

FACT BOOK

(7552)
HAPPINET CORPORATION

For the Six Months Ended September 30, 2012

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Group Vision, Management Stance, Principle of Conduct

▶ Group Vision

We will further develop Happiness Networking, inspire individuals by creating Entertainment Style, and build a future full of dreams.

▶ Management Stance

We constantly lead changes and advance self-improvement, and blaze trails to new business opportunities.

For Customers

We strengthen cooperation with partners and provide satisfaction to people.

For Employees

We respect each individual, create opportunities for growth and challenge, and foster a rewarding job environment.

For Society

We contribute to the realization of a fun and vibrant society by performing business activities based on our Business Ethics.

For Shareholders

We increase business transparency by actively disclosing information, and engage in activities that earn the trust and expectations of shareholders.

▶ Principles of Conduct

We act while constantly considering what is important and what is right.

The overriding objective of the HAPPINET Group is to create added value to enrich the lifestyle of our customers, which we provide through entertainment business activities developed with a broad array of partners—a “Networking” contributing to the “Happiness” of others.

To create meaningful social value by providing people with excitement and entertainment: That is the HAPPINET Group’s raison d’être.

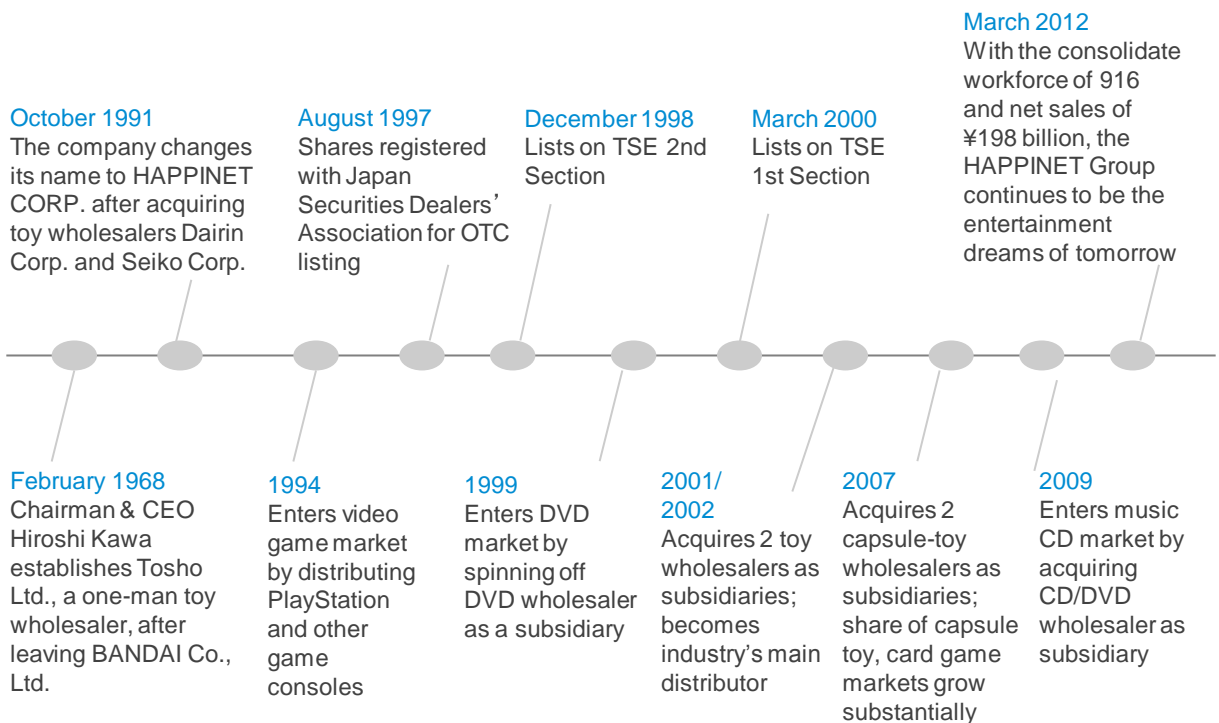


Corporate Profile

▶ Registered Name	HAPPINET CORPORATION
▶ URL	http://www.happinet.co.jp/english/
▶ Head Office	Komagata CA Bldg., 2-4-5 Komagata, Taito-ku, Tokyo 111-0043 Japan
▶ Established	June 7, 1969
▶ Representatives	Hiroshi Kawai, Representative Director Chairman of the Board and CEO Kazuhiko Note, Representative Director President and COO
▶ Main Business	Planning, manufacture and sales of toys; Planning, development and marketing of audio-visual software; Sales of video game hardware and software; Sales of arcade game equipment; Operation of toy vending machines



Major Milestones





Business Segments and Group

Our operations can be divided into the following four segments: the Toy Business; Visual and Music Business; Video-Game Business; and the Amusement Business. For the fiscal year ended in March 2012, sales from each business respectively accounted for 39.0%, 28.1%, 21.6% and 11.3% of our Group total, reflecting a fairly balanced sales mix.

