

# **Fiscal Year 2008**

## **First half results briefing document**

1. Fiscal 2008 first half consolidated results
2. (For reference) Fiscal 2008 consolidated forecasts

November 14, 2008

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 FY2005*	Interim period of FY2006*	Interim period of FY2007*	1st half of FY2008	Remarks	FY2004	FY2005	FY2006	FY2007
Net sales (million yen)	64,566	68,140	69,281	76,052		140,461	155,703	160,606	168,958
Operating profit (million yen)	1,369	877	1,157	1,226		2,966	3,470	2,153	1,451
Recurring profit (million yen)	1,463	1,064	1,210	1,365		3,030	3,786	2,554	1,569
Net profit (million yen)	852	685	718	618		1,580	2,270	1,616	-1,490
Net assets (million yen)	17,799	19,718	21,465	18,539		16,992	19,109	20,602	18,811
Total assets (million yen)	41,118	43,063	47,397	45,770		39,829	45,719	45,801	48,486
Net assets per share (yen)	1,481.29	1,641.15	1,786.54	1,590.76		1,413.96	1,590.44	1,714.73	1,566.17
Earnings per share (yen)	70.93	57.07	59.83	52.69		131.53	188.97	134.54	-124.11
Dividends per share (interim dividends)	(12.50)	(15.00)	(25.00)	(15.00)	The interim dividend for FY2007 includes a commemorative dividend of 10 yen.	22.5 (10.00)	27.5 (12.50)	30.0 (15.00)	40.0 (25.00)
Number of employees (Notes)	597	761	727	868		566	607	743	890

(Notes)

1. Sales do not include consumption tax.
2. Mori Toys Co., Ltd. became a consolidated subsidiary of Happinet Corporation in the fiscal year ended March 31, 2007. On April 1, 2007, the Toy Business of Mori Toys was succeeded by our non-consolidated subsidiary Best Heart Co., Ltd., and the corporate names of Mori Toys and Best Heart were changed to Mori Games Co., Ltd. and Mori Toys Co., Ltd., respectively.
3. Happinet Corporation acquired an interest in Sunlink Co., Ltd. and The Apple Corporation on November 30, 2007, making them subsidiaries.
4. Happinet Corporation established Happinet Marketing Corporation as its wholly owned subsidiary on February 1, 2008. Happinet Marketing Corporation launched operations on April 1, 2008.
5. 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 FY2005 to FY2007 are shown for reference.

1. Fiscal 2008 first half consolidated results

Profit & loss statement

(million yen, %, rounded down)

	Interim period of FY2007			1st half of FY2008			Remarks
		% of total	YoY		% of total	YoY	
Net sales	69,281	100.0	1.7	76,052	100.0	9.8	
Cost of sales	60,824	87.8	2.4	65,966	86.7	8.5	Includes inventory disposal loss of ¥672m in FY2008 and ¥401m in FY2007.
Gross profit	8,457	12.2	-3.1	10,085	13.3	19.3	
SG&A expenses	7,299	10.5	-7.0	8,858	11.6	21.4	
Personnel	2,564	3.7	-3.0	3,134	4.1	22.2	
Contract personnel costs	594	0.9	-8.0	1,069	1.4	79.8	
Depreciation and amortization	176	0.3	2.4	247	0.3	40.8	
Operating profit	1,157	1.7	32.0	1,226	1.6	6.0	
Non-operating income	73	0.1	-68.6	162	0.2	121.7	
Interest and dividends received	31	0.0	113.0	44	0.1	43.8	
Other	42	0.1	-80.7	117	0.2	179.0	
Non-operating expenses	20	0.0	-54.8	23	0.0	13.5	
Interest paid	5	0.0	-83.9	5	0.0	-2.3	
Other	14	0.0	46.2	17	0.0	19.5	
Recurring profit	1,210	1.7	13.7	1,365	1.8	12.8	
Extraordinary gains	0	0.0	-97.3	24	0.0	11329.0	
Extraordinary losses	24	0.0	219.5	119	0.2	394.5	
Net profit before income taxes	1,186	1.7	11.4	1,270	1.7	7.1	
Income taxes	467	0.7	23.4	637	0.8	36.5	
Minority interests	—	—	—	14	0.0	—	
Net profit	718	1.0	4.8	618	0.8	-13.9	

(Note) Commissioned business fees were previously posted in non-operating income, but commencing FY2007 they are included in net sales.

Earnings per share (yen)	59.83	—	4.8	52.69	—	-11.9
Average number of shares during period	12,014,995			11,745,472		

Number of employees at end of period	727	—	-4.6	868	—	19.4
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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	319	—	-29.4	790	—	147.3
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(Note) 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 FY2007 are shown for reference.

## 1. Fiscal 2008 first half consolidated results

### (1) Sales by business segment

(million yen, %, rounded down)

Segment	FY	Interim period of FY2007		1st half of FY2008			FY2007			Remarks	
		% of total	YoY	% of total	YoY	% of total	YoY				
Toy business		24,953	36.0	-2.5	23,409	30.8	-6.2	57,784	34.2	1.0	
Video-related business		18,606	26.9	-14.5	16,637	21.9	-10.6	38,554	22.8	-16.5	
Video game business		20,239	29.2	39.9	23,671	31.1	17.0	54,535	32.3	20.9	
Amusement business		3,058	4.4	-9.0	9,341	12.3	205.5	12,957	7.7	104.1	
Other business		2,422	3.5	-18.4	2,991	3.9	23.5	5,126	3.0	-11.7	
<b>Total</b>		<b>69,281</b>	<b>100.0</b>	<b>1.7</b>	<b>76,052</b>	<b>100.0</b>	<b>9.8</b>	<b>168,958</b>	<b>100.0</b>	<b>5.2</b>	

