

Fiscal Year 2006 Results Presentation

May 11, 2007



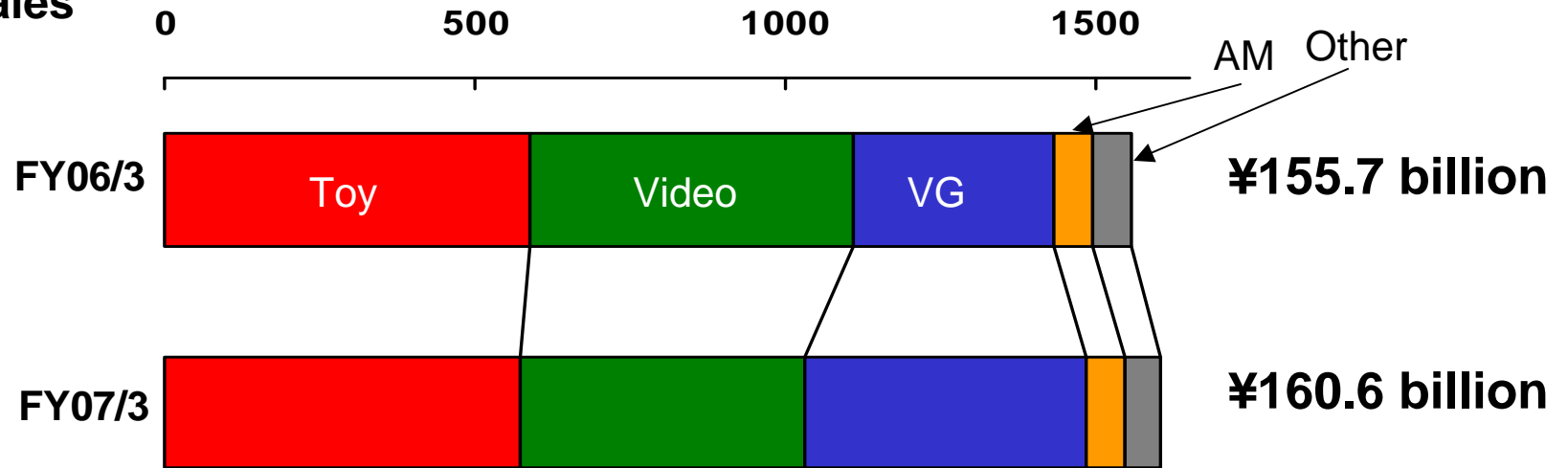
Happinet Corporation

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When using this information, please keep in mind that final results may vary.

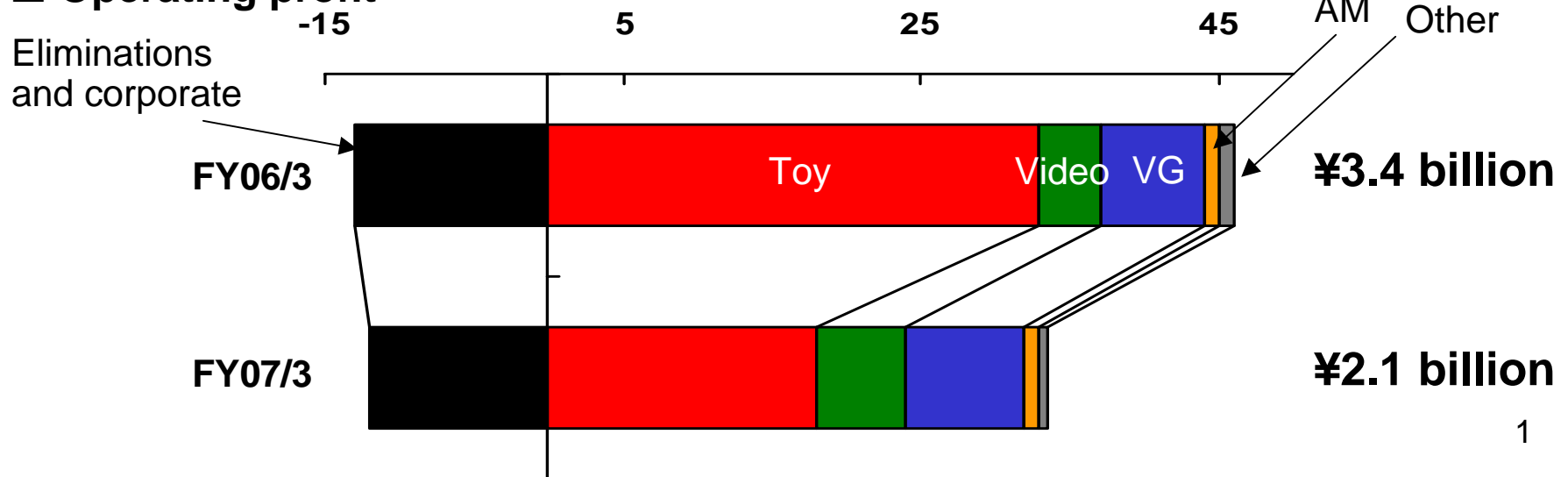
Fiscal Year 2006: Overview of Consolidated Operating Results



Net sales



Operating profit



Strategies in Each Business Segment for the Current Fiscal Year

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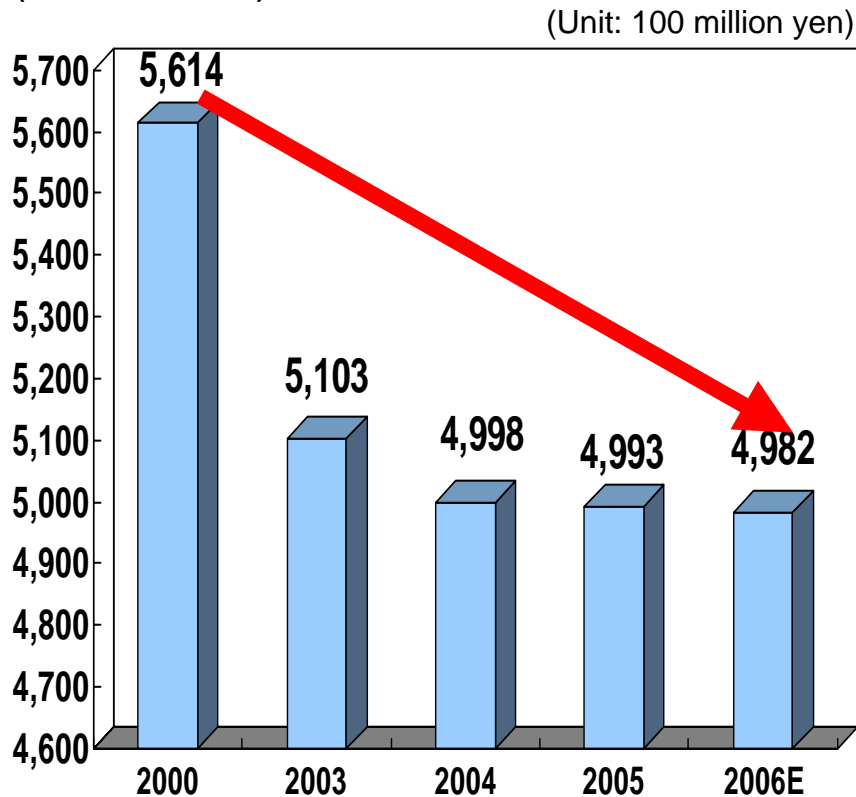
**Toy Business:
Strategies for the Current Fiscal Year**