Meanwhile, a breakdown in sales by channel shows that 31.6% of our products were sold through specialty stores, which include consumer electronics and camera stores, 20.4% through general merchandise store, 13.3% through e-commerce, 12.7% through convenience stores, 9.7% through suburban stores, and 12.3% sold through other outlets.

The Happinet Group is comprised of the parent company, six consolidated subsidiaries and one unconsolidated subsidiary.

Business Lines	Core Operating Companies	Key Characteristics
Toy Business	HAPPINET CORPORATION (Toy & Hobby Division) (Convenience Stores Business Division) (Original Toy Development Division) Happinet Marketing Corp.	One of the largest wholesalers in Japan, our Group handles some 80% of the toys produced by blue-chip toy maker BANDAI (which, in turn, comprise about 50% of our Group's product lineup)
Visual and Music Business	HAPPINET CORPORATION (Pictures Division) Happinet Pictures & Music Corp.	We have achieved parity with the wholesaling industry's largest firms. Visual software accounts for slightly less than 70% of total sales, of which 10% plus represents products that were developed and made in-house (the remaining 30% comes from our music product operation centered on CDs)
Video-Game Business	HAPPINET CORPORATION (Video Game Division) MORI GAMES CO., LTD.	We are the only wholesaler in Japan that handles every domestic home game console. The PlayStation series (PS3, PSP, PSVita) account for 45% of all game consoles we handle, while Nintendo products account for 32% and the rest, 23%.
Amusement Business	Happinet Vending Service Corp.	We operate toy vending machines and sell arcade game machines. With a market share of 60%, we are also the largest arcade game vendor in Japan.



Strengths

Robust Management Base

Happinet is the leading wholesaler of toys, DVDs, CDs, capsule toys and card games, with some 60% share of a market that spans the operation and sales of capsule toys and card games. It is also the Japanese only wholesaler that handles every home game console available in Japan. Today, with the increasing “graying” of Japanese society, manufacturers and retailers are striving to improve management efficiency, while upgrading products and services, in their respective business fields. Yet Happinet, as an industry powerhouse, maintains strong connections with both fields by capitalizing on an abundant information-gathering base and the marketing capability that leverages this information.

Optimal Distribution System

The basis of Happinet’s information-gathering ability is its Optimal Distribution System, which links manufacturers and retailers through such media as EDI (Electronic Data Interchange), POS, the Internet and so forth. At the core of the ODS are four logistics centers, with a combined floor space of 77,134 square meters. The system allows for advanced inventory management on a real-time basis, as well as rapid and reliable shipping operations, with a delivery failure rate of less than one in 100,000 items shipped. Through its advanced supply chain management, ODS also supports the optimization of volume production and contributes to the rationalization of logistics operations by streamlining inventory. It should be noted that Happinet Logistics Service, our consolidated subsidiary, operates the four logistics centers.



Logistics Center-West Japan



Second Logistics Center-West Japan



Logistics Center-East Japan



Second Logistics Center-East Japan

Logistics Center-East Japan

Launched in April 2001

Located in Ichikawa City, Chiba Prefecture
Floor Space: 24,741 m²

Second Logistics Center-East Japan

Launched in February 2006

Located in Funabashi City, Chiba Prefecture
Floor Space: 28,151 m²

Logistics Center-West Japan

Launched in January 2008

Located in Amagasaki City, Hyogo Prefecture
Floor Space: 11,774 m²

Second Logistics Center-West Japan

Launched in July 2011

Located in Amagasaki City, Hyogo Prefecture
Floor Space: 12,468 m²

Consolidated Balance Sheets (Assets)



(¥ million)	FY3/09 1H end	FY3/10 1H end	FY3/11 1H end	FY3/12 1H end	FY3/13 1H end
Assets					
Total Assets	45,770	49,953	49,339	50,392	51,003
Current assets	38,422	40,585	41,210	43,500	45,318
Cash and deposits	6,355	4,206	6,601	10,109	10,512
Notes and accounts receivable-trade	18,560	25,307	23,360	23,655	23,398
Merchandise	8,526	7,735	8,198	6,880	8,405
Other	5,265	3,752	3,183	2,930	3,068
Allowance for doubtful accounts	(286)	(418)	(134)	(75)	(66)
Noncurrent assets	7,348	9,368	8,129	6,891	5,685
Property, plant and equipment	2,152	1,826	1,581	1,461	1,353
Intangible assets	2,543	4,255	3,381	2,749	1,331
Goodwill	652	1,635	1,099	707	370
Other	1,891	2,620	2,282	2,041	961
Investments and other assets	2,652	3,286	3,165	2,680	2,999
Investment securities	1,752	1,700	1,686	1,352	1,367
Other	1,093	1,842	1,677	1,495	1,764
Allowance for doubtful accounts	(193)	(255)	(198)	(167)	(132)

Consolidated Balance Sheets (Liabilities and Net assets)

