



**D3PUBLISHER**

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# FY2005 Financial Results

D3 PUBLISHER Inc.  
(JASDAQ:4311)

14<sup>th</sup> of December, 2005

<http://www.d3p.co.jp/>



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# FY2005 Financial Results



## FY2005 Financial Results Summary of PL【Consolidated Statement】

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| (JPY : million)  | FY2004 | FY2005 | Comparison with the previous FY |         | Individual | Subsidiary Companies<br>(simple calculation) |
|------------------|--------|--------|---------------------------------|---------|------------|--|
|                  |        |        | Increase or Decrease            | %       |            |  |
| Sales            | 3,057  | 4,358  | 1,301                           | 42.5%   | 3,836      | 553  |
| Operating Income | 205    | 406    | 201                             | 98.2%   | 590        | -139   |
| Profit Rate      | 6.7%   | 9.4%   |                                 | +2.7p   | 15.4%      | -  |
| Ordinary Income  | 160    | 473    | 312                             | 194.7%  | 652        | -139   |
| Profit Rate      | 5.2%   | 10.9%  |                                 | +5.6p   | 17.0%      | -  |
| Net Income       | 160    | 116    | -43                             | △ 27.4% | 232        | -171   |
| Profit Rate      | 5.3%   | 2.7%   |                                 | -2.6p   | 6.0%       | -  |
| EPS              | 13,103 | 6,312  | -6,791                          | △ 51.8% |            |  |

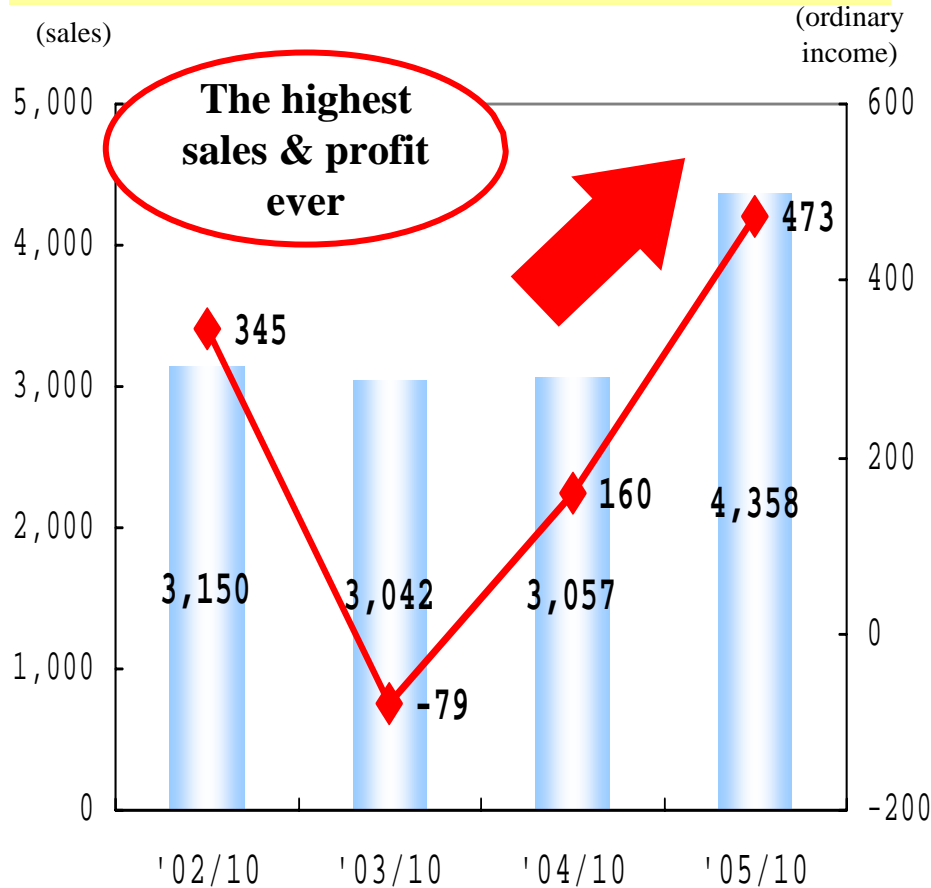
### **Sales 1,301 million yen increase (+42.5%) Ordinary income 312 million yen increase (+194.7%)**

- Sales: Extension of D3P (+842 million yen) and contribution of subsidiary companies (3 companies mentioned below begun consolidation for PL from FY2005)  
(subsidiary companies )Entertainment Software Publishing Inc.315 million yen/D3P of America 24 million yen/D3DB (Italy) 199 million yen
- Operating Income & Ordinary Income: improved in individual /Subsidiary companies, especially D3PA made preceding investment in the business start-up time.
- Net income: Extraordinary loss -126 million yen by execution of group composition review (arrangement of related companies) in the first half of FY2005

# Business Transition & Sales according to Segment

## 【 Consolidated Statement 】

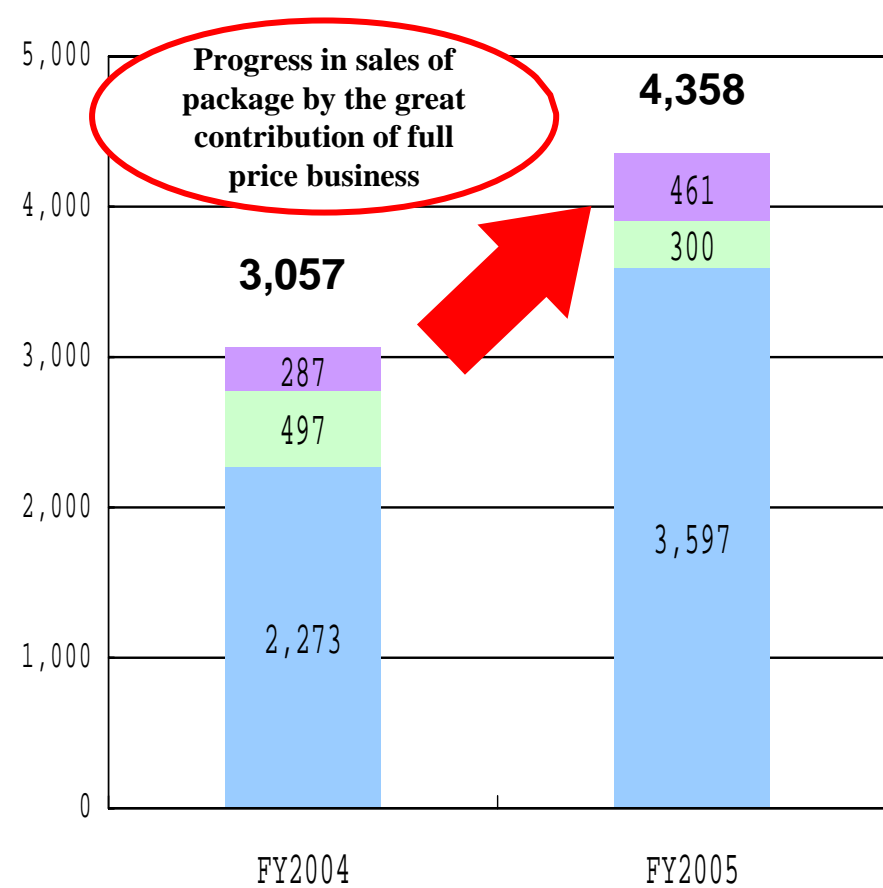
**Transition of consolidated net sales & ordinary income**