Toy Business: Strategies for the Current Fiscal Year

Increase market share, leveraging our strong distribution and information functions, and viewing oligopolization as an opportunity amid market contraction

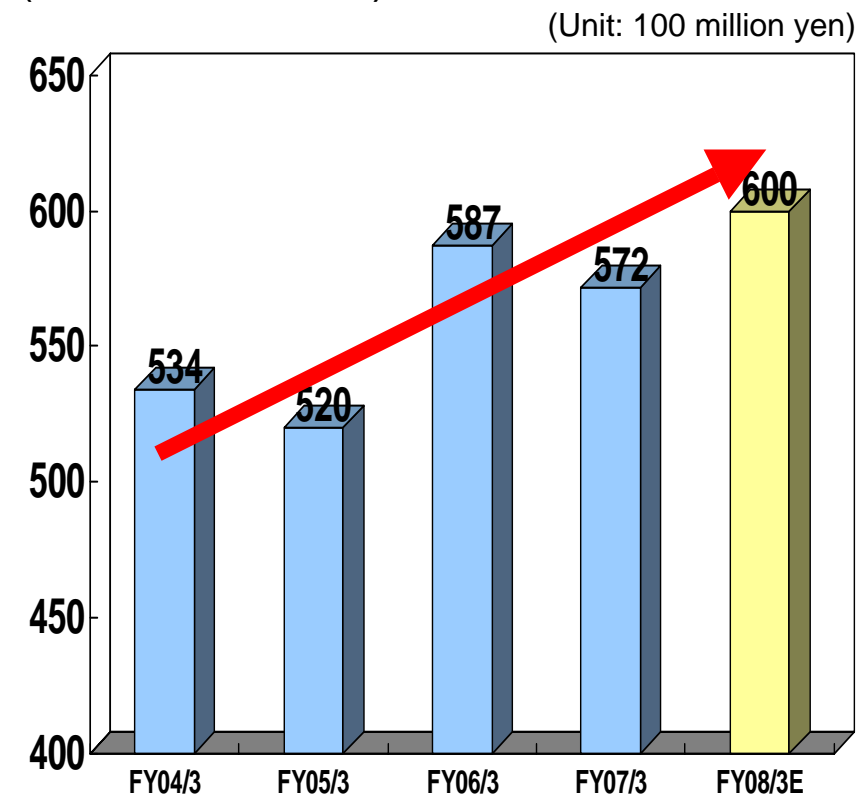
■ Toy market

(retail basis)



■ Happinet Toy Business Sales

(wholesale basis)



Source: Yano Research Institute "White Paper on the Toy Industry"

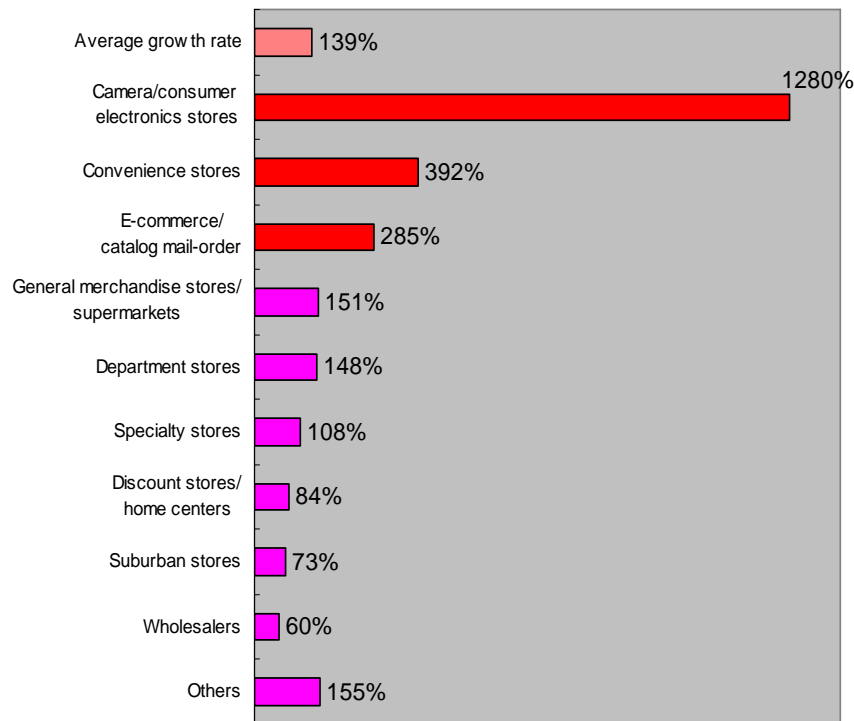
Toy Business: Strategies for the Current Fiscal Year

Increase market share, leveraging our strong distribution and information functions, and viewing oligopolization as an opportunity amid market contraction

1. Increase market share through strategic and aggressive efforts together with new sales channels

■ Growth rate by sales channel in the Toy Business (FY02/3 -FY07/3)

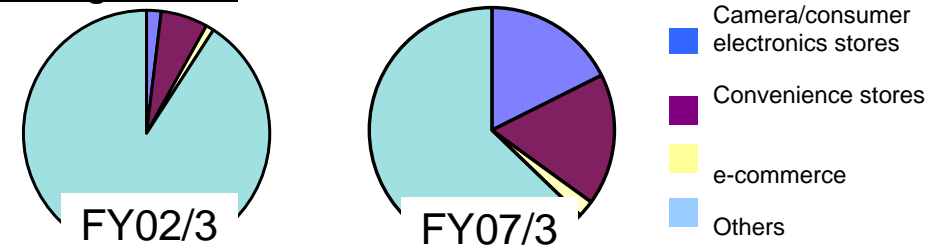
* Excluding Mori Toys, etc.



