

Fiscal Year 2009

First half results briefing document

1. Fiscal 2009 first half consolidated results
2. (For reference) Fiscal 2009 consolidated forecasts

November 16, 2009

Happinet Corporation



Forecasts of future performance are provided for investors' reference. The forecasts are based on projections and estimates of the Company, and the Company does not give any assurance or guarantee of future performance. Please note that actual results may differ from the forecasts.

Consolidated business results

Fiscal period	Interim period of FY2006*	Interim period of FY2007*	1st half of FY2008	1st half of FY2009	Remarks	FY2005	FY2006	FY2007	FY2008
Net sales (million yen)	68,140	69,281	76,052	89,829		155,703	160,606	168,958	166,778
Operating profit (million yen)	877	1,157	1,226	930		3,470	2,153	1,451	2,137
Recurring profit (million yen)	1,064	1,210	1,365	1,059		3,786	2,554	1,569	2,322
Net profit (million yen)	685	718	618	657		2,270	1,616	-1,490	1,135
Net assets (million yen)	19,718	21,465	18,539	18,445		19,109	20,602	18,811	18,184
Total assets (million yen)	43,063	47,397	45,770	49,953		45,719	45,801	48,486	54,661
Net assets per share (yen)	1,641.15	1,786.54	1,590.76	1,646.64		1,590.44	1,714.73	1,566.17	1,599.08
Earnings per share (yen)	57.07	59.83	52.69	57.95		188.97	134.54	-124.11	97.64
Dividends per share (interim dividends)	(15.00)	(25.00)	(15.00)	(15.00)	The interim dividend for FY2007 includes a commemorative dividend of 10 yen.	27.5 (12.50)	30.0 (15.00)	40.0 (25.00)	30.0 (15.00)
Number of employees	761	727	868	978		607	743	890	1,008

(Notes)

1. Sales do not include consumption tax.
2. Happinet Corporation acquired an interest in Sunlink Co., Ltd. and The Apple Corporation on November 30, 2007, making them subsidiaries.
3. Happinet Corporation established Happinet Marketing Corporation as its wholly owned subsidiary on February 1, 2008. Happinet Marketing Corporation launched operations on April 1, 2008.
4. Happinet Corporation acquired an interest in WINT Co., Ltd. on March 30, 2009, making it subsidiaries.
5. Happinet Online was acquired by Happinet Corporation on April 1, 2009 (through a simplified merger/short form merger).
6. In accordance with change in accounting standards in association with the introduction of the legally defined quarterly results disclosure system, we are announcing results in the first half, starting the current fiscal year. *Figures in the interim period of FY2006 to FY2007 are shown for reference.

1. Fiscal 2009 first half consolidated results

Profit & loss statement

(million yen, %, rounded down)

	1st half of FY2008			1st half of FY2009			Remarks
		% of total	YoY		% of total	YoY	
Net sales	76,052	100.0	9.8	89,829	100.0	18.1	
Cost of sales	65,966	86.7	8.5	79,146	88.1	20.0	Includes inventory disposal loss of ¥837m in FY2009 and ¥672m in FY2008.
Gross profit	10,085	13.3	19.3	10,683	11.9	5.9	
SG&A expenses	8,858	11.6	21.4	9,752	10.9	10.1	
Personnel	3,134	4.1	22.2	3,358	3.7	7.2	
Contract personnel costs	1,069	1.4	79.8	830	0.9	-22.3	
Depreciation and amortization	247	0.3	40.8	417	0.5	68.2	
Goodwill	120	0.2	40.3	232	0.3	93.5	
Operating profit	1,226	1.6	6.0	930	1.0	-24.1	
Non-operating income	162	0.2	121.7	179	0.2	11.0	
Interest and dividends received	44	0.1	43.8	34	0.0	-23.1	
Other	117	0.2	179.0	145	0.2	24.0	
Non-operating expenses	23	0.0	13.5	51	0.1	118.9	
Interest paid	5	0.0	-2.3	32	0.0	473.3	
Other	17	0.0	19.5	19	0.0	8.1	
Recurring profit	1,365	1.8	12.8	1,059	1.2	-22.4	
Extraordinary gains	24	0.0	11329.0	72	0.1	190.0	
Extraordinary losses	119	0.2	394.5	115	0.1	-3.3	
Net profit before income taxes	1,270	1.7	7.1	1,016	1.1	-20.0	
Income taxes	637	0.8	36.5	358	0.4	-43.9	
Minority interests	14	0.0	—	—	—	—	
Net profit	618	0.8	-13.9	657	0.7	6.3	