(JPY: million)

■ Sales ◆ Ordinary Income

**consolidated sales according to segment**



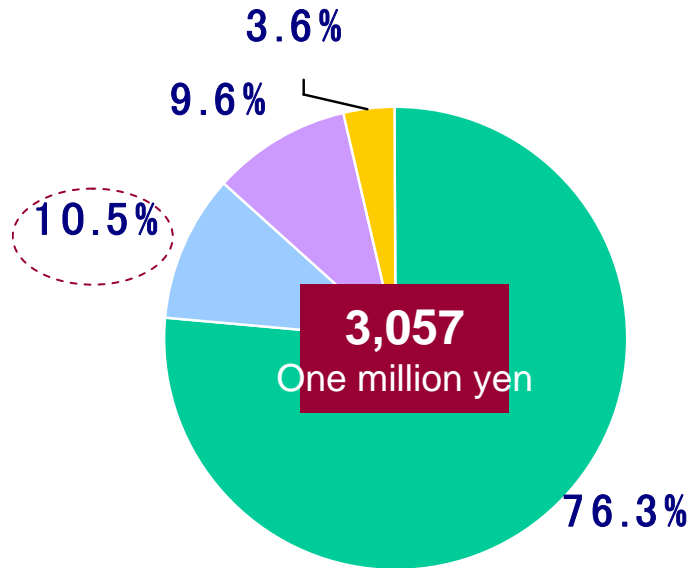
(JPY million)

■ PKG ■ entrusted development ■ Net Work

# Sales Composition Ratio according to Segment

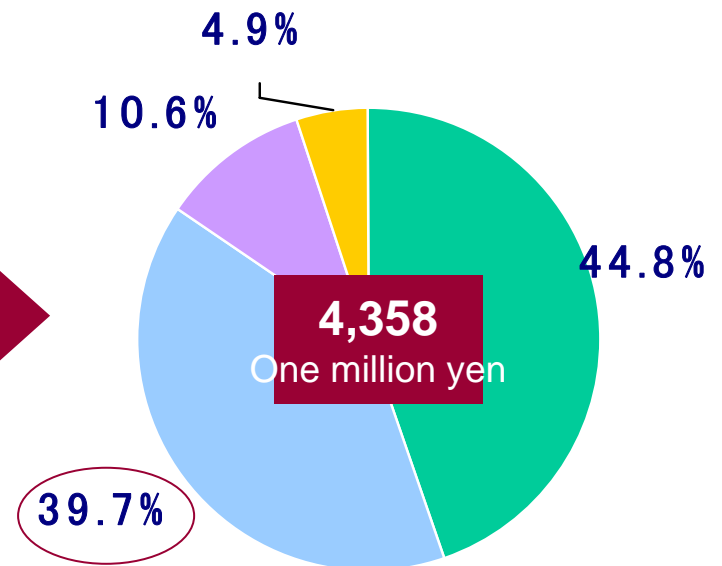
【 Consolidated Statement 】

**FY2004**



**"Full price"**  
A ratio increase

**FY2005**



■ Low-priced software    ■ full price  
■ Network    ■ others



## FY2005 Results Summary of PL【Individual Statement】

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|                        | FY2004 | FY2005 | Comparison with the previous year |        | first half | second half |
|------------------------|--------|--------|-----------------------------------|--------|------------|-------------|
|                        |        |        | Increase or Decrease              | %      |            |             |
| (JPY million)          |        |        |                                   |        |            |             |
| Sales                  | 2,994  | 3,836  | 842                               | 28.1%  | 1,522      | 2,314       |
| Gross Margin of Profit | 1,165  | 1,989  | 824                               | 70.7%  | 773        | 1,216       |
| Profit Rate            | 38.9%  | 51.9%  |                                   | +12.9p | 50.8%      | 52.5%       |
| SGA                    | 952    | 1,398  | 446                               | 46.8%  | 695        | 703         |
| SGA Rate               | 31.8%  | 36.4%  |                                   | +4.6p  | 45.7%      | 30.4%       |
| Operating Income       | 212    | 590    | 378                               | 178.3% | 78         | 512         |
| Profit Rate            | 7.1%   | 15.4%  |                                   | +8.3p  | 5.1%       | 22.1%       |
| Ordinary Income        | 210    | 652    | 442                               | 210.5% | 72         | 580         |
| Profit Rate            | 7.0%   | 17.0%  |                                   | +10.0p | 4.7%       | 25.1%       |
| Net Income             | 93     | 232    | 139                               | 149.5% | -71        | 303         |



## FY2005 Summary of PL 【Individual Statement】

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■ **Sales: Comparison with the previous term + 842 million yen + 28.1%**

Great extension of full price business including synergy with Fields Corp.  
Network (portable contents) business is also doing well.

■ **Gross Margin of Profit: Comparison with the previous term +824million yen+70.7%**

**Gross Profit Rate: 38.9% → 51.9% + 12.9p**

Improvement of gross profit percentage by the reduction of amortization cost for the titles developed  
in the past in game software business

Growth of highly profitable network business

■ **SGA:Comparison with the previous term+446 million yen+46.8%**

Advertising expenditure +190 million yen Research and development cost +123 million yen

Chiefly, spend the cost for full-price business

■ **Operating Income: Comparison with the previous term+378million yen +178.3%**

■ **Ordinary Income: Comparison with the previous term+442million yen +210.5%**

■ **Net Income: Comparison with the previous term  $\Delta$ 139million yen  $\Delta$ 149.5%**

Allocation of extraordinary charge for reorganization of company $\Delta$ 159 million yen