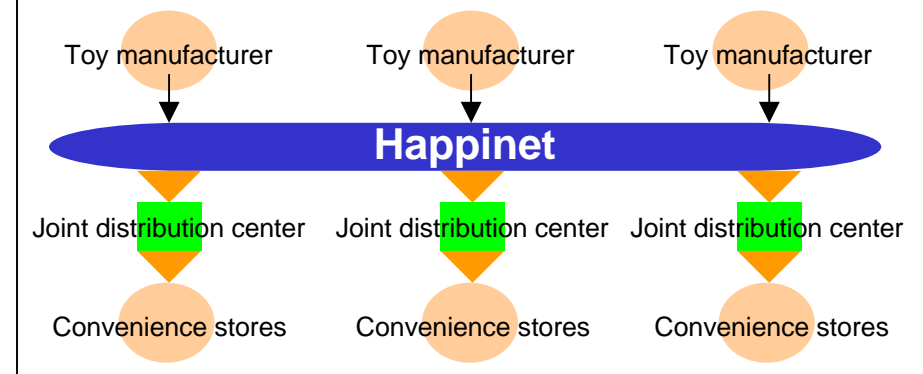
■ Breakdown by sales channel in the Toy Business

* Excluding Mori Toys, etc.

The percentage of sales via camera/consumer electronics stores, convenience stores, e-commerce rose from 9% six years ago to 37%



■ Convenience store distribution scheme



2. Secure a market edge by jointly developing exclusive distribution goods with small and midsize manufacturers

Focus on development by minimum guarantee and advanced development expenses, etc.

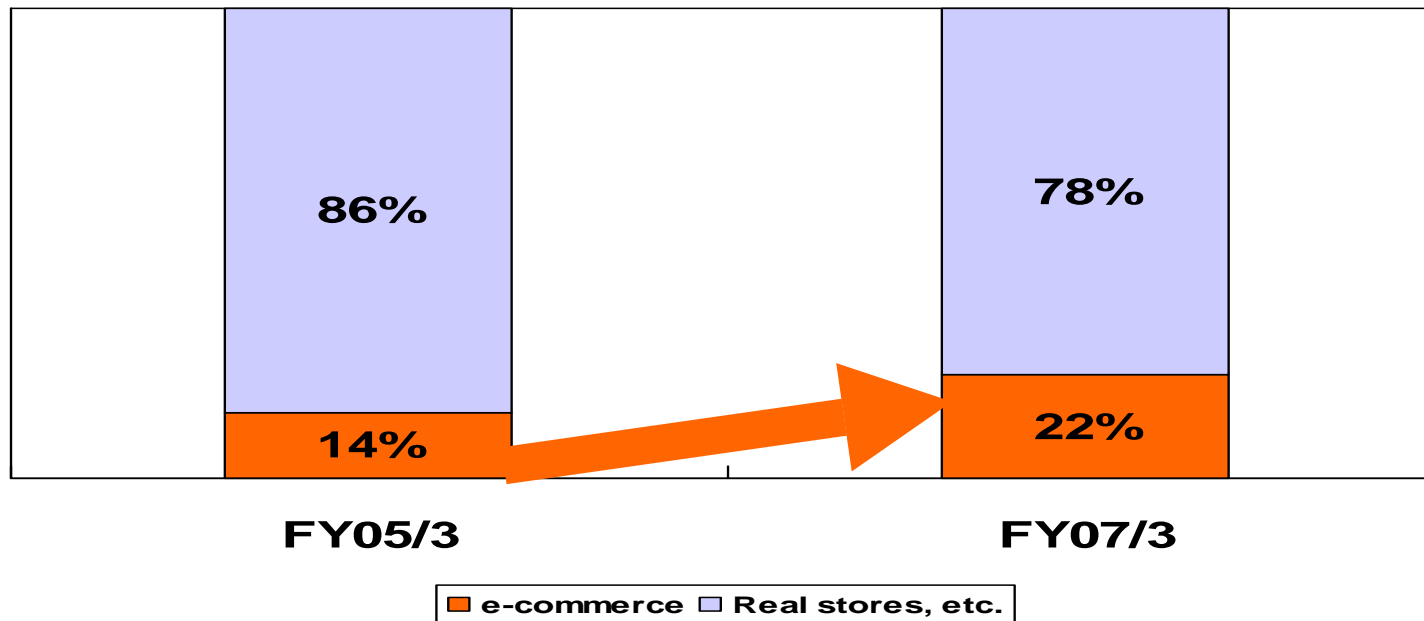
Video-Related Business: Strategies for the Current Fiscal Year

Video-Related Business: Strategies for the Current Fiscal Year

Wholesale Business

1. Strategic initiatives for the e-commerce channel as a new sale channel

■ Channel breakdown in the DVD market, estimated by Happinet (FY05/3 - FY07/3)



“Drop shipping,” an initiative that takes advantage of our strengths in distribution/information systems

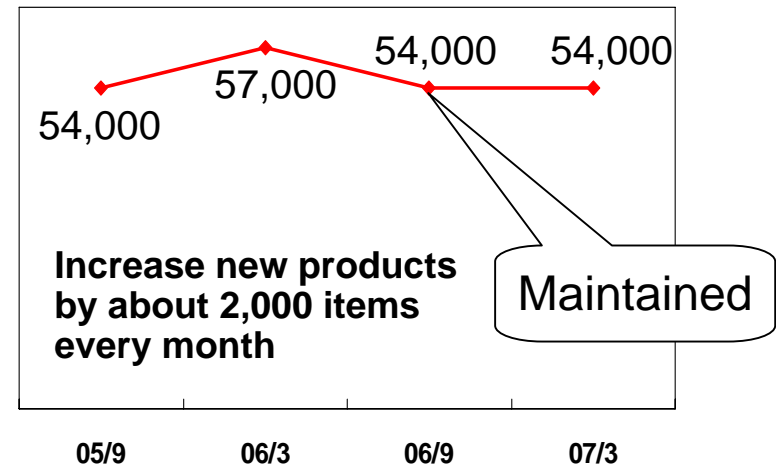
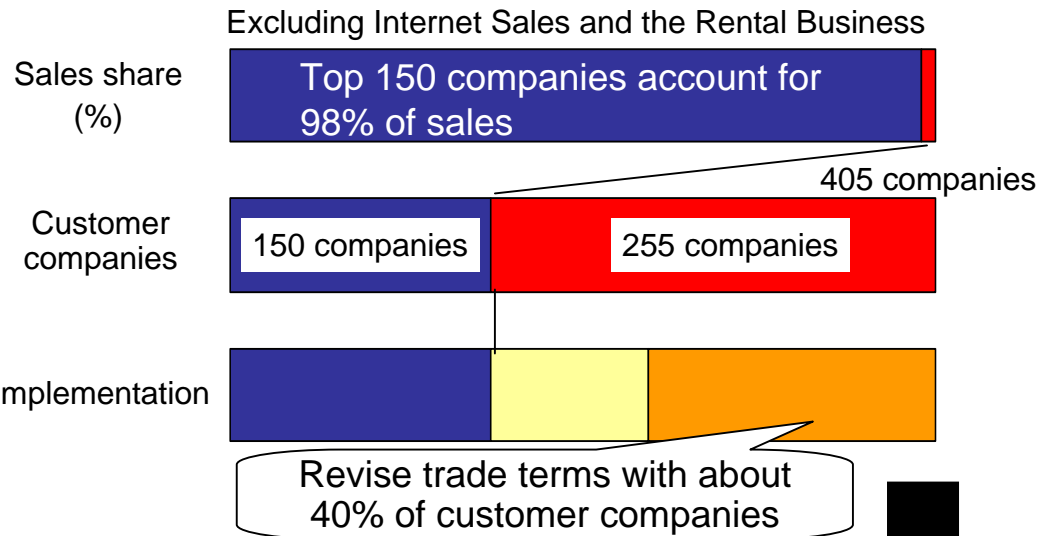
2. Embark on a study of the next-generation sales systems at actual stores

