

Fiscal Year 2005 First Half Results Presentation

November 14, 2005



Happinet Corporation

Estimates of future performance are provided as a reference for investors.

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

First Half Results

Consolidated Results by Segment

(Units: Million yen, %)

Product		Term	Sep. 2004	Mar. 2005	Sep. 2005	YoY (% growth)
Toy business	Sales		24,034	52,066	25,246	5.0
	Operating profit		770	1,735	1,537	99.6
Video-related business	Sales		19,797	45,457	24,983	26.2
	Operating profit		1,001	1,775	192	-80.8
Video game business	Sales		8,600	28,696	8,314	-3.3
	Operating profit (loss)		-453	303	93	-
Amusement business	Sales		3,164	6,318	2,876	-9.1
	Operating profit		86	132	88	2.1
Other businesses	Sales		3,614	7,921	3,144	-13.0
	Operating profit		112	302	81	-27.6
Eliminations and corporate losses	Sales		-	-	-	-
	Operating profit (loss)		-664	-1,282	-623	
Total	Sales		59,211	140,461	64,566	9.0
	Operating profit		852	2,966	1,369	60.7

Key Points for the First Half

In the toy business there were some hit products, and the earnings structure was improved significantly through continued reforms to business operations.

In Video-related business, despite strong sales for products sold through Internet marketing channels, there were few notable hit titles in the Exclusive Titles Division, and Happinet made proactive investments aimed at acquiring high-quality content for the future.

Core Business First Half Results and Measures for the Second Half

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1. Toy Business – First Half Results and Measures for the Second Half

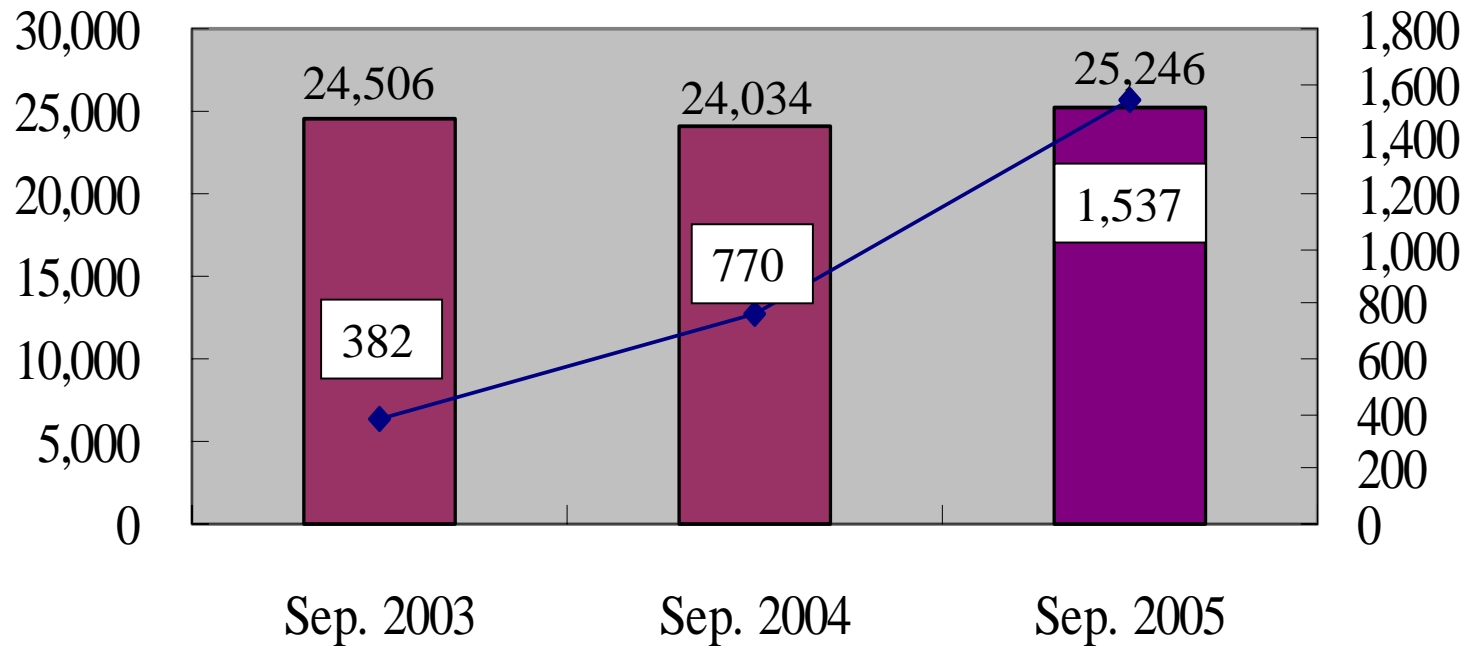
Toy Business Results

(Units: Million yen, %)