Loss from write-down of securities [ VIVARIUM ]  $\Delta$ 111 million yen

Loss on sale of subsidiaries' stocks [ heart line ]  $\Delta$ 32 million yen

# Monthly Transition of Full Price Sales Number 【 Individual Statement 】

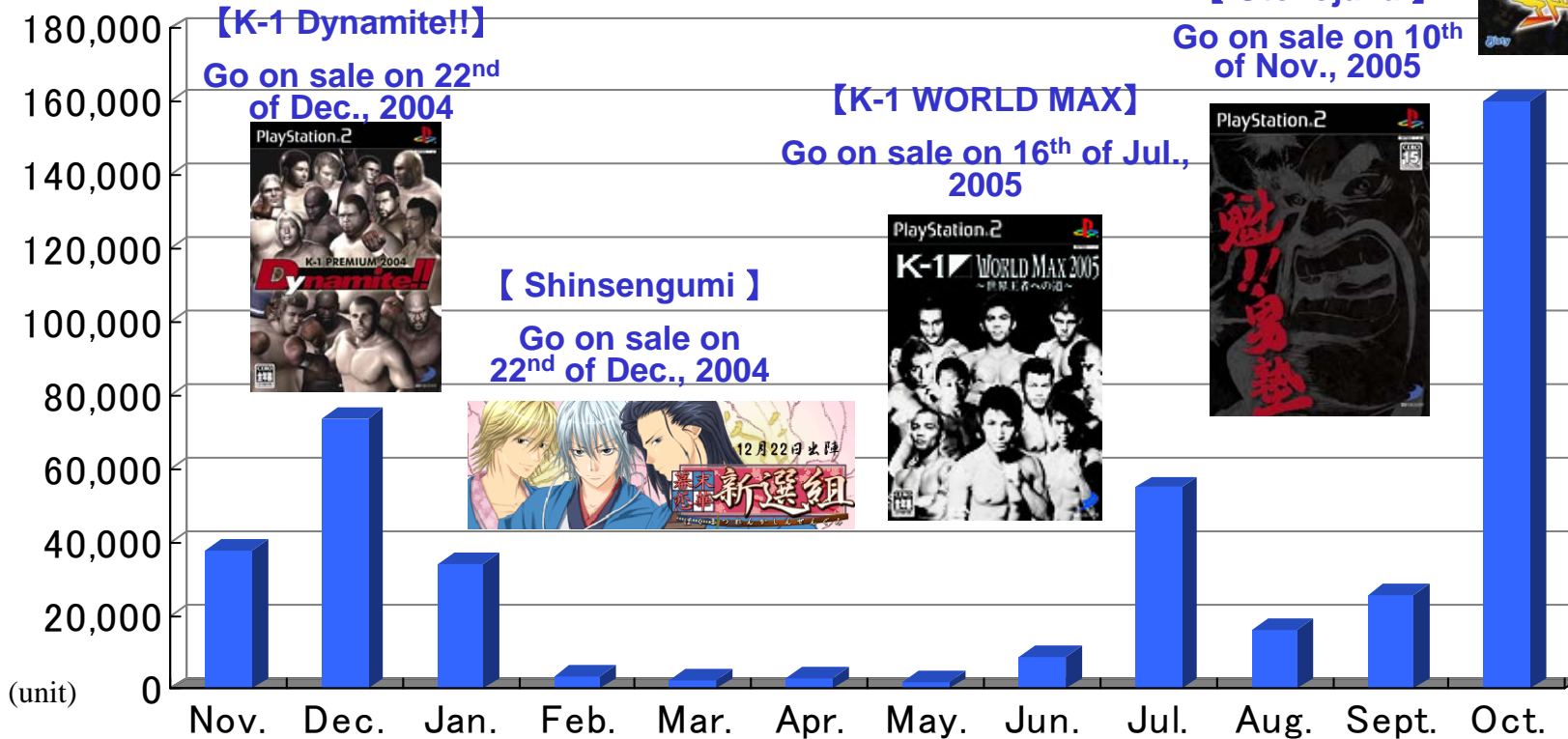
【 Mr. incredible 】  
Go on sale on  
3<sup>rd</sup> of Dec., 2004



【 Neon Genesis Evangelion Pachinko 】  
Go on sale on 20<sup>th</sup> of Oct., 2005



**11 new sale titles**  
**Sales number 420,000 units**

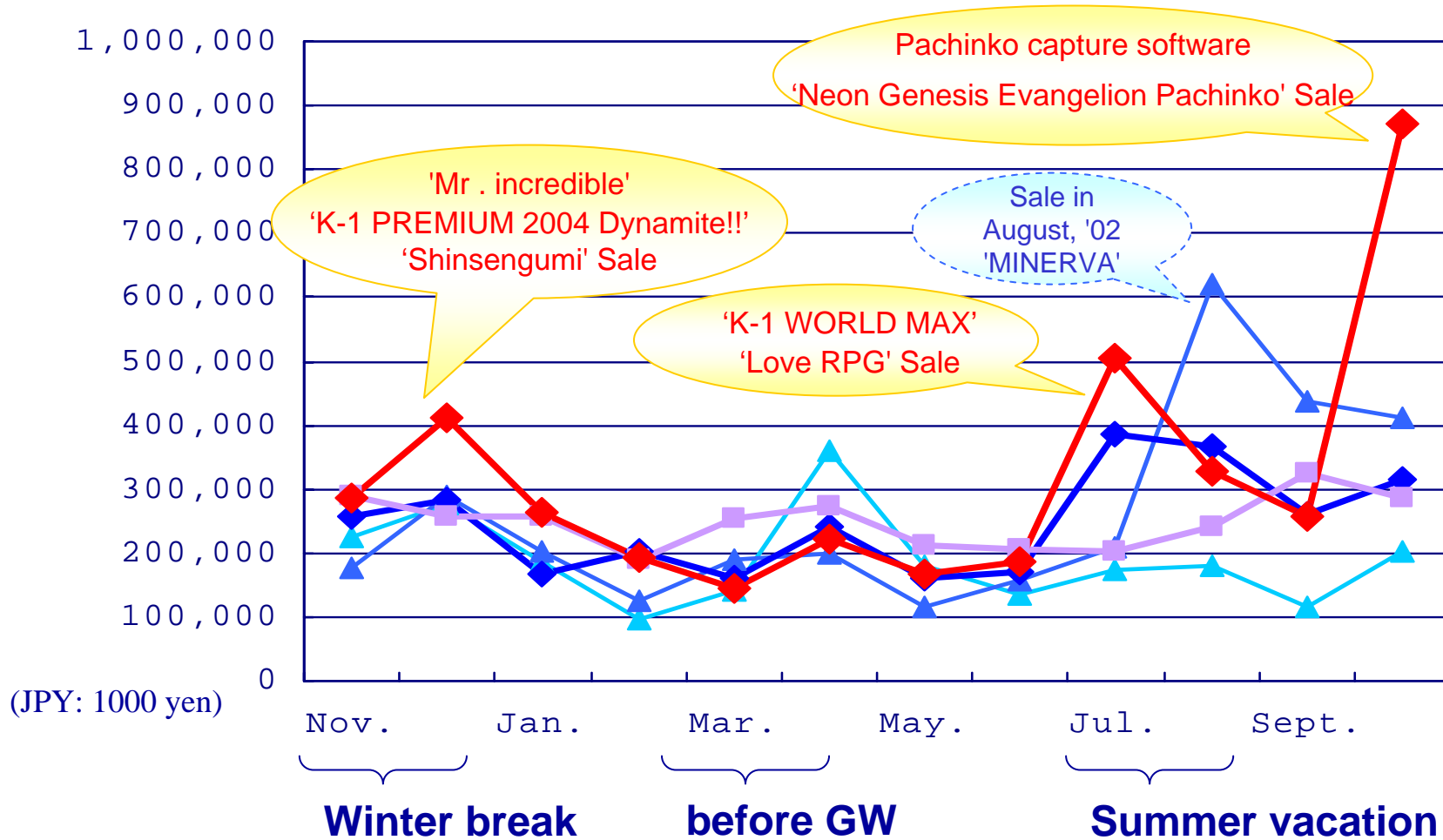




# Monthly Sales Transition 【 Individual Statement 】

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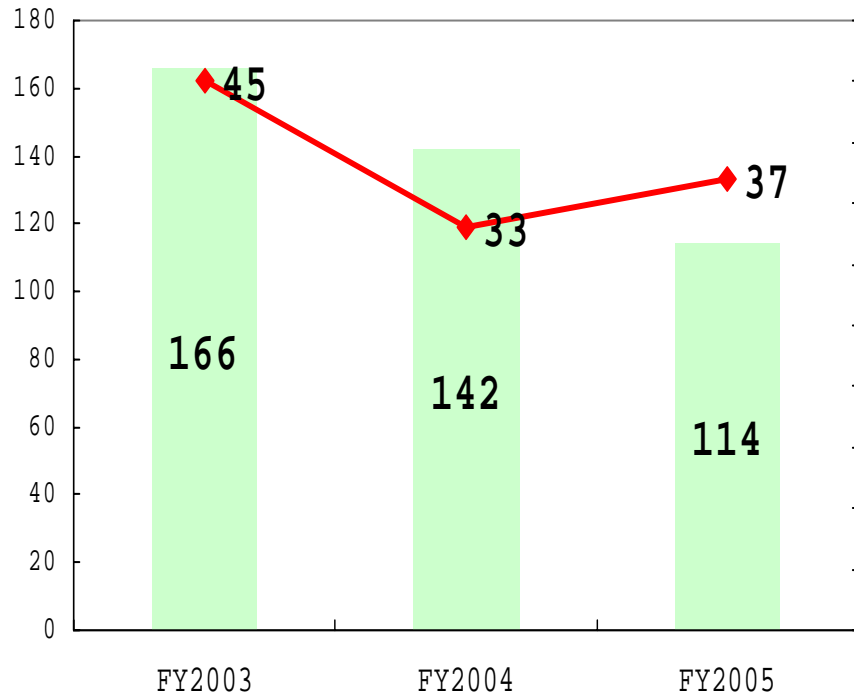
—▲— FY2001 —▲— FY2002 —◆— FY2003 —■— FY2004 —◆— FY2005