(¥ million)	FY3/09 1H end	FY3/10 1H end	FY3/11 1H end	FY3/12 1H end	FY3/13 1H end
Liabilities					
Total liabilities	27,230	31,508	29,974	29,338	28,867
Current liabilities	25,042	28,476	27,243	26,408	25,939
Notes and accounts payable-trade	19,401	20,738	20,741	21,518	21,541
Short-term loans payable	-	2,350	2,350	-	-
Current portion of long-term loans payable	-	300	40	-	-
Income taxes payable	417	108	268	804	376
Provision for bonuses	418	446	233	236	261
Provision for business structure improvement	1,871	376	100	-	-
Other provision	9	42	38	24	40
Other	2,924	4,113	3,472	3,825	3,719
Noncurrent liabilities	2,188	3,031	2,730	2,930	2,927
Long-term loans payable	-	285	-	-	-
Provision for retirement benefits	1,193	1,410	1,447	1,697	1,828
Asset retirement obligations	-	-	45	46	49
Negative goodwill	118	109	70	33	5
Other	876	1,227	1,166	1,152	1,044
Net assets					
Total net assets	18,539	18,445	19,364	21,053	22,136
Shareholders' equity	17,979	18,226	19,226	20,969	21,994
Capital stock	2,751	2,751	2,751	2,751	2,751
Capital surplus	2,776	2,776	2,775	2,775	2,775
Retained earnings	12,986	13,815	14,681	16,534	17,559
Treasury stock	(534)	(1,116)	(981)	(1,091)	(1,091)
Accumulated other comprehensive income	560	218	137	71	117
Valuation difference on available-for-sale securities	560	219	138	72	118
Deferred gains or losses on hedges	-	(0)	(0)	(1)	(1)
Subscription rights to shares	-	-	0	11	22
Minority interests	-	-	0	0	1
Total liabilities and net assets	45,770	49,953	49,339	50,392	51,003

Consolidated Statements of Income and Comprehensive Income



(¥ million)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H	FY3/13 1H
Net sales	76,052	89,829	85,090	88,508	76,211
Cost of sales	65,966	79,146	74,685	76,634	66,019
Gross profit	10,085	10,683	10,404	11,874	10,192
Selling, general and administrative expenses	8,858	9,752	9,164	9,557	9,185
Operating income	1,226	930	1,240	2,316	1,007
Non-operating income	162	179	97	111	70
Interest income	7	4	1	1	1
Dividends income	37	30	28	20	16
Amortization of negative goodwill	12	18	18	18	14
Other	105	126	48	71	38
Non-operating expenses	23	51	22	5	5
Interest expenses	5	32	11	2	2
Foreign exchange losses	5	0	7	0	1
Other	12	19	3	2	0
Ordinary income	1,365	1,059	1,314	2,422	1,072
Extraordinary income	24	72	35	3	5
Gain on sales of noncurrent assets	5	3	3	2	0
Gain on sales of investment securities	19	11	28	-	5
Gain on sales of memberships	-	-	-	1	-
Reversal of allowance for doubtful accounts	-	57	4	-	-
Extraordinary loss	119	115	78	41	55
Loss on sales of noncurrent assets	9	0	0	7	1
Loss on retirement of noncurrent assets	12	38	11	1	1
Loss on sales of investment securities	9	1	-	0	-
Loss on valuation of investment securities	30	0	17	-	31
Loss on valuation of membership	-	6	-	0	7
Loss on sales of membership	-	-	-	1	-
Loss on sales of subsidiaries' stocks	-	0	-	-	-
Loss on liquidation of subsidiaries	-	-	22	-	-
Office transfer expenses	-	69	-	-	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	-	27	-	-
Loss on disaster	-	-	-	29	-
Impairment loss	56	-	-	-	13
Income before income taxes and minority interests	1,270	1,016	1,271	2,384	1,022
Income taxes-current	403	69	276	802	371
Income taxes-deferred	233	288	282	55	(59)
Total income taxes	637	358	558	857	312
Income before minority interests	632	657	712	1,527	710
Minority interests in income (loss)	14	-	(0)	0	0
Net income	618	657	712	1,526	709

(¥ million)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H	FY3/13 1H
Income before minority interests	-	-	712	1,527	710
Other comprehensive income	-	-	(244)	(113)	(11)
Valuation difference on available-for-sale securities	-	-	(243)	(112)	(9)
Deferred gains or losses on hedges	-	-	(1)	(1)	(1)
Comprehensive income	-	-	468	1,413	698
Comprehensive income attributable to owners of the parent	-	-	468	1,412	698
Comprehensive income attributable to minority interests	-	-	(0)	0	0