Earnings per share (yen)	52.69	—	-11.9	57.95	—	10.0
Average number of shares during period	11,745,472			11,352,487		

Number of employees at end of period	868	—	19.4	978	—	12.7
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(Note) The number of employees includes employees temporarily transferred from other companies and contract employees, but excludes employees seconded to other companies and temporary employees.

Capital expenditure	790	—	147.3	332	—	-58.0
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1. Fiscal 2009 first half consolidated results

(1) Sales by business segment

(million yen, %, rounded down)

Segment	FY	1st half of FY2008		1st half of FY2009			FY2008			Remarks	
			% of total	YoY		% of total	YoY		% of total		YoY
Toy business		23,409	30.8	-6.2	24,546	27.3	4.9	54,482	32.7	-5.7	
Visual and Music business		16,637	21.9	-10.6	33,483	37.3	101.3	36,570	21.9	-5.1	
Video game business		23,671	31.1	17.0	19,395	21.6	-18.1	50,474	30.3	-7.4	
Amusement business		9,341	12.3	205.5	8,565	9.5	-8.3	17,919	10.7	38.3	
Other business		2,991	3.9	23.5	3,838	4.3	28.3	7,330	4.4	43.0	
Total		76,052	100.0	9.8	89,829	100.0	18.1	166,778	100.0	-1.3	

Starting in the fiscal year ending March 31, 2010, the name of the "video-related business" segment was changed to the "Visual and Music business."

(2) Operating profit by business segment

(million yen, %, rounded down)

Segment	FY	1st half of FY2008		1st half of FY2009		FY2008		Remarks
			YoY		YoY		YoY	
Toy business		356	-61.1	681	91.3	894	-30.2	
Visual and Music business		823	173.4	-63	—	1,330	3494.6	
Video game business		646	32.4	420	-35.0	1,221	-7.6	
Amusement business		-28	—	462	—	-127	—	
Other business		33	-38.9	68	106.1	101	152.5	
Eliminations and corporate		-604	—	-639	—	-1,283	—	
Total		1,226	6.0	930	-24.1	2,137	47.3	

Starting in the fiscal year ending March 31, 2010, the name of the "video-related business" segment was changed to the "Visual and Music business."

(3) Sales by channel

(billion yen, %, rounded down)

Segment	FY	1st half of FY2008		1st half of FY2009			FY2008			Remarks	
			% of total	YoY		% of total	YoY		% of total		YoY
Specialty stores		23.4	30.8	14.9	29.4	32.8	25.8	55.2	33.1	8.5	Includes consumer electronics and camera stores
E-commerce		13.5	17.8	-7.6	11.3	12.6	-16.6	28.8	17.3	-17.6	
General merchandise stores		13.6	17.9	34.1	15.3	17.1	12.7	27.0	16.2	-9.5	
Wholesalers		7.7	10.2	20.7	10.9	12.1	40.5	17.0	10.2	14.2	
Convenience stores		6.0	8.0	7.0	10.5	11.8	74.8	14.1	8.5	11.3	
Suburban stores		4.9	6.5	-22.2	8.1	9.1	64.0	9.0	5.4	-33.0	
Department stores		0.7	1.1	-41.2	0.6	0.8	-13.6	1.6	1.0	-36.9	
Other		5.8	7.7	39.0	3.3	3.7	-42.5	13.7	8.3	45.8	
Total		76.0	100.0	9.8	89.8	100.0	18.1	166.7	100.0	-1.3	

1. Fiscal 2009 first half consolidated results

(4) Overview of major businesses 1

● Toy sales by manufacturer

(billion yen, %, rounded down)