Video-Related Business: Strategies for the Current Fiscal Year

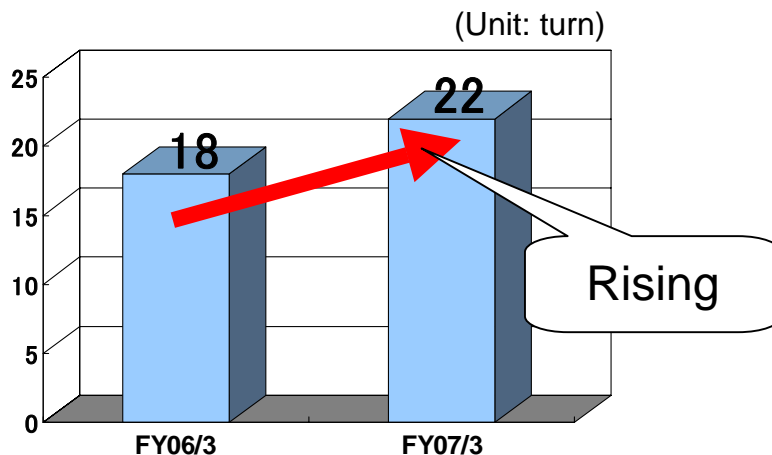
Wholesale Business Results from Marketing Reforms

■ Customer measures – Identify and focus on key customers

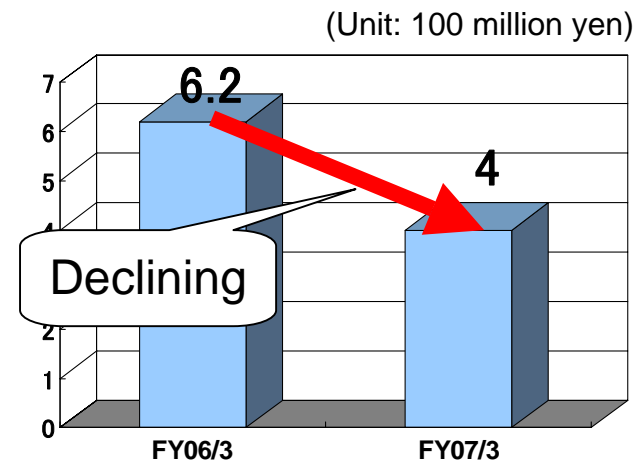
■ Merchandize management strategies – Changes in the number of items



■ Inventory turnover



■ Loss on disposal



Video-Related Business: Strategies for the Current Fiscal Year

Exclusive Titles Business

Film Investment

(Unit: 100 million yen)

	FY06/3	FY07/3	FY08/3E
Film investment	29	21	26

1. Strengthen strategic networks and invest in high-quality content (Cinequanon/Art Port, etc.)

■ *Pattigi! LOVE&PEACE*

Released on May 19 at Cinequanon Yurakucho and other theaters around the nation



(C)2007 *Pattigi! LOVE & PEACE* Partners
[Cinequanon/ Happinet/ SHOWBOS/ Yomiuri Telecasting/ Memory-Tech/
Avex Entertainment/ TOKYO FM]