Consolidated Statements of Cash Flows



(¥ million)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H	FY3/13 1H
Net cash provided by (used in) operating activities					
Net cash provided by (used in) operating activities	1,723	2,817	660	2,124	(1,306)
Income before income taxes and minority interests	1,270	1,016	1,271	2,384	1,022
Depreciation and amortization	247	417	384	346	323
Impairment loss	56	-	-	-	13
Amortization of goodwill	108	214	204	150	154
Increase (decrease) in allowance for doubtful accounts	136	(88)	(4)	(8)	(5)
Share-based compensation expenses	-	-	0	5	5
Increase (decrease) in provision for bonuses	27	1	(370)	(78)	(211)
Increase (decrease) in provision for retirement benefits	57	53	23	66	48
Increase (decrease) in provision for business structure improvement	(727)	(813)	(77)	(11)	-
Interest and dividends income	(44)	(34)	(29)	(21)	(17)
Interest expenses	5	32	11	2	2
Loss (gain) on sales and retirement of noncurrent assets	17	34	8	6	2
Loss (gain) on sales of investment securities	(10)	(9)	(28)	0	(5)
Loss (gain) on valuation of investment securities	30	0	17	-	31
Loss on valuation of membership	-	6	-	0	7
Foreign exchange losses (gains)	-	0	7	0	1
Decrease (increase) in notes and accounts receivable-trade	2,740	(279)	(452)	(441)	3,357
Decrease (increase) in inventories	(1,076)	1,609	(1,448)	(444)	(2,236)
Increase (decrease) in notes and accounts payable-trade	(1,695)	(10)	908	1,314	(1,501)
Other, net	581	1,085	668	(131)	(722)
Subtotal	1,727	3,234	1,094	3,142	271
Interest and dividends income received	44	34	29	21	17
Interest expenses paid	(5)	(31)	(12)	(2)	(2)
Income taxes paid	(43)	(420)	(450)	(1,036)	(1,593)
Net cash provided by (used in) investing activities					
Net cash provided by (used in) investing activities	(537)	(108)	(190)	(64)	(173)
Proceeds from withdrawal of time deposits	86	517	-	-	-
Purchase of property, plant and equipment	(243)	(56)	(11)	(24)	(69)
Proceeds from sales of property, plant and equipment	16	7	5	32	1
Purchase of intangible assets	(520)	(685)	(75)	(86)	(72)
Purchase of investment securities	(8)	(5)	(111)	(4)	(4)
Proceeds from sales of investment securities	169	54	115	2	6
Purchase of investments in subsidiaries	(232)	-	-	-	-
Other, net	195	60	(112)	16	(34)
Net cash provided by (used in) financing activities					
Net cash provided by (used in) financing activities	(671)	(3,447)	(174)	(170)	(364)
Decrease in short-term loans payable	(30)	(2,790)	-	-	-
Repayment of long-term loans payable	(127)	(225)	(100)	-	-
Proceeds from sales of treasury stock	-	-	102	-	0
Purchase of treasury stock	(294)	(216)	(0)	(0)	-
Cash dividends paid	(178)	(170)	(168)	(168)	(363)
Other, net	(40)	(45)	(8)	(1)	(1)
Effect of exchange rate change on cash and cash equivalents	-	(0)	(7)	(0)	(1)
Net increase (decrease) in cash and cash equivalents	513	(738)	289	1,888	(1,846)
Cash and cash equivalents at beginning of period	5,837	4,945	6,312	8,220	12,359
Cash and cash equivalents at end of period	6,351	4,206	6,601	10,109	10,512

(¥ million)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H	FY3/13 1H
Toy Business					
Net sales	26,401	28,385	30,376	34,092	32,410
Segment income/Loss	389	749	860	1,249	833
Visual and Music Business					
Net sales	16,637	33,483	27,509	26,702	20,711
Segment income/Loss	823	(63)	80	338	107
Video-game Business					
Net sales	23,671	19,395	18,703	16,492	13,127
Segment income/Loss	646	420	410	404	98
Amusement Business					
Net sales	9,341	8,565	8,500	11,220	9,962
Segment income/Loss	(28)	462	502	989	605
Adjustments					
Net sales	-	-	-	-	-
Segment income/Loss	(604)	(639)	(613)	(664)	(637)
Consolidated					
Net sales	76,052	89,829	85,090	88,508	76,211
Segment income/Loss	1,226	930	1,240	2,316	1,007

Term-End	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H	FY3/13 1H
Share Price (¥)	1,455	1,240	1,056	1,315	652
Outstanding Shares Issued (shares)	12,025,000	12,025,000	12,025,000	12,025,000	24,050,000
Treasury Stock (shares)	370,305	823,125	723,555	823,815	1,647,870
Earnings per Share (¥)	52.69	57.95	63.63	136.28	31.68
Book Value per Share (¥)	1,590.76	1,646.64	1,713.41	1,878.49	987.05
Free Cash Flow per Share (¥)	100.92	238.61	42.02	183.90	(66.08)
Dividend per Share (¥)	15.00	15.00	15.00	22.50	11.25
EBITDA (¥ million)	1,474	1,347	1,624	2,662	1,329
PER (times)	27.62	21.40	16.60	9.65	20.58
PBR (times)	0.91	0.75	0.62	0.70	0.66
PCFR (times)	9.92	5.00	17.90	6.93	-11.18
EV/EBITDA Ratio (times)	7.56	10.12	5.22	2.14	3.89
Dividend Yield (%)	1.03	1.21	1.42	1.71	1.73

