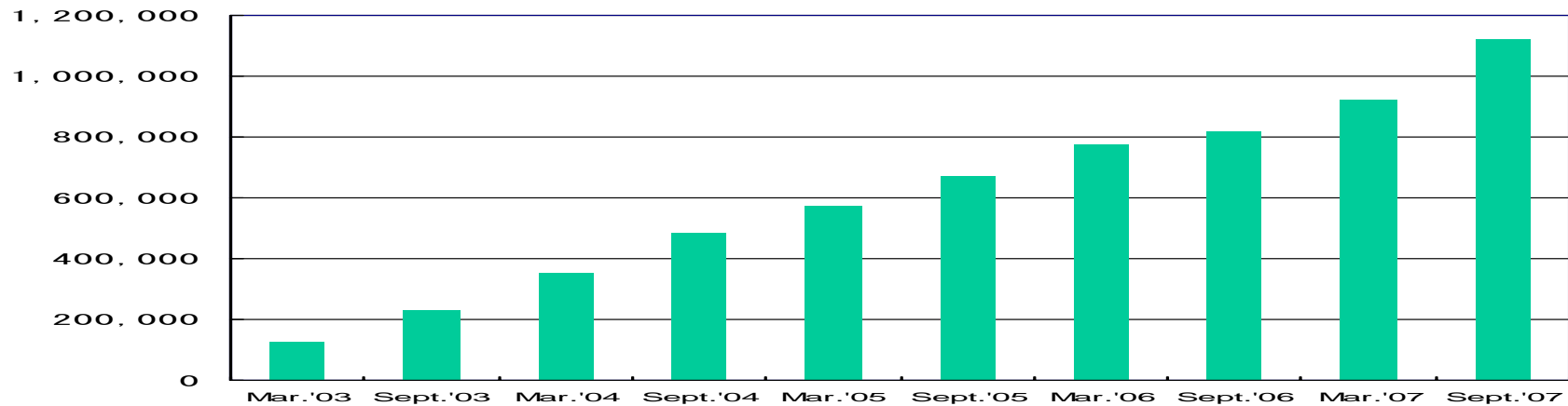
Information on Key Interim Results for Fiscal Year Ending March 2008

Sales performance of main titles (consumer business) (Unit:'000units)

Title	Sales Area	Platform	Release	First Half Sales	Cumulative Sales
<i>NARUTO</i> series	North America	DS/GBA/GC	February 2006	354	1,534
<i>CR Neon Genesis Evangelion -value of miracle-</i>	Japan	PS2	June 2007	165	165
<i>PUZZLE QUEST</i>	Japan, North America, Europe	DS·PSP	March 2007	109	166
<i>Saiyuki -Kinkaku·Ginkaku no Inbou-</i>	Japan	DS	July 2007	63	63

SIMPLE100 series members (mobile business)

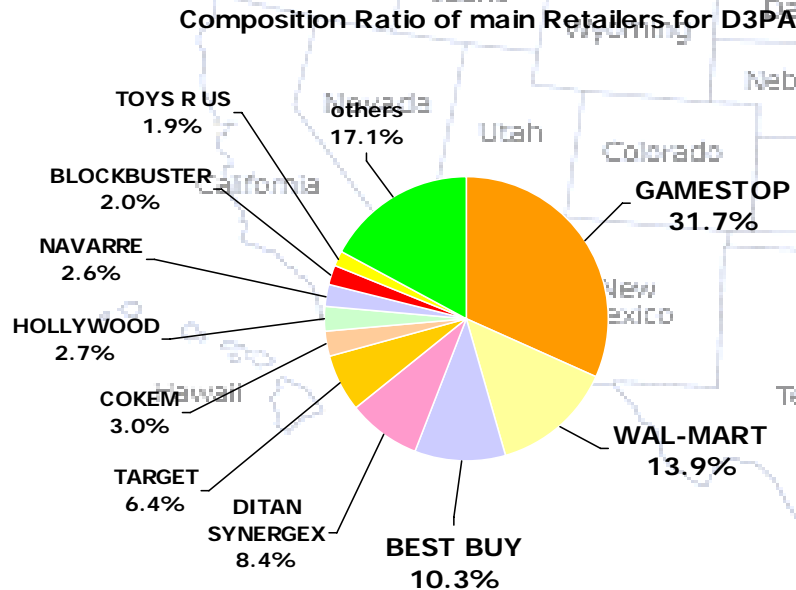
(unit: Person)



Overseas Activities ①

Sales

◆ D3PA is smoothly building a sales network, mainly among major retailers.