# Number of Domestic New Sales Titles & Sales Number 【 Individual Statement】

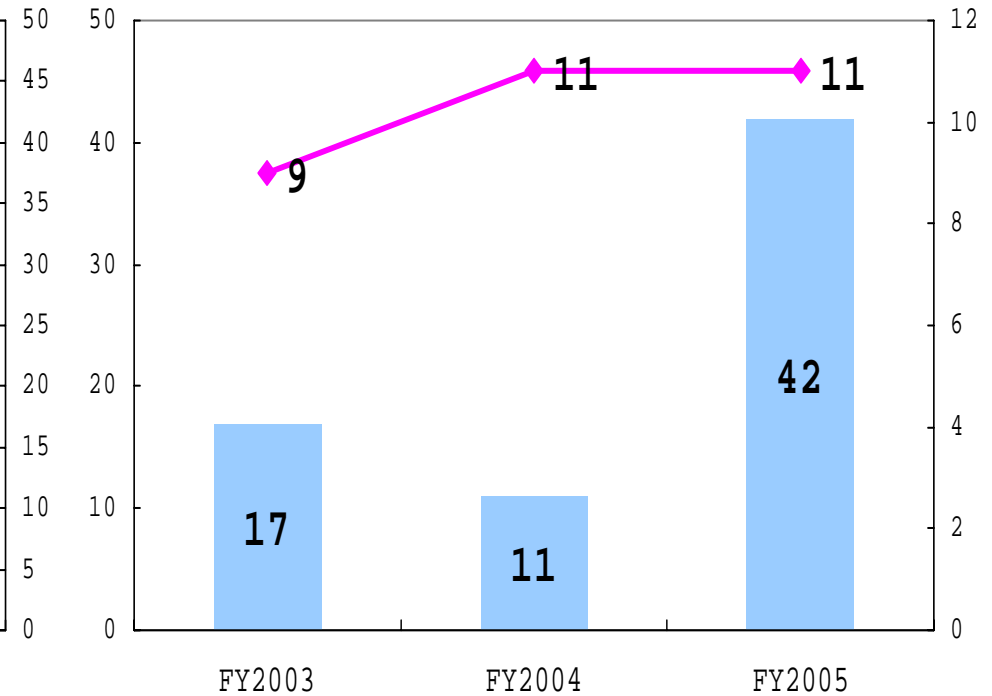
(10,000 unit)

## Low price software



■ sales number ◆ number of new sales titles

## Full price software



■ sales number ◆ number of new sales titles



# FY2005 Financial Results Summary of BS【Consolidated Statement】

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| (JPY:million yen)                                   | End of Oct., 2004 | End of Oct., 2005 | Increase or Decrease |
|---|-------------------|-------------------|----------------------|
| <b>Current Assets</b>                               | <b>2,509</b>      | <b>4,304</b>      | <b>1,795</b>         |
| <b>Fixed Assets</b>                                 | <b>1,234</b>      | <b>1,065</b>      | <b>-168</b>          |
| <b>Total Assets</b>                                 | <b>3,744</b>      | <b>5,370</b>      | <b>1,626</b>         |
| <b>Current Liabilities</b>                          | <b>1,526</b>      | <b>1,210</b>      | <b>-315</b>          |
| <b>Fixed Liabilities</b>                            | <b>153</b>        | <b>155</b>        | <b>2</b>             |
| <b>Shareholders' Equity</b>                         | <b>2,063</b>      | <b>3,994</b>      | <b>1,930</b>         |
| <b>Total Liabilities &amp; Shareholders' Equity</b> | <b>3,744</b>      | <b>5,370</b>      | <b>1,626</b>         |

**< main factors of BS change >**

- **Business expansion**
- **execution of allocation of new shares to a third party in Mar. of 2005 (allocation destination :Fields Corp.)**

- Increase of cash equivalent +484 million yen
- Increase of accounts receivable +957 million yen
- Increase of advanced money +234 million yen

- Decrease of short-term debt & current portion of long-term debt - 849 million yen
- Increase of trade account payable +283 million yen
- Increase of income taxes payable etc.+141 million yen

- Execution of allocation of new shares to a third party in Mar. of 2005 (capital adequacy ratio 55.1%→ 74.3%)

※The companies that has become consolidated subsidiaries for BS since FY2005 1H :D3P of America, Inc. (U.S.), D3DB S.r.l. (Italy)

※the Company which is not consolidated for BS from FY2005 1H :Heartline

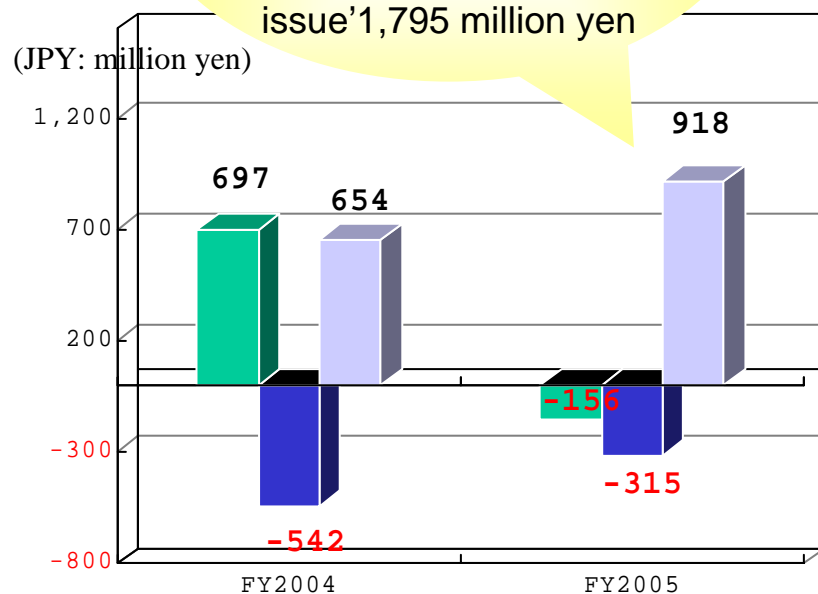


## FY2005 Summary of CF 【Consolidated Statement】

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### Increase of CF from financial activities

Implementation of allocation of new shares to a third party  
'Income from capital issue' 1,795 million yen



■ CF from operating activities ■ CF from Investing Activities  
■ CF from Financing Activities