■ *Lucky Number 7*



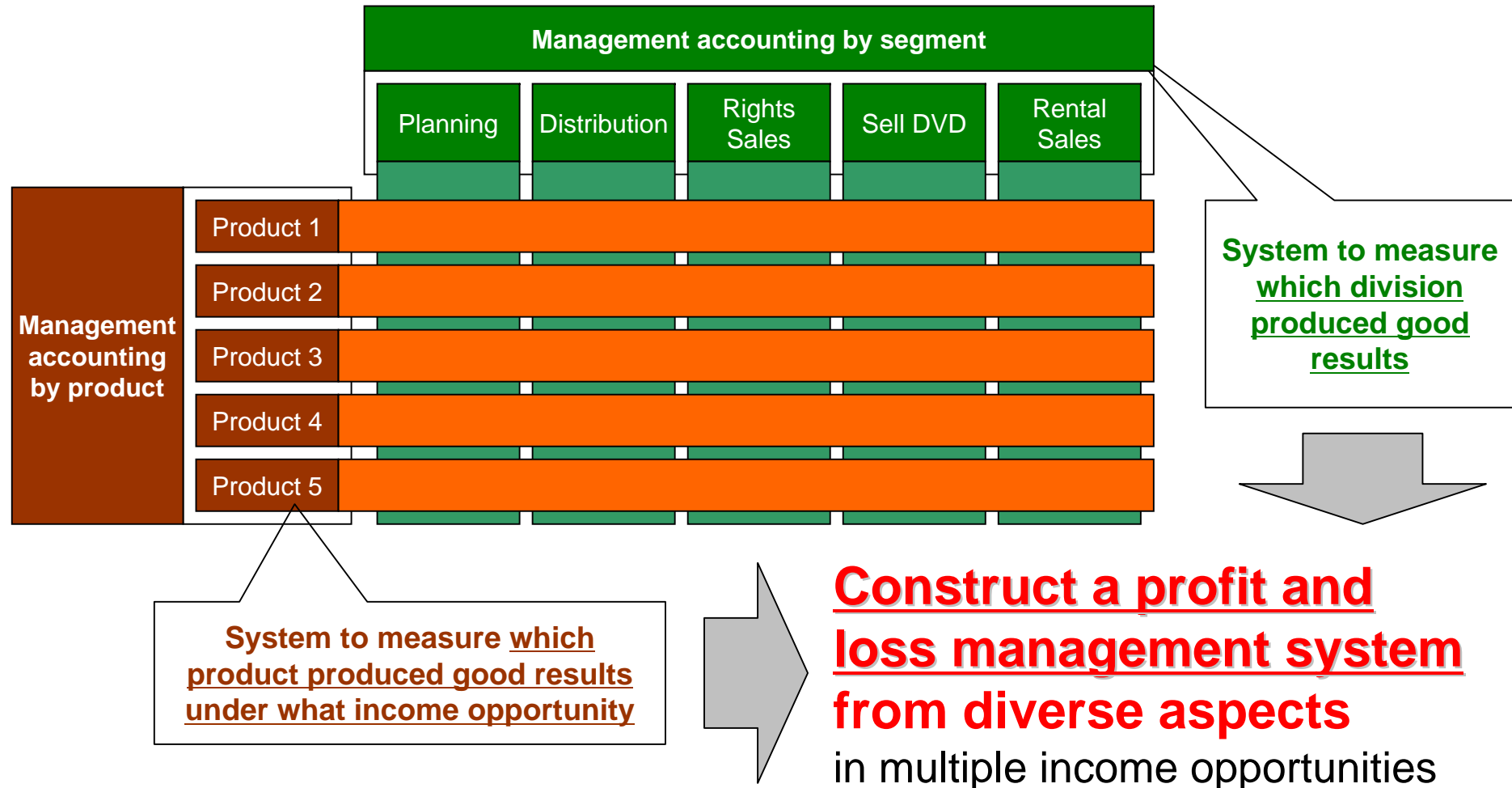
DVD:
to be launched
on June 22

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Video-Related Business: Strategies for the Current Fiscal Year

Exclusive Titles Business

2. Bolster the management system in the Exclusive Titles Business, clarify responsibilities and foster producers

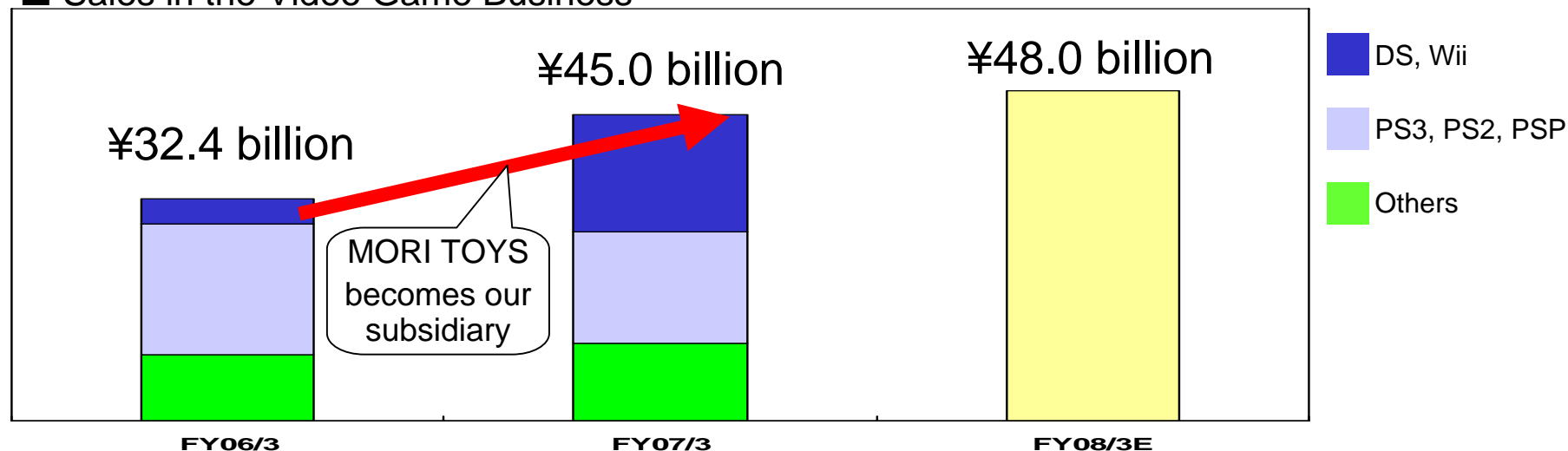


**Video Game Business:
Strategies for the Current Fiscal Year**

Video Game Business: Strategies for the Current Fiscal Year

Strengthen the collaboration with Nintendo through MORI GAMES

■ Sales in the Video Game Business



■ Video Game Business of Mori Toys and Forecast for Mori Games

(Unit: 100 million yen)

Video Game Business of MORI TOYS

MORI GAMES

	FY06/3	FY07/3	FY08/3E
Net sales	66	149	180

Video Game Business: Strategies for the Current Fiscal Year

- Xbox360

- Increase market share by releasing major titles

- *Trusty Bell – Chopin's Dream* (NAMCO BANDAI Games) Release date: June 14
- *Lost Odyssey* (Microsoft) Release date: 2007
- *Halo3* (Microsoft) Release date: 2007
- *Gundam Operation Troy* (NAMCO BANDAI Games) Release date: 2007

- PS3

- High hopes for PS3 as a Blu-ray device towards the end of the year

- Scheduled release of high-profile titles

- *Bokunonatuyasumi 3* (Sony Computer Entertainment) Release date: July 5
- *MinnanoGolf 5* (Sony Computer Entertainment) Release date: July 26

- Nintendo DS

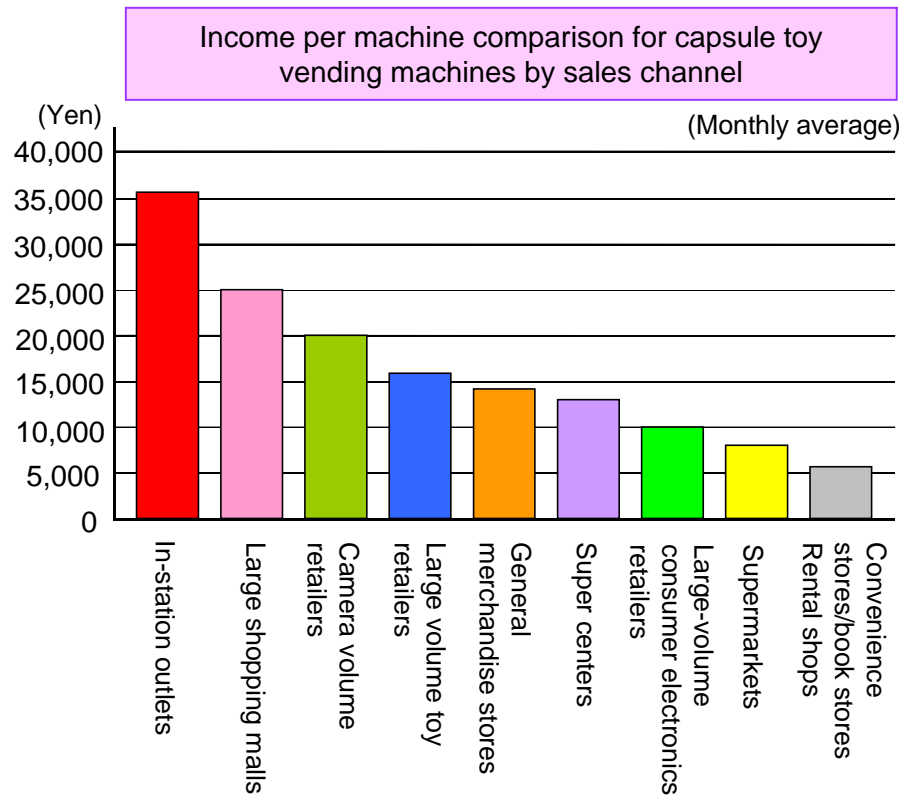
- *Dragon Quest IX* will be handled at large convenience stores