	Sep. 2003	Sep. 2004	Sep. 2005	YoY % change
Sales	24,506	24,034	25,246	5.0
Operating profit	382	770	1,537	99.6

(Unit: Million yen)

(Unit: Million yen)



Bar graph: Sales
Line graph: Operating profit

1. Toy Business – First Half Results and Measures for the Second Half

Results of business operation reforms

- The earnings structure has become stronger compared to the previous year, due to improvements in distribution expenses and other factors.
- The establishment of the standardized merchandise system and other business measures have been successful, reducing disposal loss and returns, and contributing to an improvement in earnings.

(Unit: Million yen)

	Sep. 2004	Sep. 2005
Sales	24,034	25,246
Distribution expenditure rate	5.6%	5.0%

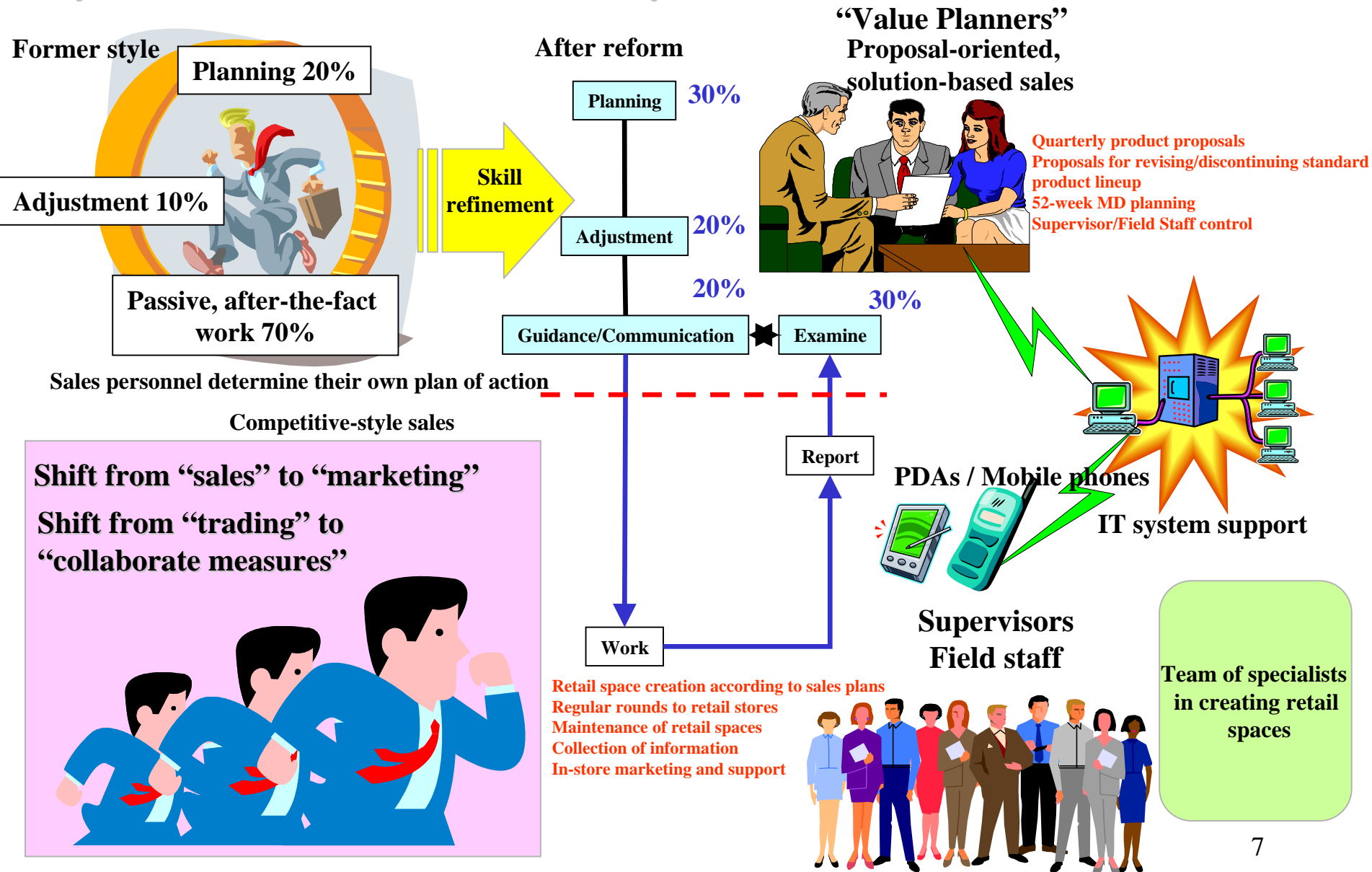
Reduction in disposal loss and returns

(Unit: Million yen; amounts approximate)

	Sep. 2004	Sep. 2005	Amount reduced
Disposal loss	590	355	235
Returns	352	254	98

1. Toy Business – First Half Results and Measures for the Second Half

Toy Business – Reforms to business style



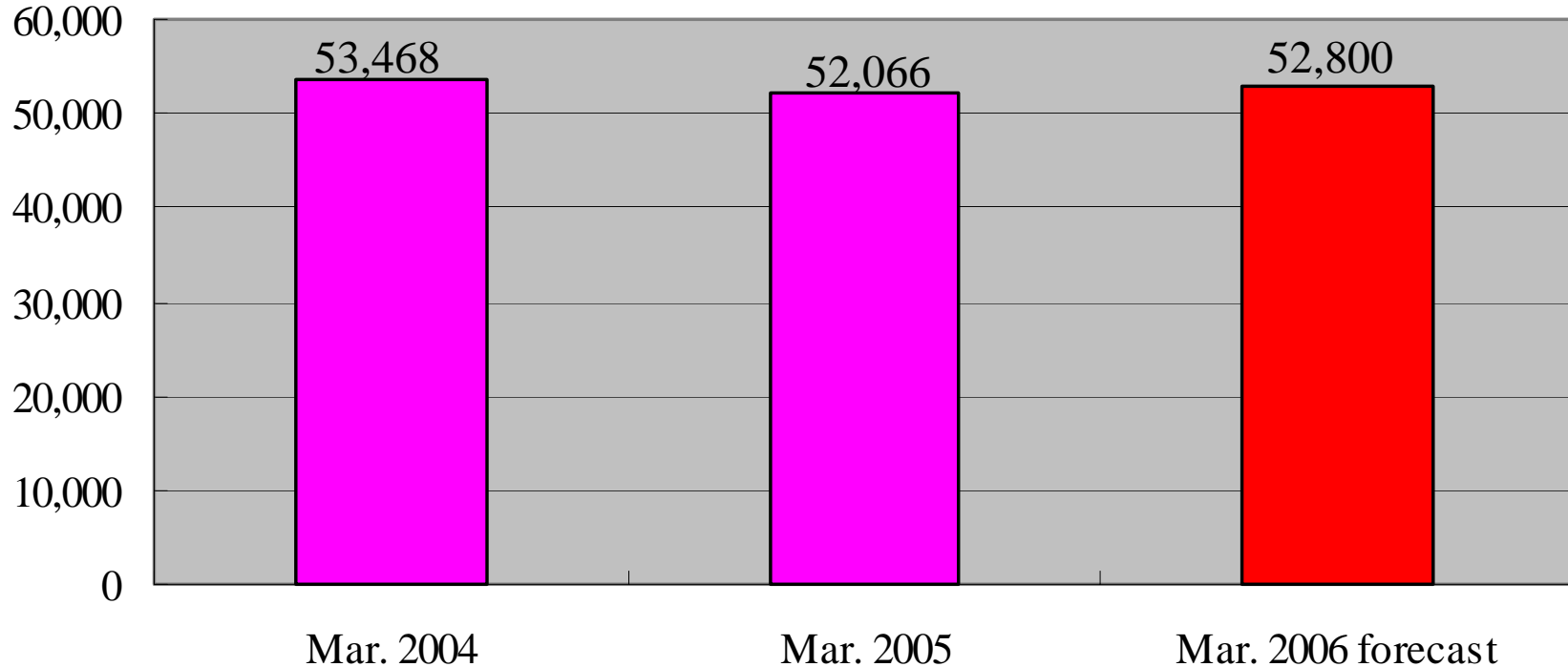
1. Toy Business – First Half Results and Measures for the Second Half

Toy Business – Sales Forecast

(Units: Million yen, %)