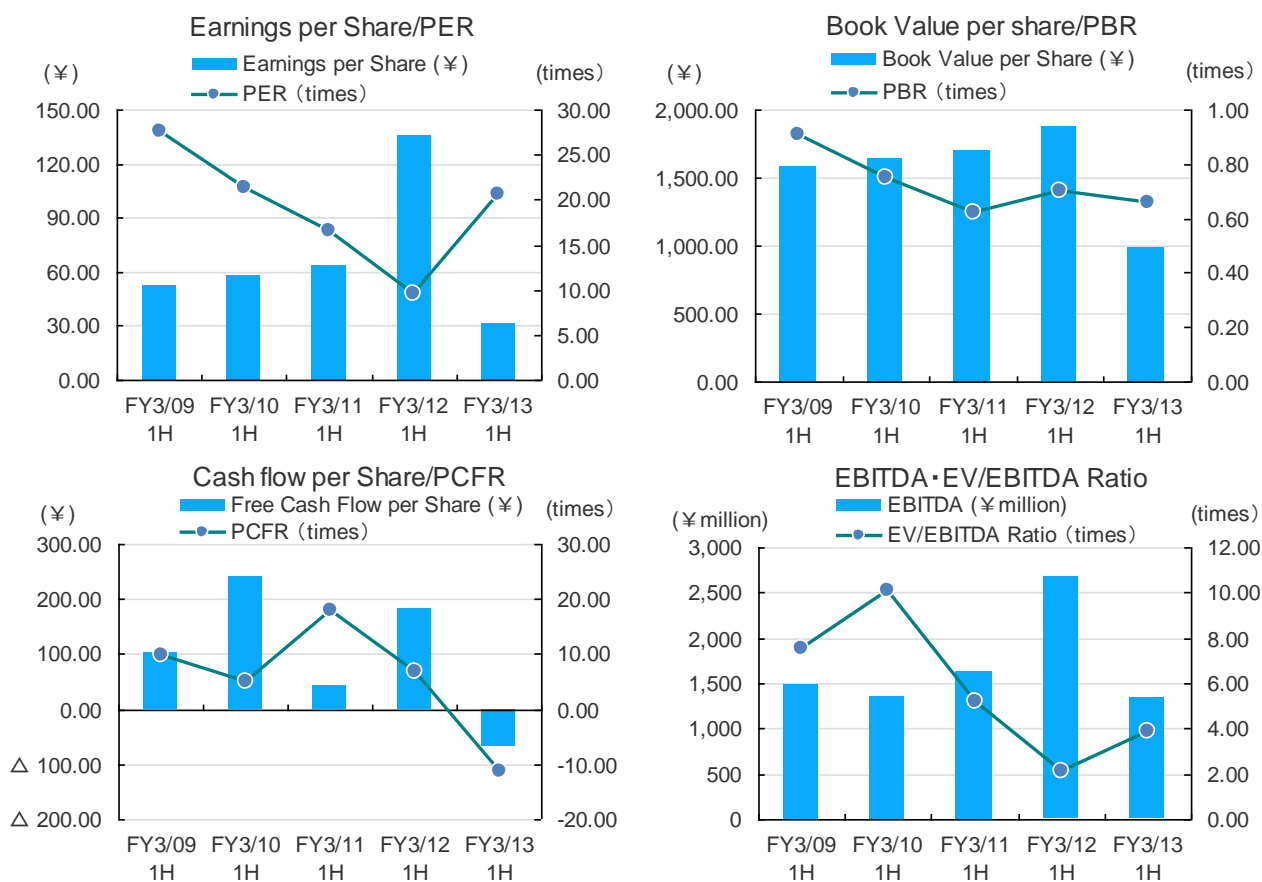
PCFR = Share Price/Cash Flows from Operating Activities per Share

EBITDA = Operating Income+Depreciation

EV = Market Value+Interest-bearing Debt-Liquidity in Hand (Cash & Deposits)

EV/EBITDA Ratio = EV/EBITDA

Note : Share splits (1 to 2) on Dec.1. 2011



(¥ million)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H	FY3/13 1H
Net Sales	76,052	89,829	85,090	88,508	76,211
Gross Profit	10,085	10,683	10,404	11,874	10,192
SG&A Expenses	8,858	9,752	9,164	9,557	9,185
Operating Income	1,226	930	1,240	2,316	1,007
Ordinary income	1,365	1,059	1,314	2,422	1,072
Net Income	618	657	712	1,526	709

(%)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H	FY3/13 1H
Gross Profit Ratio	13.3	11.9	12.2	13.4	13.4
SG&A Expenses Ratio	11.6	10.9	10.8	10.8	12.1
Operating Income Ratio	1.6	1.0	1.5	2.6	1.3
Ordinary Income Ratio	1.8	1.2	1.5	2.7	1.4
Net Income Ratio	0.8	0.7	0.8	1.7	0.9