Manufacturer	FY	1st half of FY2008			1st half of FY2009			FY2008			Remarks
			% of total	YoY		% of total	YoY		% of total	YoY	
Bandai Co., Ltd.		12.7	54.6	-11.8	13.8	56.6	8.6	28.9	53.1	-3.9	
Tomy Co., Ltd.		2.0	8.7	-3.8	1.8	7.7	-6.9	4.8	8.8	-1.1	
Happinet originals		0.6	2.9	-53.5	0.7	3.1	10.9	1.2	2.3	-52.3	
Other manufacturers		7.9	33.8	15.1	8.0	32.6	1.3	19.5	35.8	-3.4	
Total		23.4	100.0	-6.2	24.5	100.0	4.9	544.4	100.0	-5.7	

● Visual and Music business sales composition

(billion yen, %, rounded down)

Business	FY	1st half of FY2008			1st half of FY2009			FY2008			Remarks
			% of total	YoY		% of total	YoY		% of total	YoY	
Wholesale		12.6	76.0	-10.3	17.4	52.0	37.8	29.1	79.6	-2.6	
Exclusive titles		3.9	24.0	-11.4	3.2	9.7	-18.7	7.4	20.4	-13.9	
Visual		16.6	100.0	-10.6	20.6	61.7	24.2	36.5	100.0	-5.1	
Music		—	—	—	12.8	38.3	—	—	—	—	
Total		16.6	100.0	-10.6	33.4	100.0	101.3	36.5	100.0	-5.1	

Starting in the fiscal year ending March 31, 2010, the name of the "video-related business" segment was changed to the "Visual and Music business."

1. Fiscal 2009 first half consolidated results

(4) Overview of major businesses 2

● Sales by video game machine

(billion yen, %, rounded down)

Item	FY	1st half of FY2008		1st half of FY2009			FY2008			Remarks	
		% of total	YoY	% of total	YoY	% of total	YoY				
PlayStation 3 (PS3)		1.4	5.9	124.1	1.9	10.0	38.2	3.8	7.6	21.1	
PlayStation 2 (PS2)		1.7	7.5	-39.8	0.6	3.5	-61.7	2.9	5.9	-48.6	
PlayStation Portable (PSP)		5.0	21.3	66.1	2.9	15.1	-42.2	10.3	20.5	10.3	
Wii		2.6	11.3	-9.4	2.1	11.3	-18.1	4.2	8.5	-52.7	
Nintendo DS		4.5	19.2	-28.4	4.9	25.3	7.8	9.6	19.0	-24.6	
Other		8.2	34.8	90.8	6.7	34.8	-17.8	19.4	38.5	34.9	
Total		23.6	100.0	17.0	19.3	100.0	-18.1	50.4	100.0	-7.5	

● Breakdown of PlayStation sales and sales volume

(billion yen, %, rounded down)

Item	FY	1st half of FY2008		1st half of FY2009			FY2008			Remarks	
		% of total	YoY	% of total	YoY	% of total	YoY				
PS3	hardware	0.6	7.8	73.2	1.0	18.5	59.9	1.7	10.0	-11.6	(16,000 units)
	software	0.7	8.8	211.1	0.8	15.9	20.8	2.0	11.9	95.1	(40,000 units)
	accessories	0.0	0.4	63.6	0.0	0.7	6.2	0.0	0.4	-59.2	
PS2	hardware	0.1	1.5	-30.2	0.0	0.6	-70.2	0.2	1.2	-40.0	(8,000 units)
	software	1.6	19.7	-40.3	0.6	11.4	-61.2	2.7	15.8	-49.1	(2,000 units)
	accessories	0.0	0.4	-46.0	0.0	0.3	-57.4	0.0	0.4	-51.2	(10,000 units)
PSP	hardware	3.1	38.5	72.4	1.0	19.7	-65.5	5.9	34.8	1.2	(164,000 units)
	software	1.6	20.6	61.0	1.7	31.5	3.2	4.0	23.6	33.1	(61,000 units)
	accessories	0.1	2.3	26.0	0.0	1.4	-58.0	0.3	1.9	-24.3	(310,000 units)
Total		8.2	100.0	24.4	5.4	100.0	-32.7	17.1	100.0	-6.5	