Development

◆ Acquiring a developer and making it a subsidiary

Acquisition of 100% stocks of Vicious Cycle Software, Inc.

Profits will be improved with the in-house development of games at a time of surging development costs.

(Main titles developed by VCS, Inc.)

- *ROBOTECH: BATTLECRY*
(by TDK in 2002 for PS2/ GC/ XBOX)
- *Curious George* (by namco in 2006 for PS2/ GC)
- *Flushed Away* (D3 Publisher in 2006 for PS2/ GC)

Overseas Activities ②



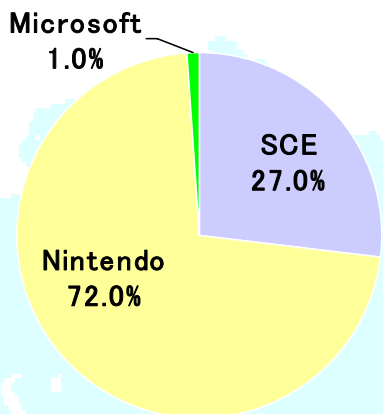


Market Overview of Home Video Game Software

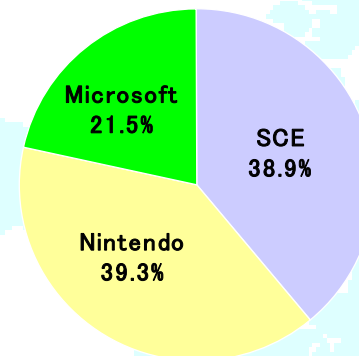
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Breakdown of Units Sold by Platform Manufacturer

Japan (units sold: 45,894 K units)



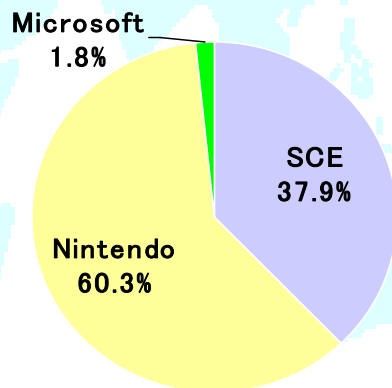
North America (units sold: 125,881 K units)



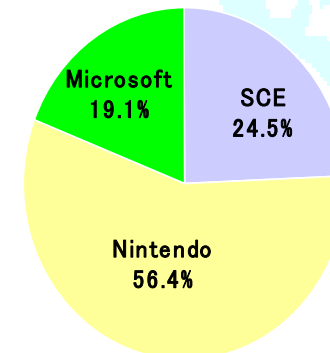
Overall market

(January-September 2007)

Japan (units sold: 1,734 K units)



North America (units sold: 2,569 K units)