### < consolidated statement of cash flow (main items)>

| (JPY:million yen)   | FY2004       | FY2005       |
|---|--------------|--------------|
| <b>CF from operating activities</b>                         | <b>697</b>   | <b>△ 156</b> |
| income before income taxes and others                       | 262          | 396          |
| Amortization of Intangible Assets                           | 181          | 352          |
| Equity in Net Income/Loss of Affiliated Companies (△profit) | 42           | △ 19         |
| Increase or Decrease in Account Receivable                  | 158          | △ 951        |
| Increase or Decrease in Advanced Money                      | 291          | △ 219        |
| Income Taxes Paid   | △ 174        | △ 227        |
| <b>CF from Investing Activities</b>                         | <b>△ 542</b> | <b>△ 315</b> |
| Payments into Time Deposits                                 | △ 100        | -            |
| Proceeds from Sale of Affiliate                             | 360          | -            |
| Expenditure for Purchase of Intangible Fixed Assets         | △ 259        | △ 420        |
| Payments from Loans   | △ 300        | △ 5          |
| Proceeds from Loans Receivable                              | 132          | 117          |
| <b>CF from Financing Activities</b>                         | <b>654</b>   | <b>918</b>   |
| Net Acquisition or reduction of Short-term Debt             | 100          | △ 768        |
| Proceeds of Long-term Debt                                  |              | 200          |
| Expenditure for Repayment of Long-term Borrowings           | △ 302        | △ 306        |
| Proceeds from Issuing Share                                 | 830          | 1,796        |



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# Business Forecasts

from 1<sup>st</sup> of Nov.,2005 to the End of Mar.,2006

## Business Forecast from 1st of Nov. to the end of Mar., 2006 【Consolidated Statement】

**Irregular fiscal term for five months caused by the change of the accounting period**

**(October ⇒ March).**

| (JPY: million yen)    | Consolidation |        | Individual |        | Reference (result of FY2005) |        |            |        |
|-----------------------|---------------|--------|------------|--------|------------------------------|--------|------------|--------|
|                       |               | Rate   |            | Rate   | Consolidation                | Rate   | Individual | Rate   |
| Sales                 | 2,347         | 100.0% | 1,488      | 100.0% | 4,358                        | 100.0% | 3,836      | 100.0% |
| Gross Profit on Sales | 1,155         | 49.2%  | 748        | 50.3%  | 2,189                        | 50.2%  | 1,989      | 51.9%  |
| SGA                   | 1,062         | 45.2%  | 398        | 26.7%  | 1,782                        | 40.9%  | 1,398      | 36.4%  |
| Operating Income      | 94            | 4.0%   | 350        | 23.5%  | 406                          | 9.3%   | 590        | 15.4%  |
| Ordinary Income       | 57            | 2.4%   | 340        | 22.8%  | 473                          | 10.9%  | 652        | 17.0%  |
| Net Income            | 10            | 0.4%   | 167        | 11.2%  | 116                          | 2.7%   | 232        | 6.0%   |

■ Expectation of the main consolidated subsidiaries

D3PA: Sales 762 million yen / Ordinary Income -243 million yen

(A single surplus making about D3PA is expected from the term for Mar. of 2007 by preceding about the development investment.)



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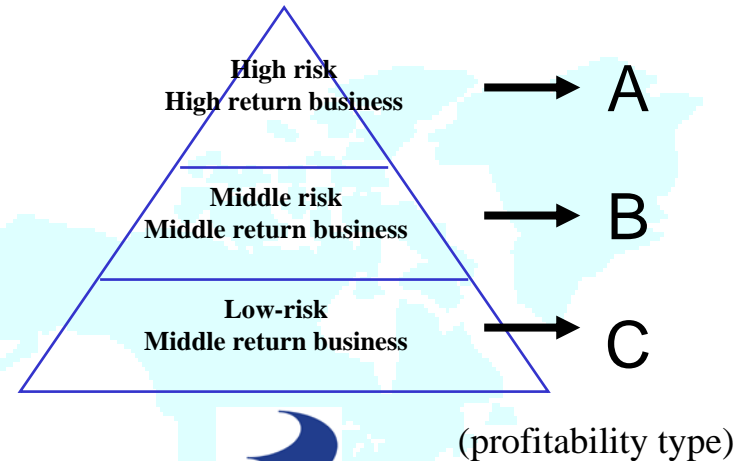
# Future Business Strategies



# Basic Policy of Future Business Strategies

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The construction of business portfolio by promoting the strategies according to global areas.



<EUROPE>

- C. Full price business
- C. Simple series business
- Sales base for Japan & U.S. plan/  
Developing titles



<JAPAN>

- B. Full price business
  - 'K-1 series'
  - 'Neon Genesis Evangelion'
  - 'Mr. Incredible'
- C. Portable contents business
- C. Simple series business
- C. Entrusted business of image development for Pachinko



<USA>

- A&B. Full price business
  - 『Hi Hi Puffy』
  - 『NARUTO』
- Licensed titles & original titles
- Multi-platform development

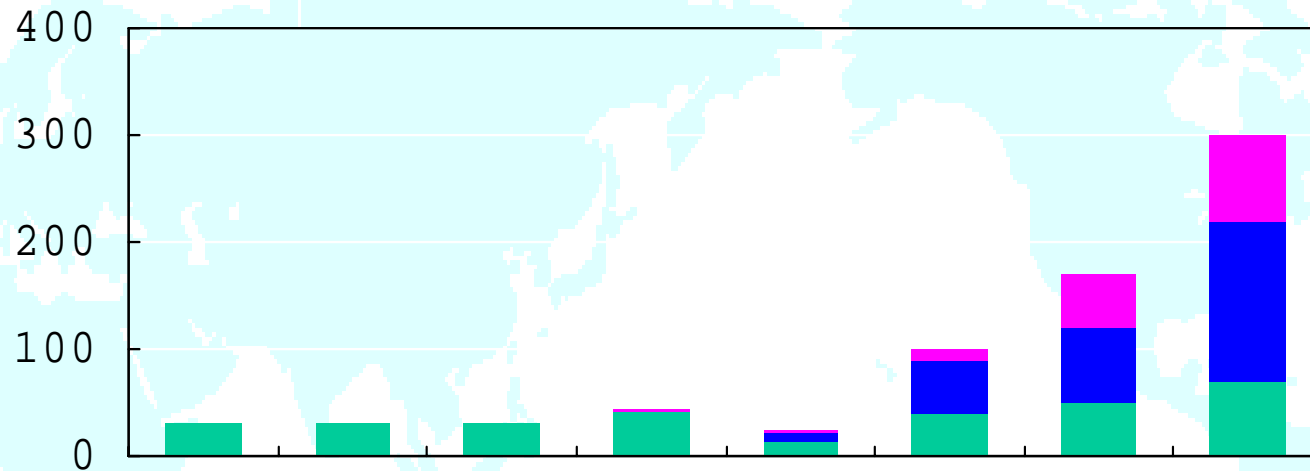


# D3P Group Prospective Vision

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## Group sales results and future image < each area >

(JPY:million yen)