1. Fiscal 2009 first half consolidated results
Balance sheet (1)

(million yen, rounded down)

	1st half of FY2008	FY2008	1st half of FY2009		Remarks
				Change	
Assets					
(1) Current assets	38,422	44,864	40,585	-4,279	
1. Cash and deposits	6,355	5,463	4,206	-1,256	
2. Accounts and notes receivable	18,560	25,149	25,307	157	
3. Inventories	8,527	9,346	7,736	-1,609	
4. Advances	2,128	2,315	1,183	-1,132	
5. Deferred tax assets	1,751	1,502	1,209	-292	
6. Other	1,385	1,715	1,360	-355	
7. Allowance for doubtful accounts	-286	-629	-418	210	
(2) Fixed assets	7,348	9,797	9,368	-429	
1. Tangible fixed assets	2,152	1,952	1,826	-126	
Buildings and structures	570	569	541	-28	
Land	819	701	701	—	
Other	761	681	584	-97	
2. Intangible fixed assets	2,543	4,488	4,255	-233	
Goodwill	652	1,868	1,635	-232	
Other	1,891	2,620	2,620	-0	
3. Investments and other assets	2,652	3,355	3,286	-69	
Investment securities	1,752	1,742	1,700	-42	
Long-term prepaid expenses	8	9	17	8	
Guarantees paid	636	892	909	17	
Deferred tax assets	96	542	557	14	
Other	351	301	357	55	
Allowance for doubtful accounts	-193	-133	-255	-122	
Total assets	45,770	54,661	49,953	-4,708	

1. Fiscal 2009 first half consolidated results
Balance sheet (2)

(million yen, rounded down)

	1st half of FY2008	FY2008	1st half of FY2009		Remarks
				Change	
Liabilities					
(1) Current liabilities	25,042	33,171	28,476	-4,695	
1. Accounts and notes payable	19,401	20,748	20,738	-10	
2. Short-Term Borrowing	—	5,520	2,650	-2,870	
3. Deferred payments	2,309	3,640	2,879	-761	
4. Income tax payable	417	433	108	-325	
5. Bonus reserve	418	445	446	1	
6. Other	2,495	2,384	1,653	-730	Allowance for losses on business restructuring \376m (¥1,189m in FY2008)
(2) Fixed liabilities	2,188	3,305	3,031	-273	
1. Reserve for retirement benefits	1,193	1,356	1,410	53	
2. Long-Term Borrowing	—	430	285	-145	
3. Guarantees received	658	947	902	-45	
4. Deferred tax liabilities	0	1	16	15	
5. Negative goodwill	118	128	109	-18	
6. Other	217	440	307	-132	
Total liabilities	27,230	36,476	31,508	-4,698	
Shareholders' equity					
(1) Capital	2,751	2,751	2,751	—	
(2) Capital reserve	2,776	2,776	2,776	—	
(3) Retained earnings	12,986	13,328	13,815	487	
(4) Treasury stock	-534	-900	-1,116	-216	
(5) Net unrealized gain on securities	560	228	219	-9	
(6) Minority interests	—	—	—	—	
Total shareholders' equity	18,539	18,184	18,445	260	
Total liabilities and shareholders' equity	45,770	54,661	49,953	-4,708	
Net assets per share (¥)	1,590.76	1,599.08	1,646.64	47.55	
Shares outstanding at end of period	11,654,695	11,371,995	11,201,875		