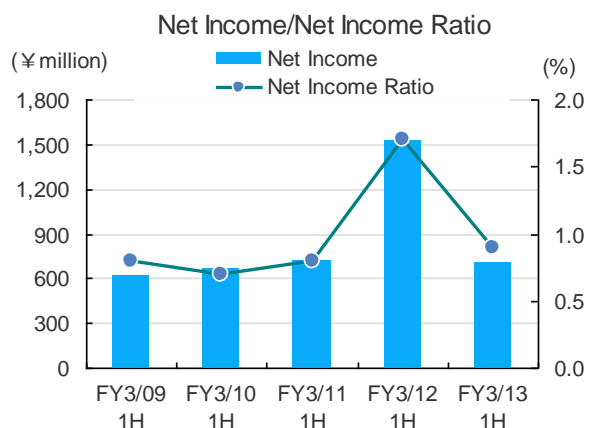
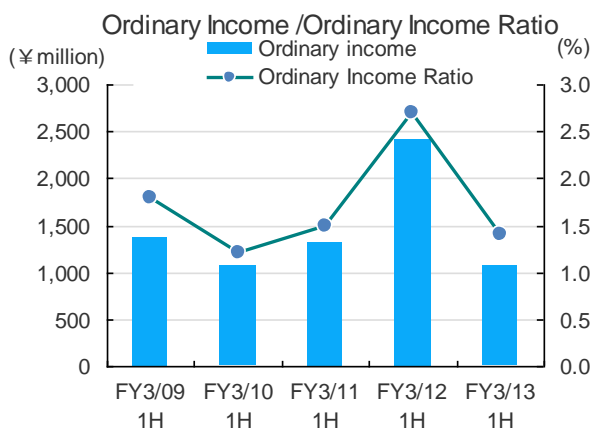
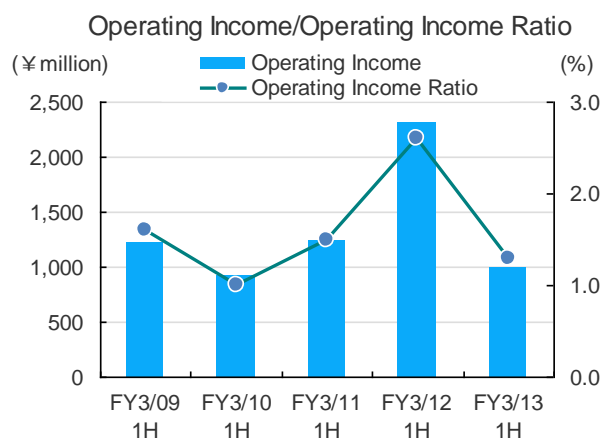
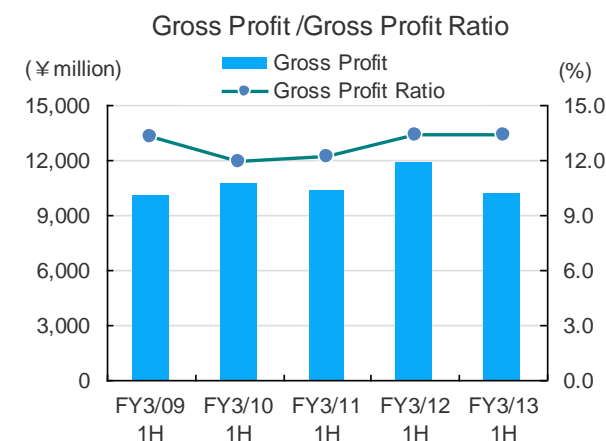
Gross Profit Ratio = Gross Profit/Net Sales

SG&A Expenses Ratio = SG&A Expenses/Net Sales

Operating Income Ratio = Operating Income/Net Sales

Ordinary Income Ratio = Ordinary Income/Net Sales

Net Income Ratio = Net Income/Net Sales



(times)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H	FY3/13 1H
Total Assets Turnover	3.2	3.4	3.5	3.6	2.9
Equity Turnover	8.2	9.8	8.9	8.7	6.9
Noncurrent Assets Turnover	20.2	18.7	20.0	24.7	26.0
Current Assets Turnover	3.8	4.2	4.2	4.2	3.3

(%)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H	FY3/13 1H
ROA	1.3	1.3	1.4	3.1	1.3
ROE	3.3	3.6	3.7	7.5	3.2