	Mar. 2004	Mar. 2005	Mar. 2006 forecast	YoY % growth
Sales	53,468	52,066	52,800	1.4

(Unit: Million yen)

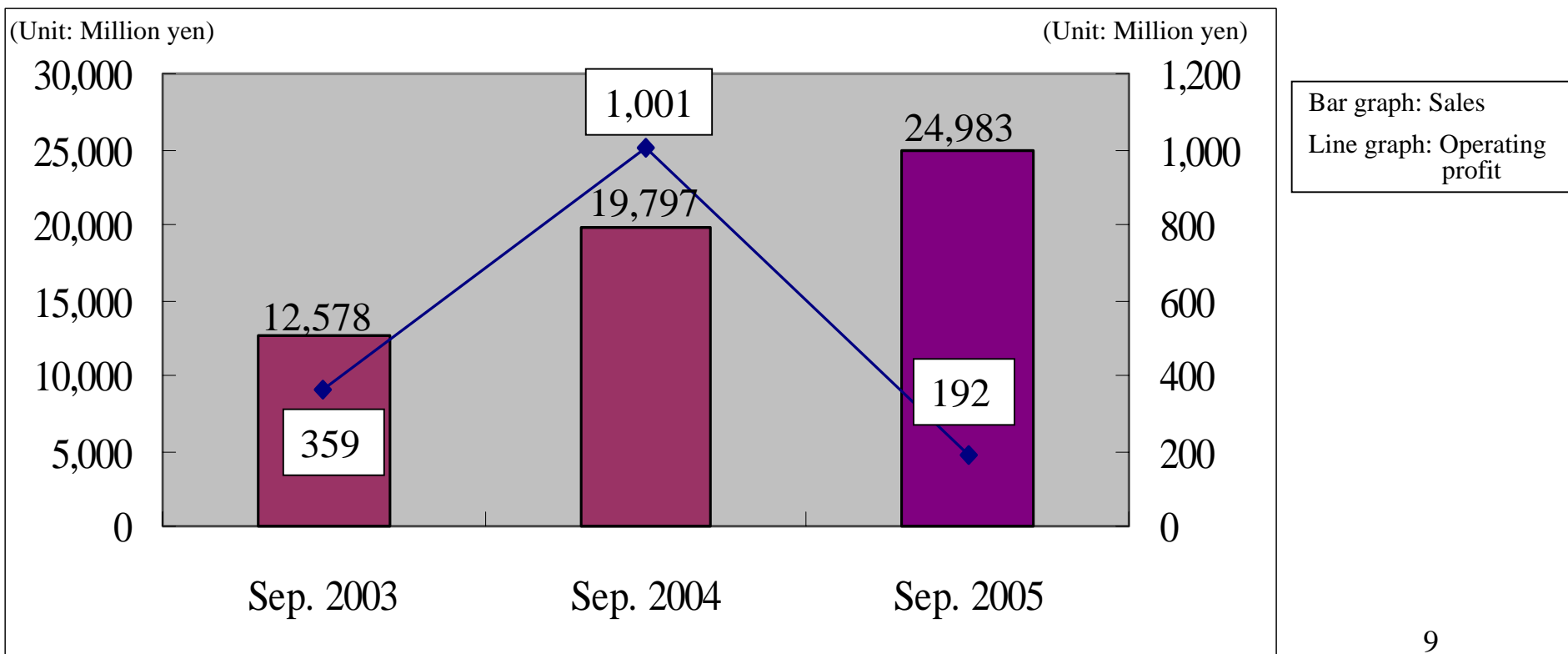


2. Video-related Business – First Half Results and Measures for the Second Half

Video-related Business Results

(Units: Million yen, %)

	Sep. 2003	Sep. 2004	Sep. 2005	YoY % growth
Sales	12,578	19,797	24,983	26.2
Operating profit	359	1,001	192	-80.8



2. Video-related Business – First Half Results and Measures for the Second Half

Sales in the Wholesale and Exclusive Titles Divisions

(Units: Million yen, %)

	Sep. 2004	Sep. 2005	YoY % growth
Wholesale	13,819	19,840	43.6
Exclusive titles	5,978	5,143	-14.0
Total	19,797	24,983	26.2

Note: Exclusive titles – Sales of in-house productions, products with exclusive distribution rights, etc.