Amusement Business: Strategies for the Current Fiscal Year

Amusement Business: Strategies for the Current Fiscal Year

Aggressive development of growing sales channels for the capsule toy vending machine, such as in-station outlets and large shopping centers

1. Major effort to introduce the capsule toy vending machine into in-station outlets, a first for Japan



- Installation in about 70 locations, centering on Tokyo Metro and SEIBU Railway
- Target for the current fiscal year: 170 locations

Install in JR and major private railways in the Tokyo area, and move into the Kinki and Chukyo areas

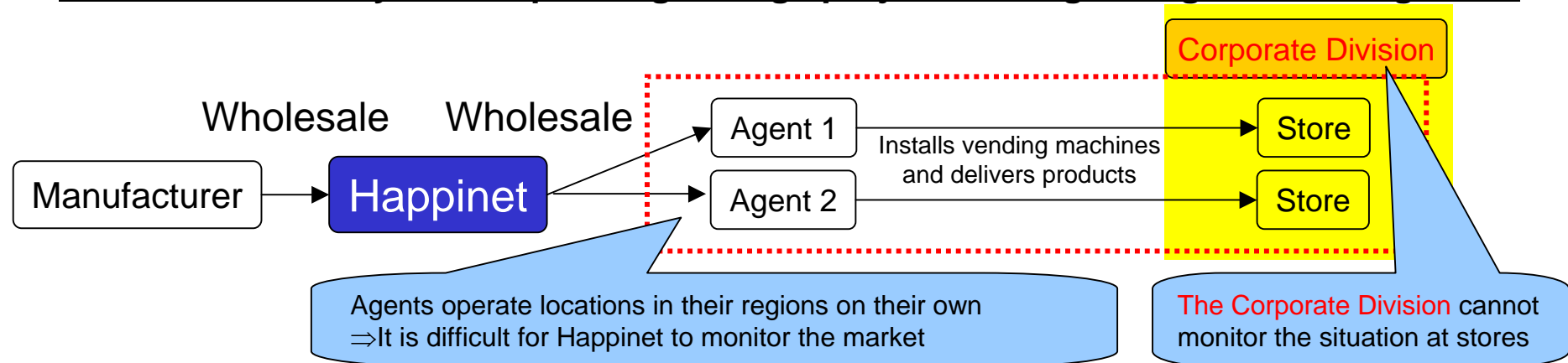
Target : 500 locations in in-station outlets

2. Expand the base of large corporations from which we can earn income

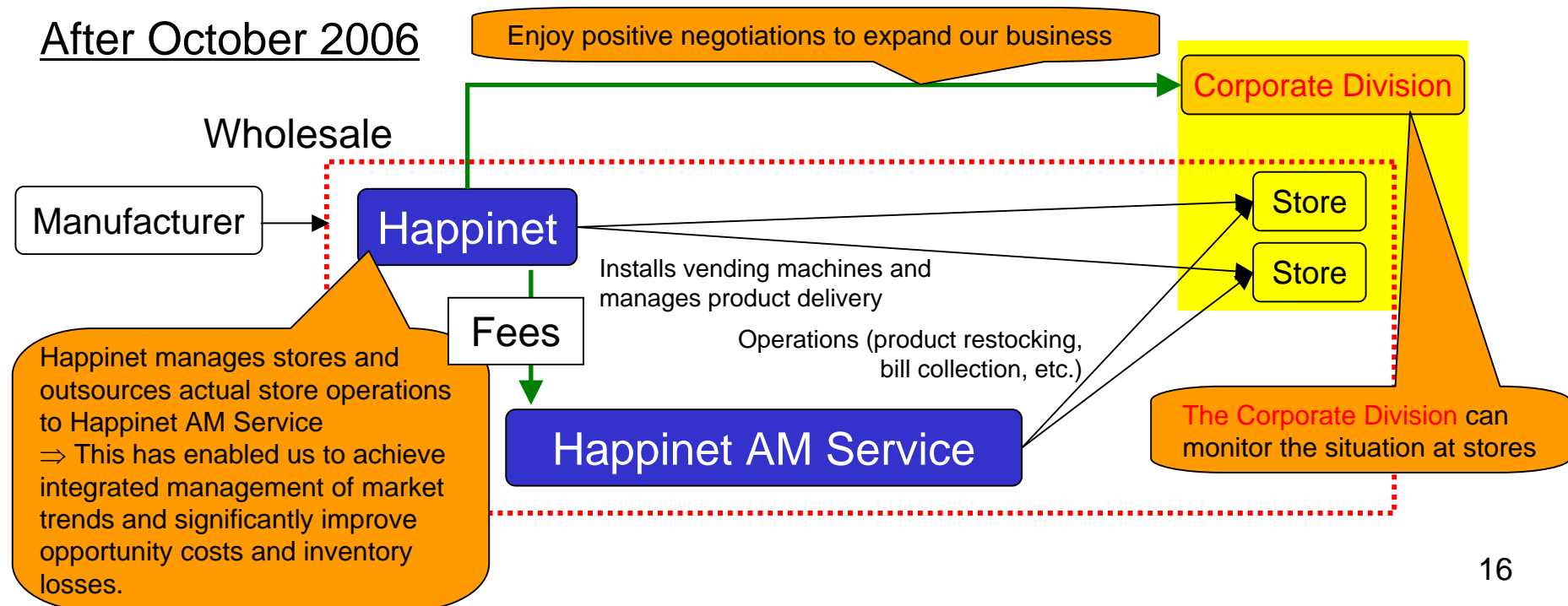
Amusement Business: Strategies for the Current Fiscal Year

Operation of the fee business:

Focus on efficiency and responding to large projects through integrated management