Total Assets Turnover = Net Sales*2/Average Total Assets

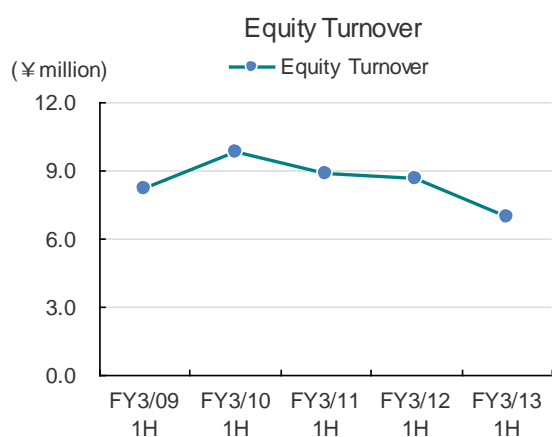
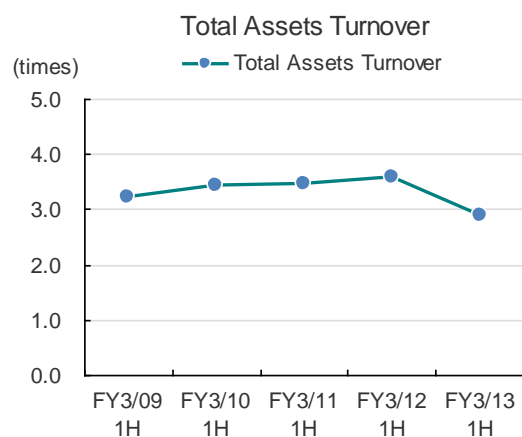
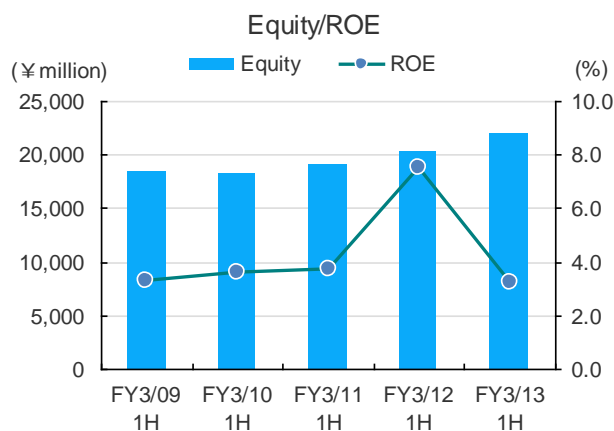
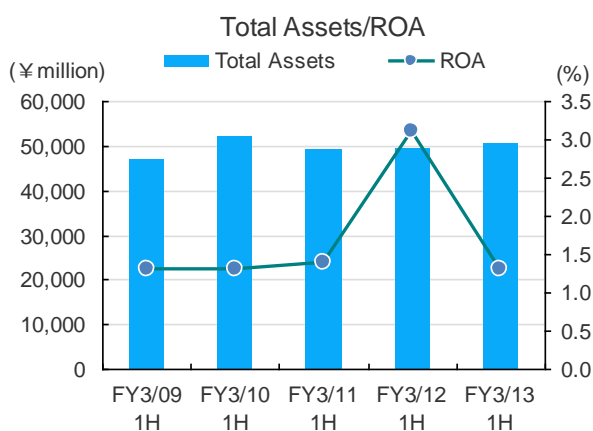
Equity Turnover = Net Sales*2/Average Equity

Noncurrent Assets Turnover = Net Sales*2/Average Noncurrent Assets

Current Assets Turnover = Net Sales*2/Average Current Assets

ROA = Net Income/Average Total Assets

ROE = Net Income/Average Equity



(¥ million)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H	FY3/13 1H
Equity	18,539	18,455	19,364	21,041	22,112
Total Assets	45,770	49,953	49,339	50,392	51,003
Noncurrent Assets	7,348	9,368	8,129	6,891	5,685
Noncurrent Liabilities	2,188	3,031	2,730	2,930	2,927
Current Assets	38,422	40,585	41,210	43,500	45,318
Current Liabilities	25,042	28,476	27,243	26,408	25,939
Total net assets	18,539	18,445	19,364	21,053	22,136
Interest-bearing Debt	-	2,935	2,390	-	-

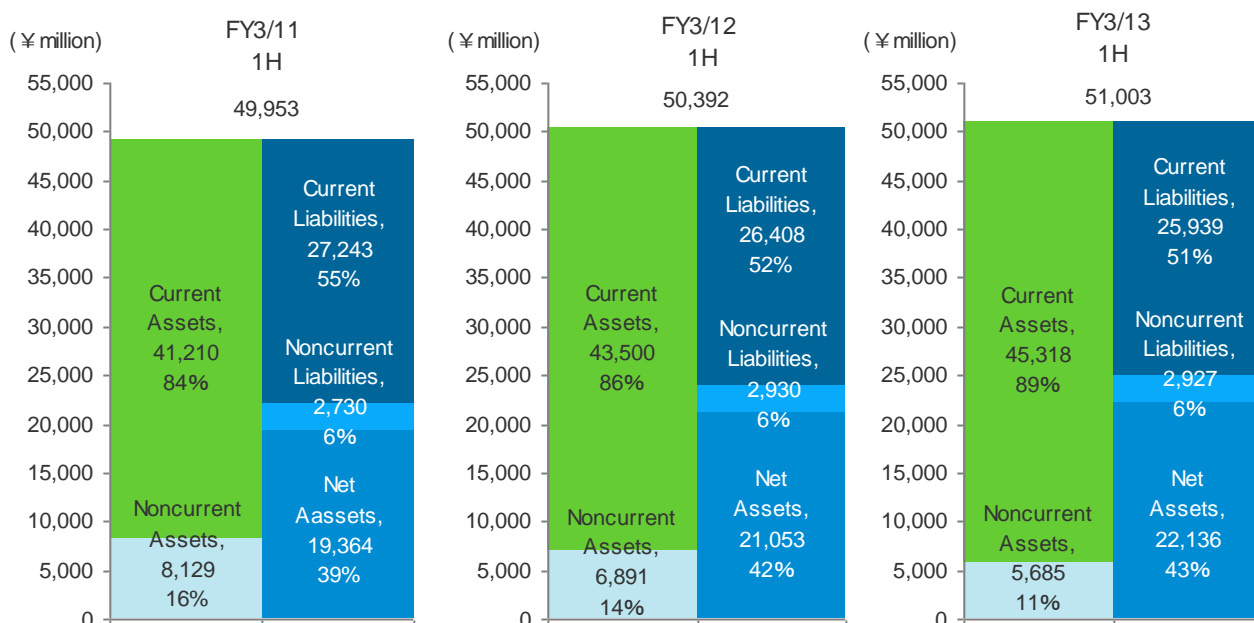
(%)	FY3/09 1H	FY3/10 1H	FY3/11 1H	FY3/12 1H	FY3/13 1H
Equity Ratio	40.5	36.9	39.2	41.8	43.4
D/E Ratio	-	15.9	12.3	-	-
Fixed Ratio	39.6	50.8	42.0	32.8	25.7
Current Ratio	153.4	142.5	151.3	164.7	174.7