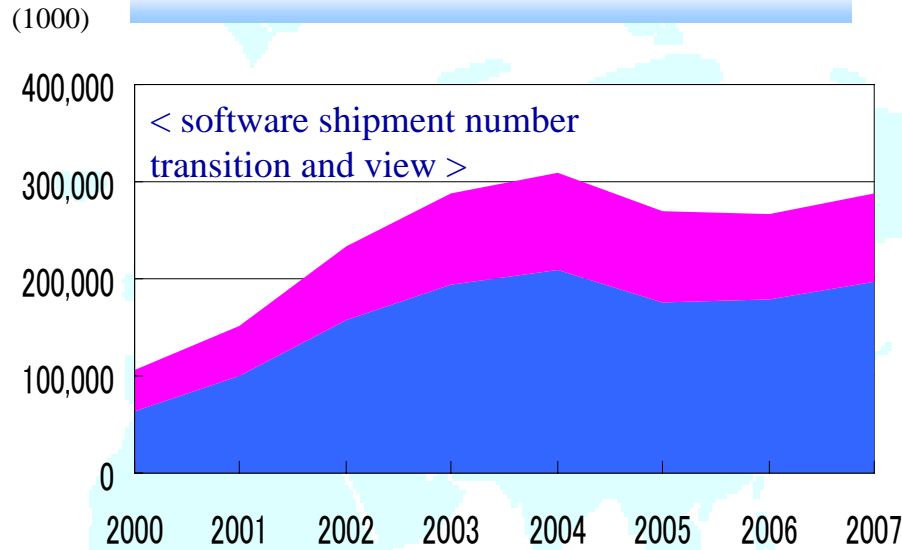
■ Japan ■ U.S. ■ Europe



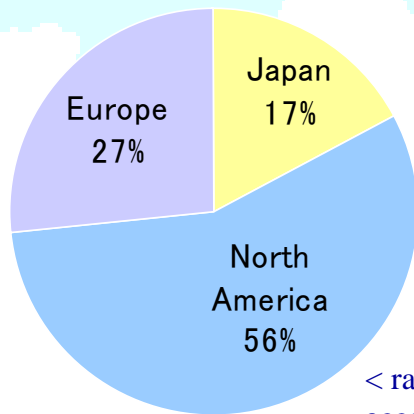
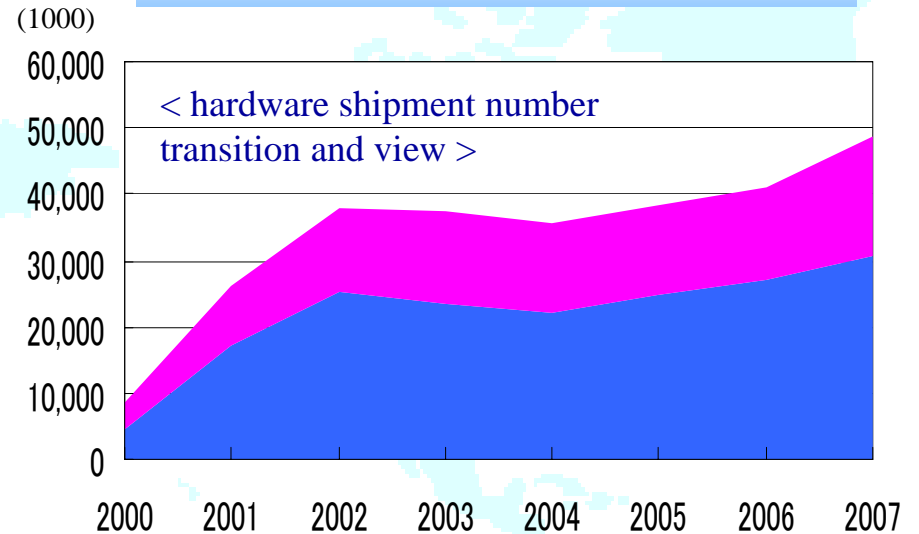
# View of U.S. & Europe Game Market

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### Software Market



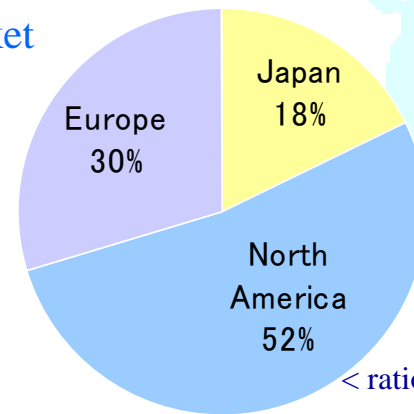
### Hardware Market



< ratio of software shipment number according to area >

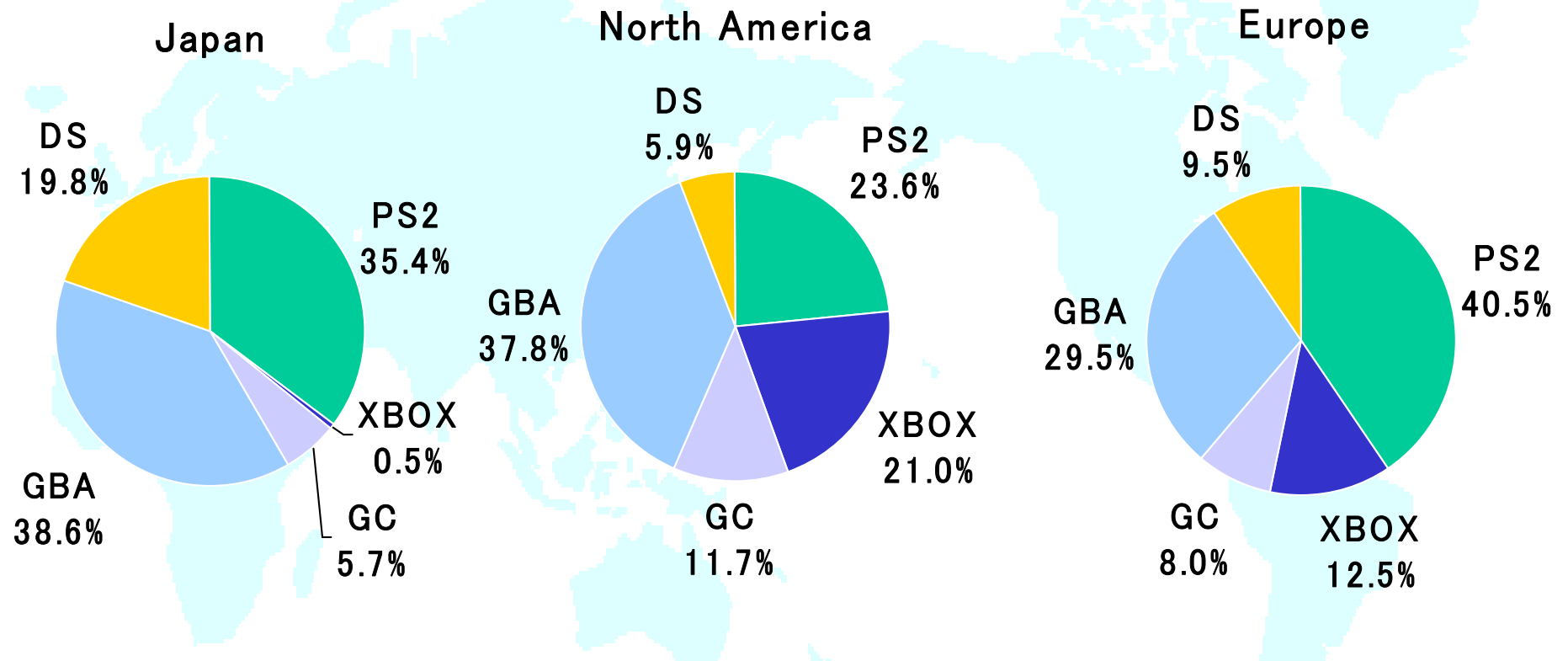
■ North America market

■ European market



< ratio of hardware shipment-number according to area >

The hardware shipment number composition ratio in 2004.