After October 2006



Forecasts for Fiscal Year 2007

Forecast consolidated results for fiscal 2007

(Unit: 100 million yen, %)

	FY07/3	FY08/3E	YoY growth
Net sales	1,606	1,650	2.7
Operating profit	21	23	6.8
Recurring profit	25	27	5.7
Net profit	16	17	5.2

Sales forecasts for fiscal 2007 by segment

(Unit: 100 million yen, %)

Segment	FY	FY08/3E	FY08/3E	
	FY07/3		Breakdown	YoY growth
Toy business	572	600	36.4	4.9
Video-related business	461	440	26.7	-4.7
Video game business	450	480	29.1	6.5
Amusement business	63	70	4.2	10.3
Other business	58	60	3.6	3.3
Total	1606	1,650	100	2.7

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Review of the Medium- to Long-Term Management Plan

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Review Happinet Dream 08, the 4th Medium- to Long-Term Management Plan

1. Create new mainstays that will be the core next-generation businesses.

Allocate the necessary resources to create new business mainstays so that we grow and develop in an evolving network society.

2. Construct a platform that responds to all business needs.

In marketing, emphasize a proactive approach to flexibly respond to all customer needs and their growth, leveraging our next-generation information systems and acting on business opportunities by differentiating our products and services from those of our competitors.

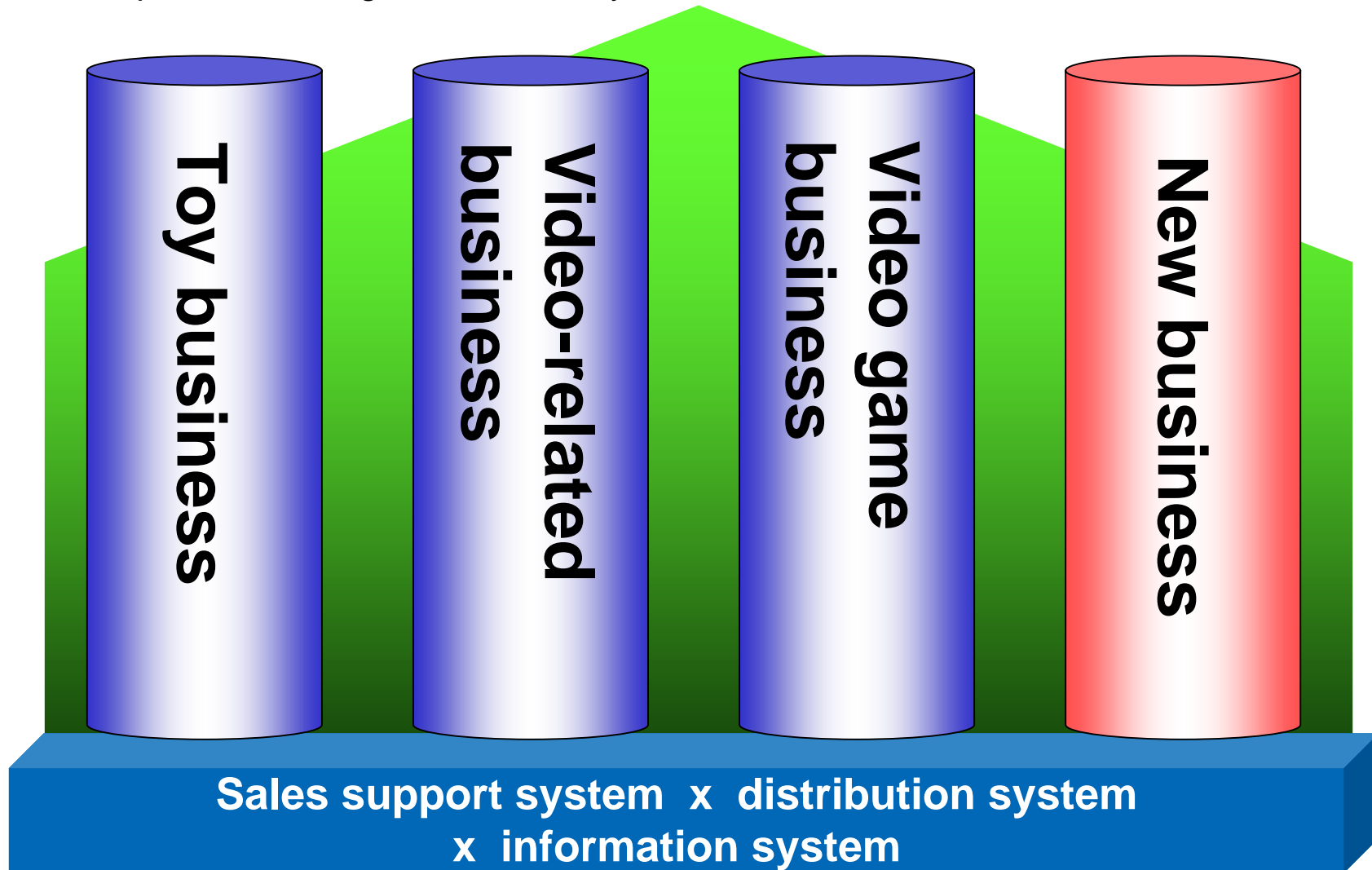
3. Establish a content business that has initiative.

Establish a new business model that encompasses distribution, by creating the functions to invent, produce, and supply quality content (including content created overseas).