Equity Ratio = Equity/Average Total Assets

D/E Ratio = Interest-bearing Debt/Equity

Fixed Ratio = Noncurrent Assets/Equity

Current Ratio = Current Assets/Current Liabilities



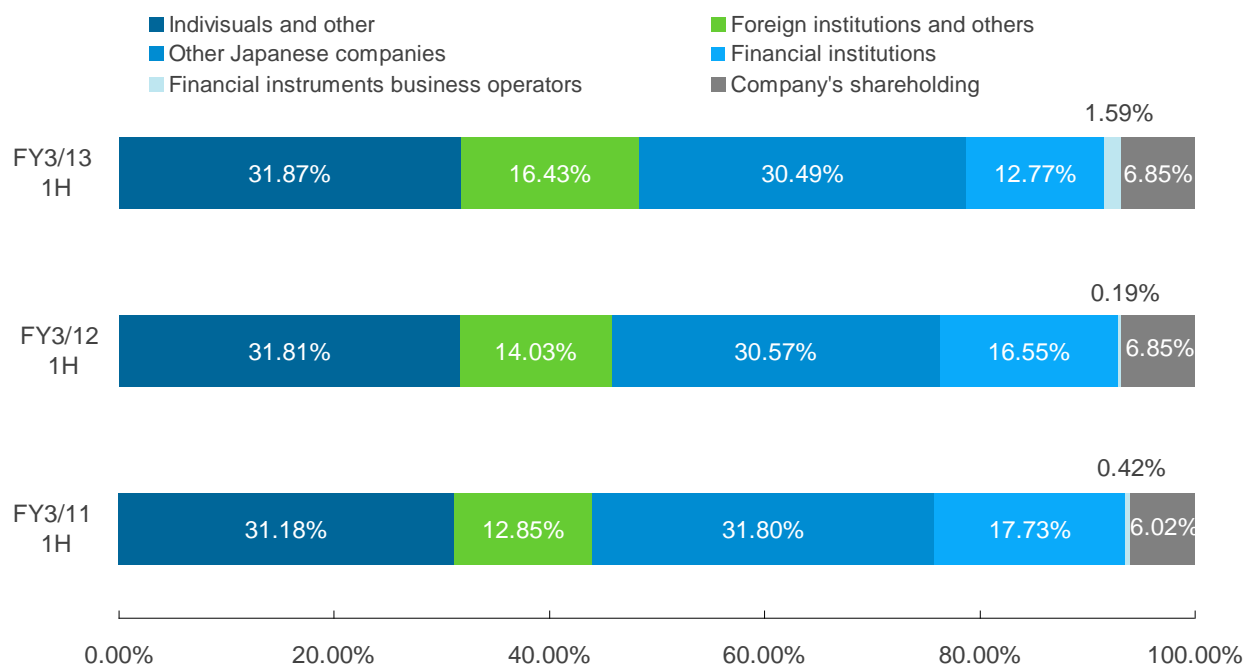
Major Shareholders

As of September 30, 2012

Top 10 Name	Number of Shares	Shareholding Ratio
NAMCO BANDAI Holdings Inc.	5,883,408	24.46%
ICHIGO Trust	2,337,200	9.71%
Japan Trustee Services Bank, Ltd. (trust account)	1,289,300	5.36%
Yasuhiko Idaira	763,000	3.17%
Hiroshi Kawai	701,000	2.91%
Japan Trustee Services Bank, Ltd. (trust account for Sumitomo Mitsui Trust Bank, Limited and employee retirement benefit of Sumitomo Mitsui Banking Corporation)	676,000	2.81%
Kayo Kawai	541,800	2.25%
Employees' Stockholding	411,540	1.71%
Orient LTD	400,000	1.66%
Sun River	316,600	1.31%

※In addition to the above, HAPPINET CORPORATION holds 1,647 thousands shares.

Breakdown of Type of Shareholder





HAPPINET CORPORATION

Corporate Management Division, Corporate Management Department, Corporate
Communication Team

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