Main Titles Contributing to Sales in the Exclusive Titles Division in the First Half

Top Five Exclusive Titles

Rank	Titles	Sales (¥ bn)	Genre
1	<i>Bunshinsaba</i> <i>(to be relased in Japan as Kokkuri-san)</i>	4.1	Foreign film
2	<i>Pacchigi!</i>	3.2	Japanese film
3	<i>The Notebook</i>	3.0	Foreign film
4	<i>Install</i>	2.3	Japanese film
5	<i>Sang Doo! Let's Go to School</i>	2.1	Foreign film (TV drama)

2. Video-related Business – First Half Results and Measures for the Second Half

- Happinet will recover its investments toward in-house productions, and make appropriate investments to acquire high-quality titles.
- The successful reform program instituted in the toy business will be implemented in the Wholesale Division of Video-related business.

Happinet made proactive investments to acquire high-quality content anticipating the future.

Title investment Sep. 2004 (actual results)	Approx. ¥1.3 bn
Title investment Sep. 2005 (actual results)	Approx. ¥1.5 bn

Major Exclusive Titles in the Second Half

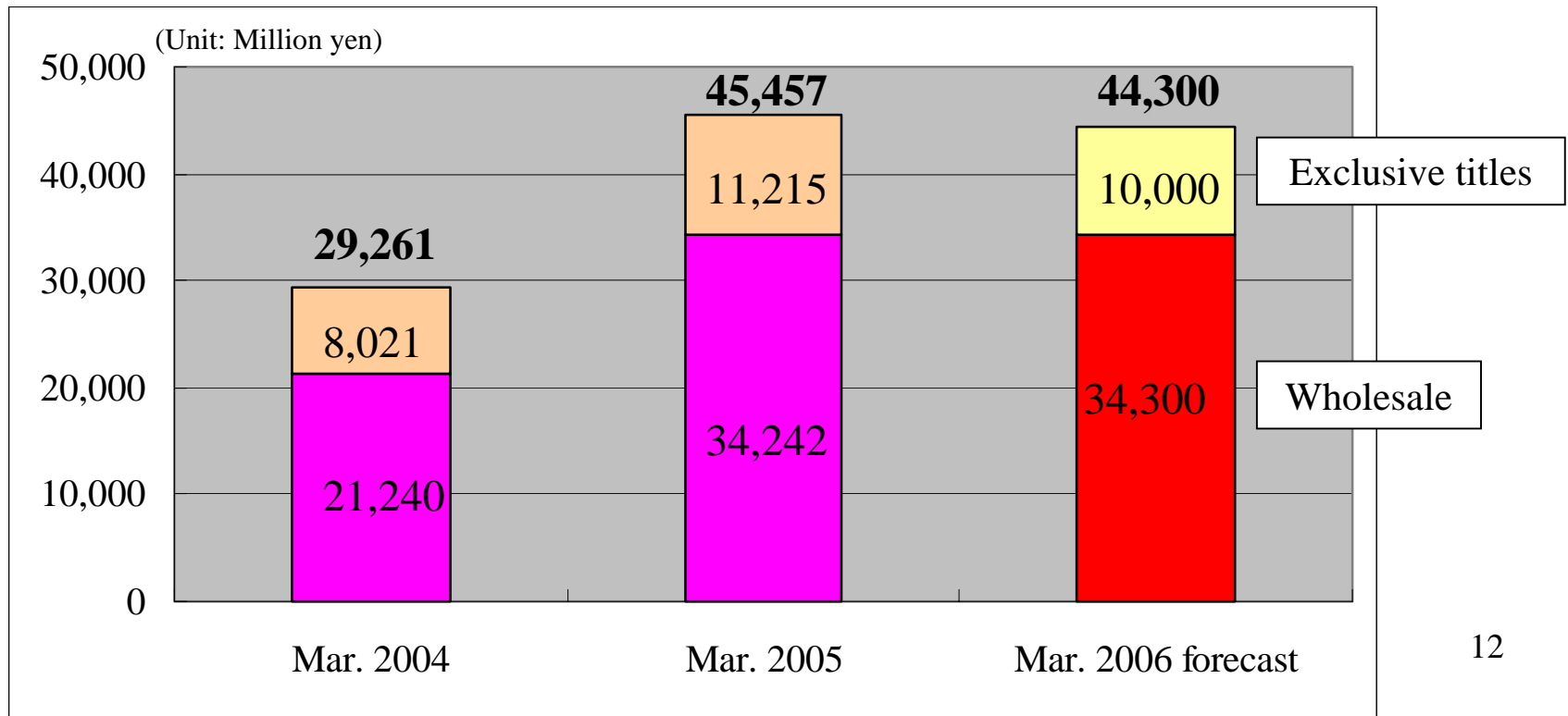
Title	Genre
<i>Eternal Sunshine of the Spotless Mind</i>	Foreign film
<i>1% of a Miracle</i>	Foreign film (TV drama)
<i>Say You Love Me</i>	Foreign film (TV drama)
<i>Guyver the Bioboosted Armor</i>	Anime
<i>Space Adventure Cobra</i>	Anime
<i>Shuffle!</i>	Anime
<i>Full Metal Panic! The Second Raid</i>	Anime
<i>I"s Pure</i>	Anime