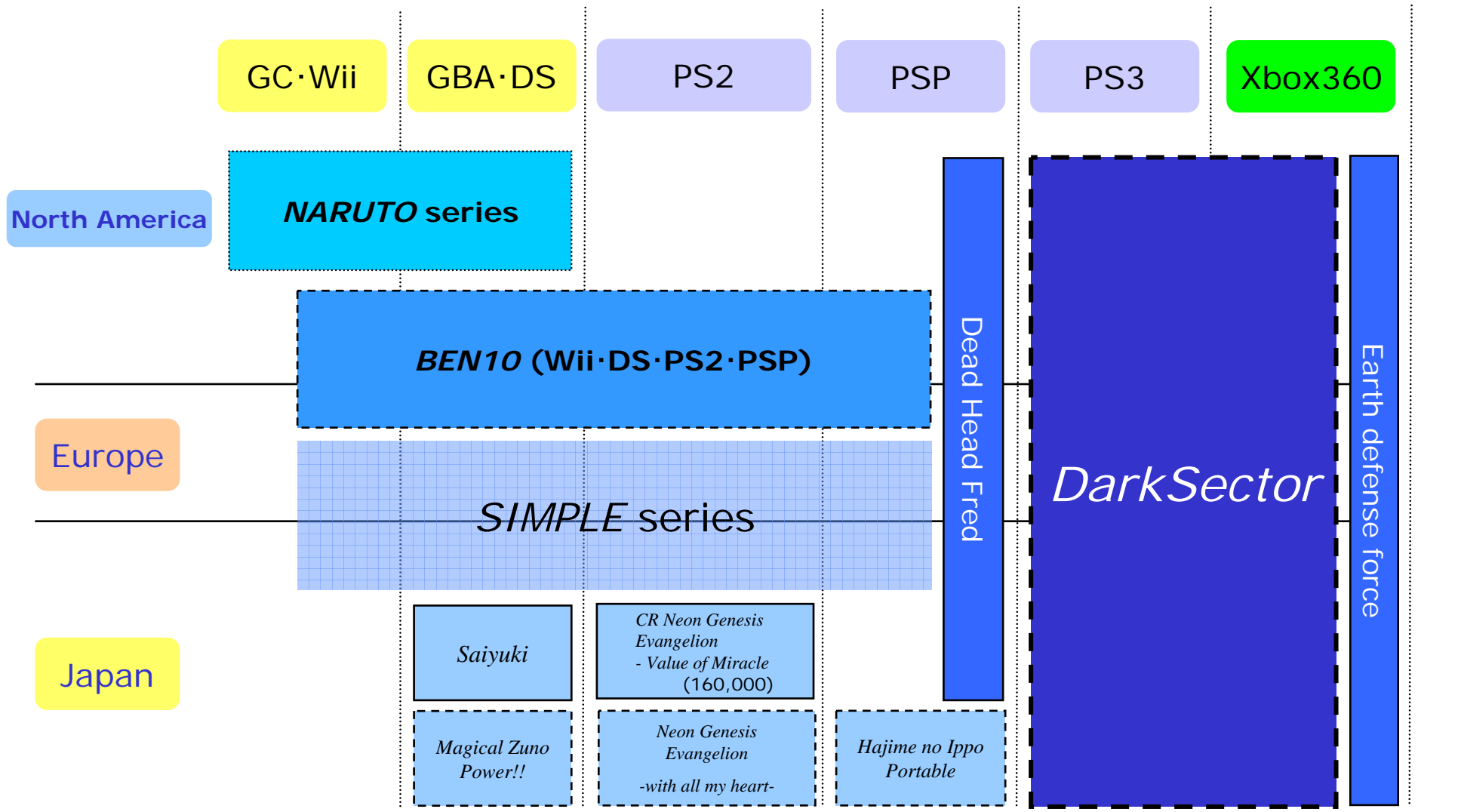


D3 group

(Plan for FY March 2008)