(origin: 2005CESA game white paper)

## 【 Sales Share Ranking 】

(JPY: Hundred million yen)

### 2004 Software sales share best 10 according to U.S. publisher

| Rating | Manufacturer      | Estimated Sales | Share |
|--------|-------------------|-----------------|-------|
| 1      | Electronic Arts   | 1,319.4         | 21.2% |
| 2      | Nintendo          | 661.8           | 10.6% |
| 3      | ACTIVISION        | 521.9           | 8.4%  |
| 4      | TAKE2 INTERACTIVE | 519.1           | 8.3%  |
| 5      | THQ               | 414.0           | 6.6%  |
| 6      | Microsoft         | 376.6           | 6.0%  |
| 7      | SCEA              | 273.7           | 4.4%  |
| 8      | Konami            | 234.8           | 3.8%  |
| 9      | ATARI             | 219.2           | 3.5%  |
| 10     | UBISOFT           | 206.9           | 3.3%  |

(SCEA = Sony Computer Entertainment United States)

### 2004 Software sales share best 10 according to U.K. publisher

| Rating | Manufacturer            | Share |
|--------|-------------------------|-------|
| 1      | Electronic Arts         | 22.2% |
| 2      | TAKE2 INTERACTIVE       | 7.8%  |
| 3      | ACTIVISION              | 6.8%  |
| 4      | Microsoft               | 6.2%  |
| 5      | SCEE                    | 5.3%  |
| 6      | VIVENDI UNIVERSAL GAMES | 5.0%  |
| 7      | THQ                     | 4.8%  |
| 8      | UBISOFT                 | 4.7%  |
| 9      | ATARI                   | 3.5%  |
| 10     | Nintendo                | 3.4%  |

(SCEE = Sony Computer Entertainment Europe)

# Situation of Europe and U.S. Game Publisher

## 【 Sales Number TOP10 】

2004 U.S. publisher  
software sales number  
TOP10

| Rating | Title                          | Hardware | Manufacturer      | Sales Number<br>(thousand unit) |
|--------|--------------------------------|----------|-------------------|---------------------------------|
| 1      | GRAND THEFT AUTO : SAN ANDREAS | PS2      | TAKE2 INTERACTIVE | 5100                            |
| 2      | HALO2                          | Xbox     | Microsoft         | 4200                            |
| 3      | MADDEN NFL 2005                | PS2      | Electronic Arts   | 3200                            |
| 4      | ESPN NFL 2K5                   | PS2      | TAKE2 INTERACTIVE | 1500                            |
| 5      | Need for Speed-Underground2    | PS2      | Electronic Arts   | 1400                            |
| 6      | Pokemon FaireRed and LeafGreen | GBA      | Nintendo          | 1200                            |
| 7      | NBA LIVE 2005                  | PS2      | Electronic Arts   | 1200                            |
| 8      | Spider-Man2                    | PS2      | ACTIVISION        | 1100                            |
| 9      | HALO                           | Xbox     | Microsoft         | 1100                            |
| 10     | ESPN NFL 2K5                   | Xbox     | TAKE2 INTERACTIVE | 1100                            |

2004 U.K. publisher  
software sales number  
TOP10

| Rating | Title                          | Manufacturer            |
|--------|--------------------------------|-------------------------|
| 1      | GRAND THEFT AUTO : SAN ANDREAS | TAKE2 INTERACTIVE       |
| 2      | FIFA 2005                      | Electronic Arts         |
| 3      | Need for Speed-Underground 2   | Electronic Arts         |
| 4      | The Simpsons Hit & Run         | VIVENDI UNIVERSAL GAMES |
| 5      | World Soccer Winning Eleven 8  | Konami                  |
| 6      | Sonic Heroes                   | SEGA                    |
| 7      | Spider-Man2                    | ACTIVISION              |
| 8      | Need for Speed-Underground     | Electronic Arts         |
| 9      | HALO2                          | Microsoft               |
| 10     | DRIVER3                        | ATARI                   |



## Directionality of D3P<USA > Approach

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**Advent of next generation game machine 'PS3·Xbox360·Revolution' age**

**Need for a large amount of development cost**



**Holding middleware that enables "Series" development is crucial**



**Strategy of D3P = joint development of new engine for middleware**

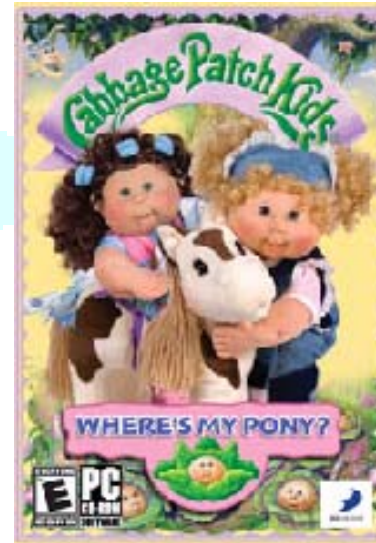
### Development partner : Digital Extremes

- Development company in Canada
- Partnered with Epic Games to co-create the award winning "Unreal", which sold over 9 millions world-wide
- ("Unreal" series:It is a hit engine each title is sold 2 or 3 millions of game(about 10 billion yen))
- Next generation game machine title "darkSector" is being jointly developed with our company with new next generation engine, "Sector Engine".



## Title sale situation

- Oct. of 2005 Cabbage Patch Doll (PC)
- Nov. of 2005 Hi Hi Puffy AmiYumi (GBA)
  - Cartoon Network broadcasting animated cartoon



## < sale schedule >

- Mar. of 2006 NARUTO(GBA&GC)
  - Joint publishing with TOMY Corporation, which is the subsidiary company of TOMY in the U.S.
  - Sales of game software for Nintendo platform in the U.S. market
  - Cartoon Network broadcasting animated cartoon



### ■ Yoji Takenaka Ni and Executive Vice President and COO

Yoji Takenaka had worked for 'THQ' that was the U.S. major publisher before joining D3PA. As a director of business development for an outstanding work of THQ, 'WWE', he established totally 4.5. Millions of the sales performance in 3 titles of 'WWE' released in 2000. In addition, he has handled The license acquisition for game such as "Britone Spears", "Pride" and Japanese animated cartoon of Japan. Takenaka has the experiences of producing entrusted development of more than 60 titles.

Takenaka is the foremost expert on engaging in game industry in North America market since dawn and understanding the U.S. market.

### ■ Brian Christian, Vice President of Product Development

Christian worked as an executive producer in 'Interplay', 'THQ' 'Take2' that are top publishers in the U.S.. He had handled majors license products.

Christian won 14 platinum disks and 22gold records as a music producer before working in the game industry.

### ■ Kim Motika, Vice President of Sales and Operations

As an authority in both sales and distribution channels and intellectual property law, Motika has provided guidance as a management consultant to entertainment software and technology companies including THQ, Inc. and TDK Media-Active.

Motika had involved in management at 'Interplay Entertainment' for ten years.