2. Video-related Business – First Half Results and Measures for the Second Half

Video-related Business – Sales Forecast

(Units: Million yen, %)

	Mar. 2004	Mar. 2005	Mar. 2006 forecast	YoY % growth
Wholesale	21,240	34,242	34,300	0.1
Exclusive titles	8,021	11,215	10,000	-10.8
Total	29,261	45,457	44,300	-2.5

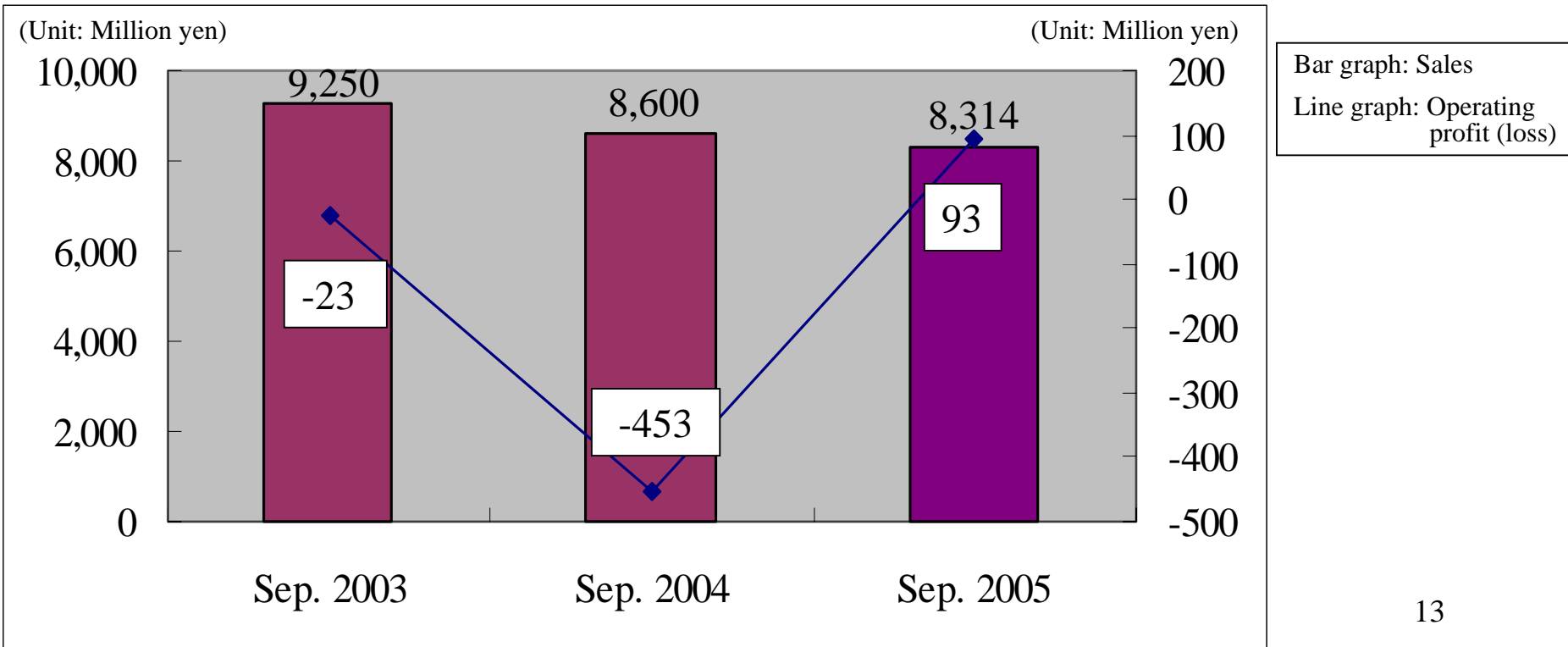


3. Video Game Business – First Half Results and Measures for the Second Half

Video Game Business Results

(Units: Million yen, %)