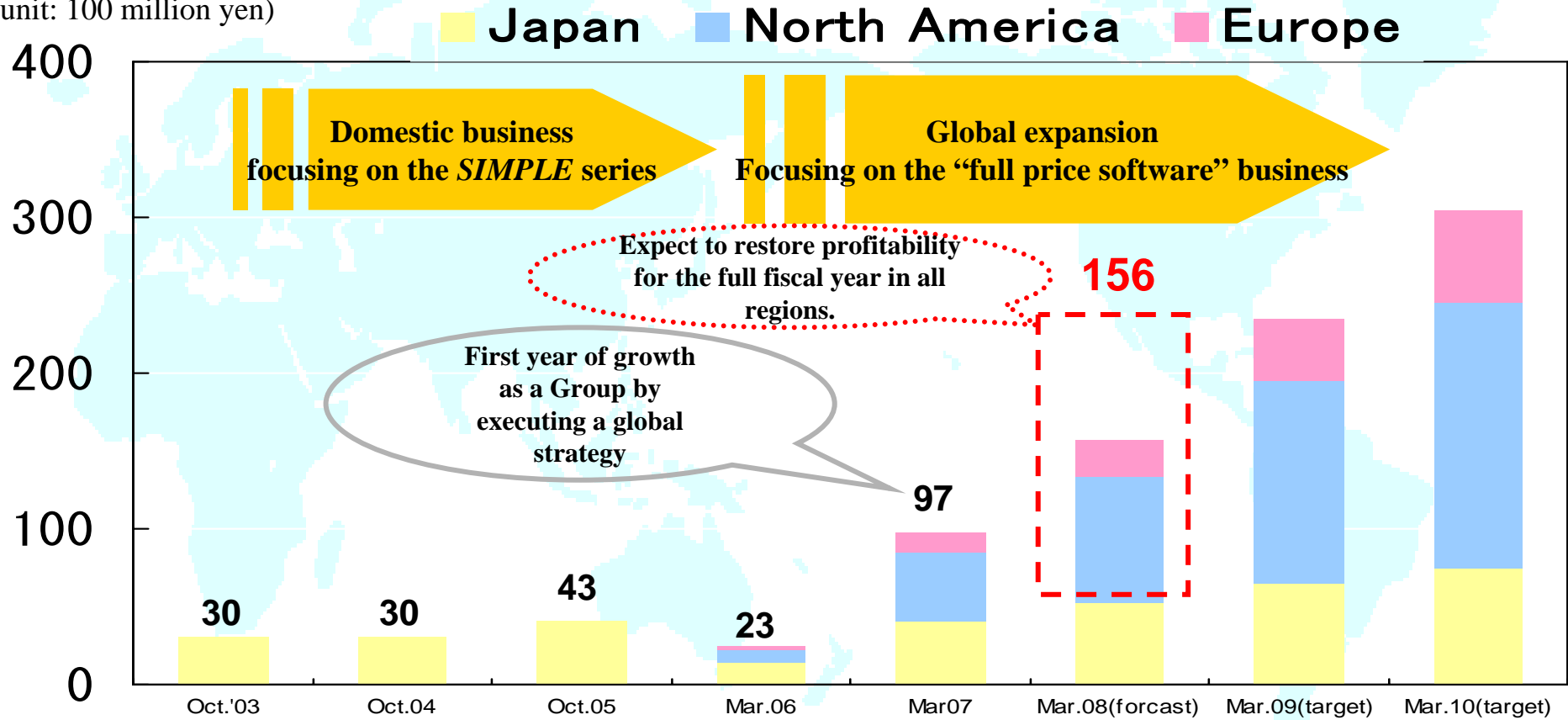
(Source: Data for North America is from NPD and data for Japan is from Media Create, and was tabulated by D3.)

Main Title Development (plans & results)



Group Sales Results and Outlook (by Area)

(unit: 100 million yen)



* The fiscal year ending March 2006 was a five-month period following a change in accounting term



Company Profile

(As of the end of September 2007)

■ Company name	D3 INC.
■ Established	February 1992 (Our current business began with an MBO in July 1999.)
■ Address	SHIBUYA SQUARE A2F, 9-5, Dogenzaka 1-chome, Shibuya-ku, Tokyo, 150-0043, Japan
■ Shareholders' Equity	1,737 million yen
■ Representative	President & CEO Yuji Ito
■ Stock listing	JASDAQ (stock code: 4311)
■ Number of issued shares /number of stockholders	21,037 stocks (32 shares of treasury stocks)/690 people
■ Main shareholder	Fields Corporation (parent company): 57.0% /Yuji Ito: 17.1%
■ Consolidated subsidiaries	·D3 Publisher, Inc. (Japan) ·D3Publisher of America, Inc. (North America) ·D3Publisher of Europe Ltd. (Europe) ·Entertainment Software Publishing Inc. (Japan) ·D3DB S.r.l. (Europe) ·Vicious Cycle Software, Inc. (North America)



Inquiries

IR director

President and CEO

Yuji Ito

Executive Director

Kenji Kotera

Director (Manager, Corporate Planning Division)

Masaki Kojima

TEL:03-5428-8830 FAX:03-5428-3453

URL:<http://www.d3i.co.jp/>

The purpose of this document is not to solicit investment in D3P securities but to provide information about our Company. This document is based on information available as of the end of September 2007.

The opinions and expectations contained in this document reflect our own judgments and are subject to change without notice. We do not guarantee the accuracy of the information contained herein.