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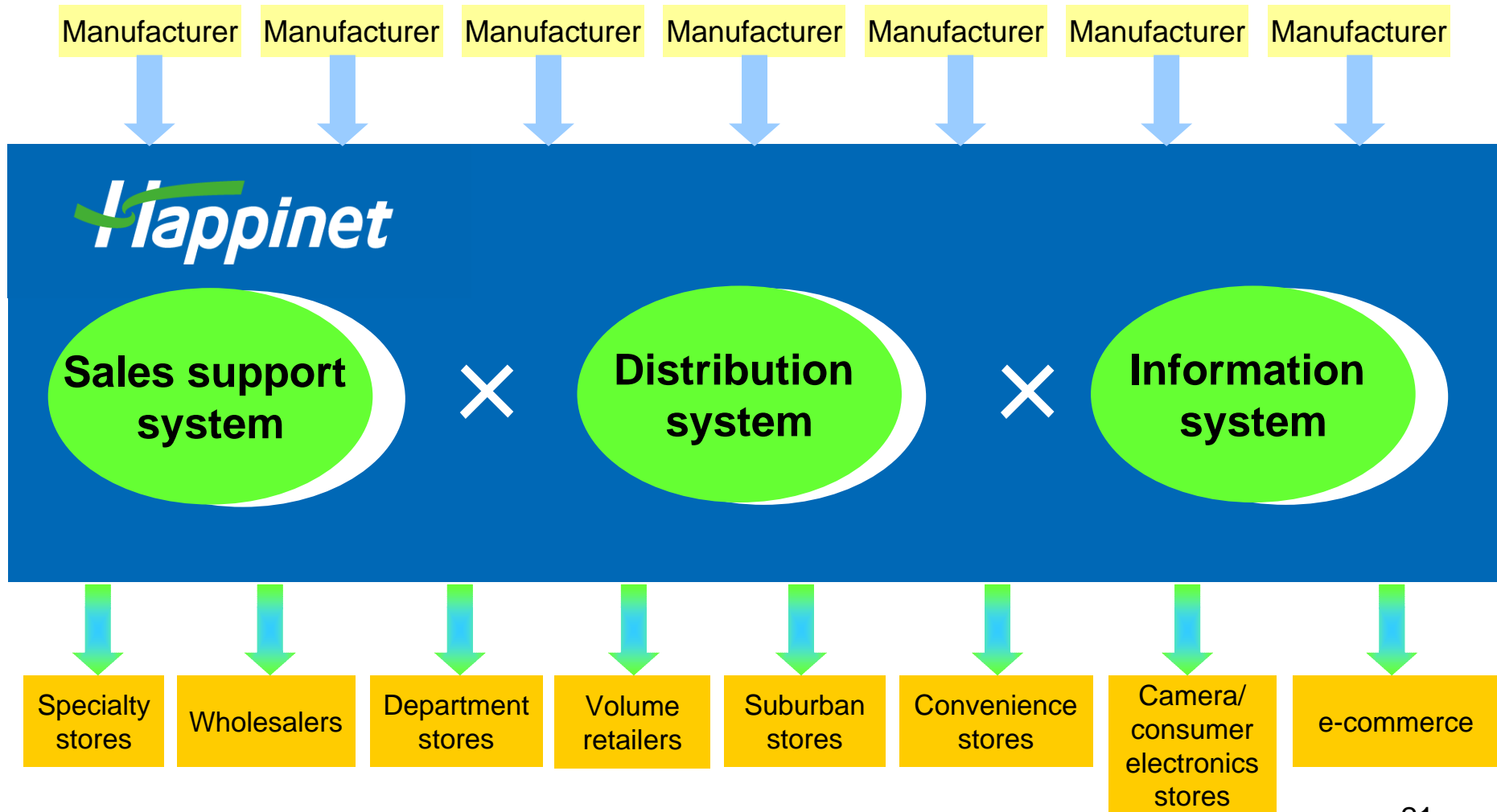
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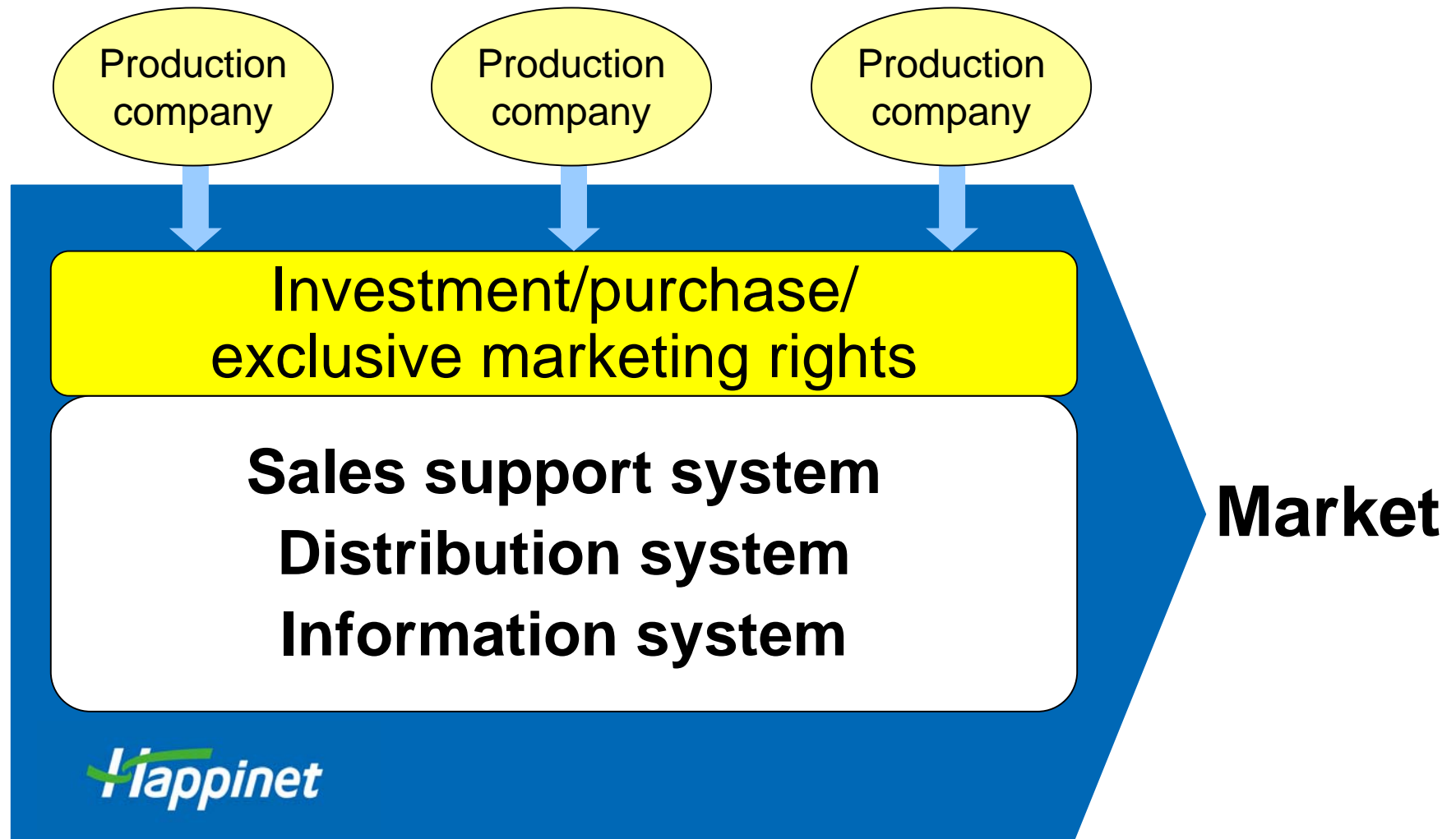
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Results forecast

(Unit: 100 million yen)

	FY05/3 (Actual)	FY06/3 (Actual)	FY07/3 (Actual)	FY08/3	FY09/3
Net sales	1,404	1,557	1,606	1,650	2,000
Recurring profit	30	37	25	27	50