	Sep. 2003	Sep. 2004	Sep. 2005	YoY % growth
Sales	9,250	8,600	8,314	-3.3
Operating profit (loss)	-23	-453	93	-



3. Video Game Business – First Half Results and Measures for the Second Half

Regarding the Xbox 360

Contract concluded with Microsoft



Microsoft

Happinet

Deepen ties with Microsoft through cooperation

- Sales office established within Microsoft's office building
- Sharing sales strategies
- Immediate sharing of information



Daitabashi Sales Office

Strengthen support to merchants in order to establish the Xbox 360 in the market

- Collect and share merchant data
- Retail space maintenance

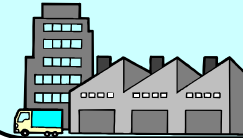


Microsoft Japan

General import agent

Happinet

Marketing to retailers



Happinet's Distribution Network



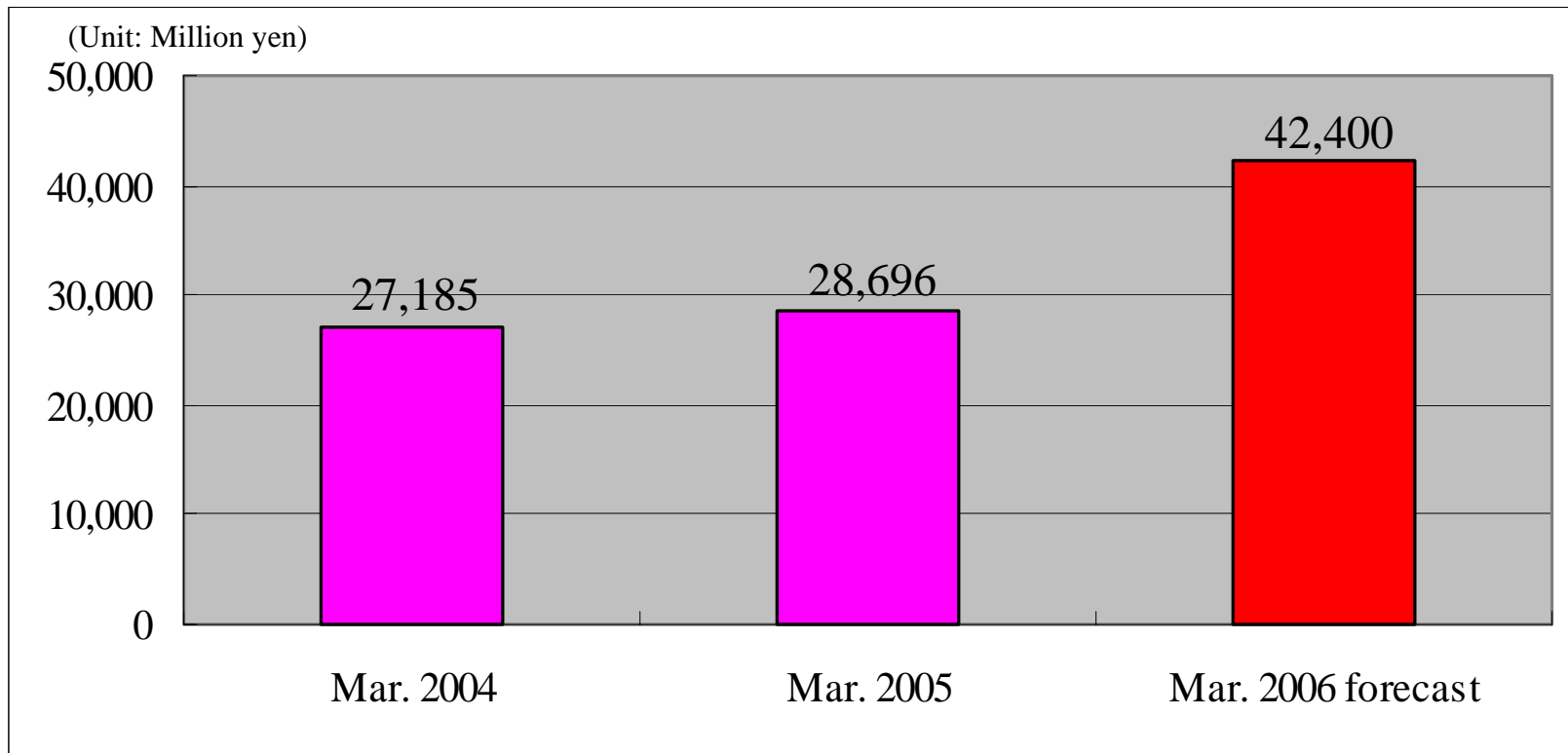
All retailers in Japan (including Internet retailers)