1. Fiscal 2009 first half consolidated results
Cash flow statement

	1st half of FY2008	1st half of FY2009		Remarks
			Change	
(1) Cash flows from operating activities				
Net profit before income taxes	1,270	1,016	-254	
Depreciation and amortization	247	417	169	
Change in trade receivables	2,740	-279	-3,020	
Change in inventories	-1,076	1,609	2,685	
Change in trade payables	-1,695	-10	1,685	
Change in other receivables	-73	255	328	
Change in other payables	-115	-354	-238	
Other	468	584	115	
Payment of income taxes	-43	-420	-376	
Net cash provided by/used in operating activities	1,723	2,817	1,094	
(2) Cash flows from investing activities				
Payments for purchase of tangible and intangible fixed assets	-763	-742	20	
Payments for purchase of investment securities	-8	-5	3	
Proceeds from sale of investment securities	169	54	-115	
Other	65	585	520	
Net cash provided by/used in investing activities	-537	-108	429	
(3) Cash flows from financing activities				
Payments of repayments of short-term and long-term borrowing	-157	-3,015	-2,857	
Payments of dividends	-178	-170	8	
Payments for acquisition of treasury stock	-294	-216	78	
Other	-40	-45	-5	
Net cash provided by/used in financing activities	-671	-3,447	-2,776	
(4) Conversion Difference in cash and equivalents	—	-0	-0	
(5) Change in cash and equivalents	513	-738	-1,252	
(6) Cash and equivalents at beginning of period	5,837	4,945	-891	
(7) Cash and equivalents at end of period	6,351	4,206	-2,144	

2. (For reference) Fiscal 2009 consolidated forecasts
Profit & loss statement

(million yen, %, rounded down)

	FY2008			FY2008 (forecast)			Remarks
		% of total	YoY		% of total	YoY	
Net sales	166,778	100.0	-1.3	200,000	100.0	19.9	
Cost of sales	146,787	88.0	-2.6	174,000	87.0	18.5	
Gross profit	19,990	12.0	9.2	26,000	13.0	30.1	
SG&A expenses	17,852	10.7	5.9	23,700	11.9	32.8	
Personnel	6,276	3.8	10.5	7,500	3.8	19.5	
Contract personnel costs	2,098	1.3	26.0	2,600	1.3	23.9	
Depreciation and amortization	546	0.3	28.0	1,200	0.6	119.5	
Goodwill	238	0.1	10.2	466	0.2	95.0	
Operating profit	2,137	1.3	47.3	2,300	1.2	7.6	
Non-operating income	265	0.2	63.4	343	0.2	29.2	
Interest and dividends received	71	0.0	50.9	93	0.0	30.4	
Other	194	0.1	68.5	250	0.1	28.8	
Non-operating expenses	80	0.0	82.5	143	0.1	78.4	
Interest paid	11	0.0	-42.6	120	0.1	909.9	
Other	68	0.0	194.3	23	0.0	-66.3	
Recurring profit	2,322	1.4	48.0	2,500	1.3	7.6	
Extraordinary gains	41	0.0	—	—	—	—	
Extraordinary losses	381	0.2	-90.5	—	—	—	
Net profit before income taxes	1,983	1.2	—	2,500	1.3	26.1	
Income taxes	833	0.5	—	1,200	0.6	44.0	
Minority interests	14	0.0	—	—	—	—	
Net profit	1,135	0.7	—	1,300	0.7	14.4	

Earnings per share (yen)	97.64	—	—	114.32	—	17.1	
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Average number of shares during pe. 11,635,001

Number of employees at end of period	1,008	—	13.3	1,008	—	—	
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(Note) The number of employees includes employees temporarily transferred from other companies and contract employees, but excludes employees seconded to other companies and temporary employees.

Capital expenditure	1,581	—	89.4	1,254	—	-20.7	
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Forecasts of future performance are provided for investors' reference. The forecasts are based on projections and estimates of the Company, and the Company does not give any assurance or guarantee of future performance. Please note that actual results may differ from the forecasts.

2. (For reference) Fiscal 2009 consolidated forecasts

Sales forecasts by business segment

(million yen, %, rounded down)

Segment	FY	1st half of FY2009		FY2008		FY2009 (forecast)				
			% of total	YoY		% of total	YoY	% of total	YoY	
Toy business		24,546	27.3	4.9	54,482	32.7	-5.7	52,000	26.0	-4.6
Visual and Music business		33,483	37.3	101.3	36,570	21.9	-5.1	75,000	37.5	105.1
Video game business		19,395	21.6	-18.1	50,474	30.3	-7.4	50,000	25.0	-0.9
Amusement business		8,565	9.5	-8.3	17,919	10.7	38.3	18,000	9.0	0.5
Other business		3,838	4.3	28.3	7,330	4.4	43.0	5,000	2.5	-31.8
Total		89,829	100.0	18.1	166,778	100.0	-1.3	200,000	100.0	19.9

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