### ■ Alison Quirion, Vice President of Marketing

Prior to joining D3PA, Quirion was the director of the global brand management where she oversaw the marketing team responsible for Core Games and the Disney/Pixar product line. She had taken an active part as a product marketing manager in 'Interplay Production' where she was responsible for the marketing of more than 50 product launches .

### ■ Caren yapp, Vice President of Licensing

Yapp had served as a senior manager of licensing for U.S. major publisher, 'THQ' and portable contents company, 'THQ Wireless' where she was responsible for managing the licensing process and negotiating agreement with majors content licensors including motion picture studios, music companies, professional athletes and celebrity talents.

Yapp serves as the North America contents charge business of Fields Ltd. concurrently.

### 1. Full price business

- ◆ Up-grade title from SIMPLE series('Earth Defense Force')
- ◆ Realization of Fields synergy
  - Pachinko & slot machine capture software('Neon Genesis Evangelion Pachinko')
  - Fields licensed title (K-1 series)
- ◆ Development of D3P licensed games (Disney title)
- ◆ Deep plowing of games for girls, 'Twinkle Date' series (related product sale/event development)

### 2. SIMPLE series business

- ◆ Emphasis on the profit rate by selection and concentration  
marginal rise of sales number& slight decrease of annual title number

### 3. Portable contents business

- ◆ Japan: Certain revenue base at stable-growth period
- ◆ Foreign countries: To the contents supply to an overseas career

### 4. Image development business for Pachinko & slot machine characters

- ◆ The image development that stares at making to the game: "Developing games for popular characters" has large potential for the future.
- ◆ Use of low-cost development network



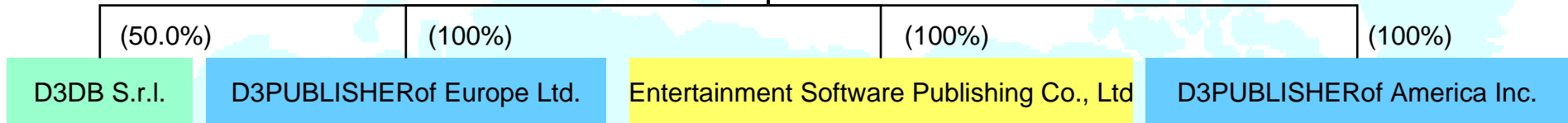
# Shift to System of Holding Company by Corporate Separation

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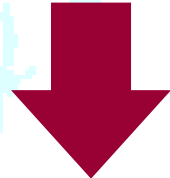
【 before company is divided 】

**D3 PUBLISHER Inc.**

- For details, refer to an indication material dated 14<sup>th</sup> of Dec., 2005



**Schedule of division into 1<sup>st</sup> of April, 2006**

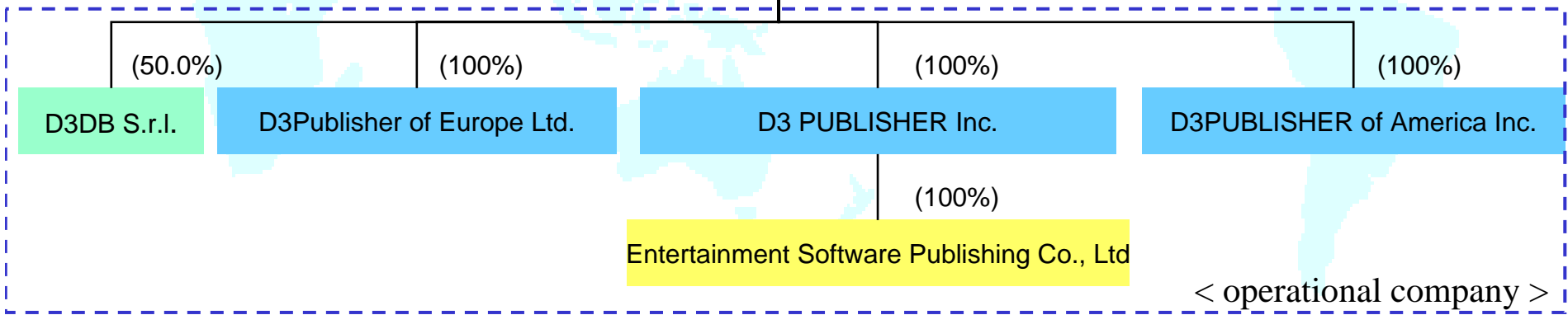


- 1) Decision of management strategy of the entire group/generalization
- 2) Possession and provision of world-wide Game contents
- 3) Risk control of the entire group
- 4) Back-office section management of the entire group
- 5) IR and Public Relations of the entire group

【 after company is divided 】

< holding company >

**D3 Inc.(change of trade name)**



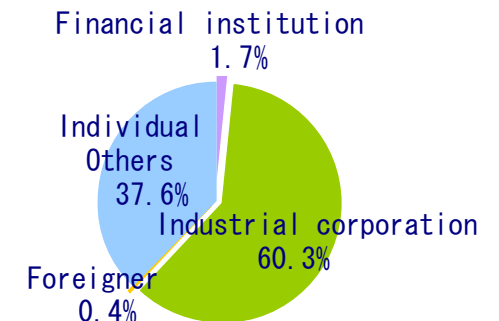


## Company Overview

**D3PUBLISHER**

< as of the end of November in 2005 >

- Company name D3 PUBLISHER, Inc.
- Establishment February, 1992(The business begun by MBO at the present company in July, 1999. )
- Address SHIBUYA SQUARE A2F,9-5, Dogenzaka 1-chome, Shibuya-ku
- The capital 1,728,390,000 yen
- Number of shares issued/ 20,956 shares and 1,045 people  
Number of Shareholder
- Business Contents Planning/Production/Sales of the consumer game software  
Planning/ sales of the game related products
- Representative CEO Yuji Ito
- Share listing JASDAQ(code: 4311)
- Number of employees 33 people (individual) 52 people(Consolidation)
- Main shareholder Fields Corp. 57.26% and Yuji Ito 17.18%
- Subsidiary Companies D3Publisher of America, Inc.(United States)  
D3Pubisher of Europe Ltd.(Britain)  
D3DB S.r.l . (Italy) /ESP, Co. Ltd.(Japan)



The situation of shares distribution according to owner

(As of October 31, 2005. )

**IR President Director CEO**

**Yuji Ito**

**Director in charge of Administrative Division Kenji Kotera**

**Director in charge of Corporate Planning Division Masaki Kojima**

**TEL: 03-5428-3455 FAX: 03-5428-3453**

**E-mail: [ir@d3p.co.jp](mailto:ir@d3p.co.jp)**

**URL: <http://www.d3p.co.jp/>**

The purpose of this document is not for inducement of investment D3P securities but for the provision of the information of our company. This document is based on the data as of October of 2005.

Opinions and Expectations written in this document can be changed without giving notice since those were written based on our own judgment and the accuracy of the information are not guaranteed.



(reference)

# Monthly Transition of the Number of Portable Contents Members

D3PUBLISHER

Person

800,000

700,000

600,000

500,000

400,000

300,000

200,000

100,000

0

DoCoMo au

**As of the end of October, 2005**

**DoCoMo+au**

**683,000 people**

Nov., 2002 Jan., 2003 Mar., 2003 May., 2003 Jul., 2003 Sept., 2003 Nov., 2003 Jan., 2004 Mar., 2004 May., 2004 Jul., 2004 Sept., 2004 Nov., 2004 Jan., 2005 Mar., 2005 May., 2005 Jul., 2005 Sept., 2005