3. Video Game Business – First Half Results and Measures for the Second Half

Video Game Business – Sales Forecast

(Units: Million yen, %)

	Mar. 2004	Mar. 2005	Mar. 2006 forecast	YoY % growth
Sales	27,185	28,696	42,400	47.8



The Fourth Mid- to Long-Term Management Plan “Happinet Dream 08” Revision of Targets

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The Fourth Mid- to Long-Term Management Plan “Happinet Dream 08” Revision of Targets

(Reference) Consolidated targets announced in April 2004

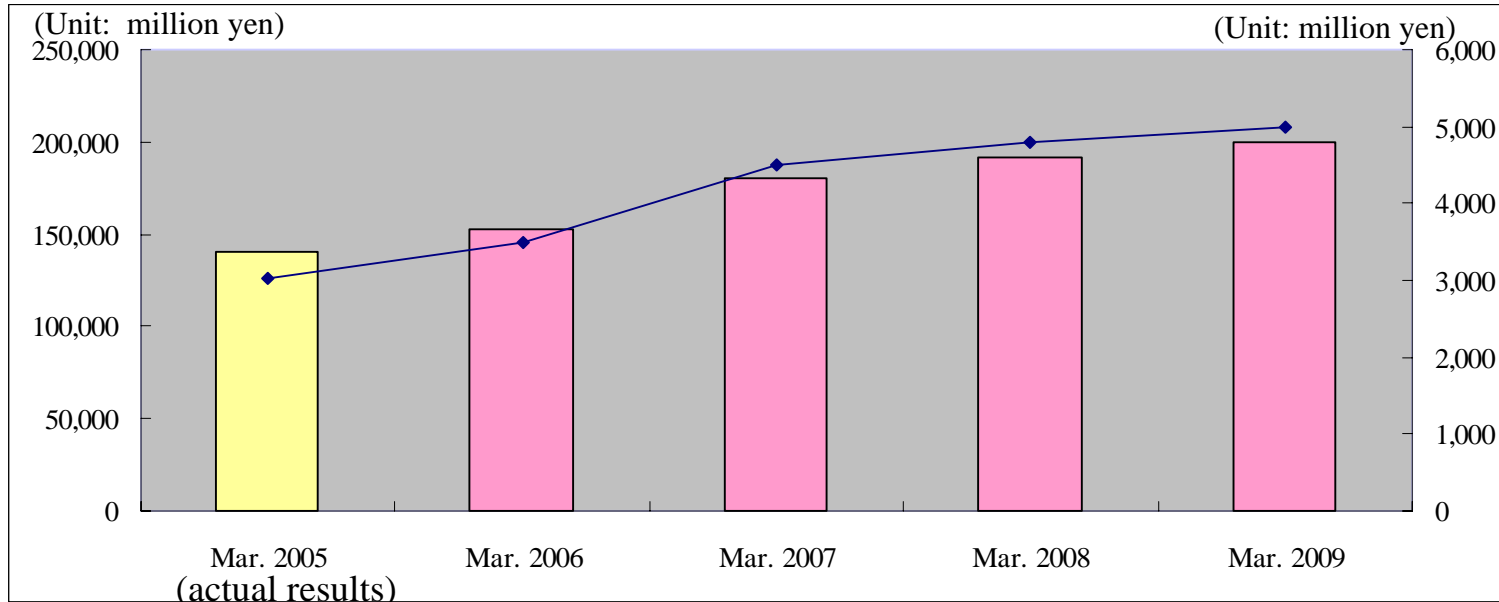
(Unit: Million yen)

	Mar. 2005	Mar. 2006	Mar. 2007	Mar. 2008	Mar. 2009
Sales	122,000	129,000	142,000	165,000	200,000
Recurring profit	1,700	2,300	3,000	3,800	5,000

Consolidated targets revised in November 2005

(Unit: Million yen)

	Mar. 2005 (actual results)	Mar. 2006	Mar. 2007	Mar. 2008	Mar. 2009
Sales	140,461	153,000	180,000	192,000	200,000
Recurring profit	3,030	3,500	4,500	4,800	5,000



Bar graph:
Sales
Line graph:
Recurring
profit