### (2) Operating profit by business segment

(million yen, %, rounded down)

Segment	FY	Interim period of FY2007		1st half of FY2008		FY2007		Remarks
		YoY	YoY	YoY	YoY			
Toy business		916	28.1	356	-61.1	1,281	-29.5	
Video-related business		301	-24.0	823	173.4	37	-94.1	
Video game business		488	151.5	646	32.4	1,321	63.9	
Amusement business		21	-85.3	-28	—	-25	—	
Other business		54	-32.5	33	-38.9	40	-39.4	
Eliminations and corporate		-625		-604		-1,202		
<b>Total</b>		<b>1,157</b>	<b>32.0</b>	<b>1,226</b>	<b>6.0</b>	<b>1,451</b>	<b>-32.6</b>	

### (3) Sales by channel

(billion yen, %, rounded down)

Segment	FY	Interim period of FY2007		1st half of FY2008			FY2007			Remarks	
		% of total	YoY	% of total	YoY	% of total	YoY				
General merchandise stores		10.1	14.7	-14.1	13.6	17.9	34.1	29.8	17.7	6.7	
Convenience stores		5.6	8.2	9.2	6.0	8.0	7.0	12.6	7.5	14.0	
Suburban stores		6.3	9.2	-2.1	4.9	6.5	-22.2	13.5	8.0	-3.5	
E-commerce		14.6	21.2	23.1	13.5	17.8	-7.6	35.0	20.7	14.2	
Specialty stores		20.3	29.4	15.7	23.4	30.8	14.9	50.9	30.1	17.0	Includes consumer electronics and camera stores
Wholesalers		6.4	9.3	-14.0	7.7	10.2	20.7	14.9	8.9	-0.2	
Department stores		1.3	2.0	-19.9	0.7	1.1	-41.2	2.5	1.5	-20.3	
Other		4.2	6.1	-28.3	5.8	7.7	39.0	9.4	5.6	-37.5	
<b>Total</b>		<b>69.2</b>	<b>100.0</b>	<b>1.7</b>	<b>76.0</b>	<b>100.0</b>	<b>9.8</b>	<b>168.9</b>	<b>100.0</b>	<b>5.2</b>	

(Note) 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 FY2007 are shown for reference.

# 1. Fiscal 2008 first half consolidated results

## (4) Overview of major businesses 1

### ● Toy sales by manufacturer

(billion yen, %, rounded down)

FY Manufacturer	Interim period of FY2007			1st half of FY2008			FY2007			Remarks
		% of total	YoY		% of total	YoY		% of total	YoY	
Bandai Co., Ltd.	14.5	58.1	-1.0	12.7	54.6	-11.8	30.0	52.1	-2.3	
Tomy Co., Ltd.	2.1	8.5	-10.1	2.0	8.7	-3.8	4.8	8.4	-3.2	
Happinet originals	1.4	5.9	22.8	0.6	2.9	-53.5	2.6	4.6	14.0	
Other manufacturers	6.8	27.5	-7.0	7.9	33.8	15.1	20.1	34.9	5.8	
<b>Total</b>	<b>24.9</b>	<b>100.0</b>	<b>-2.5</b>	<b>23.4</b>	<b>100.0</b>	<b>-6.2</b>	<b>57.7</b>	<b>100.0</b>	<b>1.0</b>	

### ● Video-related business sales composition

(billion yen, %, rounded down)

FY Business	Interim period of FY2007			1st half of FY2008			FY2007			Remarks
		% of total	YoY		% of total	YoY		% of total	YoY	
Wholesale	14.0	75.8	-14.5	12.6	76.0	-10.3	29.8	77.5	-12.1	
Exclusive titles	4.5	24.2	-14.6	3.9	24.0	-11.4	8.6	22.5	-28.5	
<b>Total</b>	<b>18.6</b>	<b>100.0</b>	<b>-14.5</b>	<b>16.6</b>	<b>100.0</b>	<b>-10.6</b>	<b>38.5</b>	<b>100.0</b>	<b>-16.5</b>	

(Note) 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 FY2007 are shown for reference.

# 1. Fiscal 2008 first half consolidated results

## (4) Overview of major businesses 2

### ● Sales by video game machine

(billion yen, %, rounded down)

Item	FY	Interim period of FY2007			1st half of FY2008			FY2007			Remarks
			% of total	YoY		% of total	YoY		% of total	YoY	
PlayStation 3		0.6	3.1	-	1.4	5.9	124.1	3.1	5.8	-20.1	
PlayStation 2		2.9	14.6	-12.9	1.7	7.5	-39.8	5.7	10.6	-21.5	
PlayStation Portable		3.0	15.0	43.3	5.0	21.3	66.1	9.3	17.2	83.9	
Wii		2.9	14.6	-	2.6	11.3	-9.4	9.0	16.6	245.0	
Nintendo DS		6.3	31.4	-16.5	4.5	19.2	-28.4	12.7	23.4	-12.9	
Other		4.3	21.3	220.4	8.2	34.8	90.8	14.3	26.3	26.2	
<b>Total</b>		<b>20.2</b>	<b>100.0</b>	<b>39.9</b>	<b>23.6</b>	<b>100.0</b>	<b>17.0</b>	<b>54.5</b>	<b>100.0</b>	<b>20.9</b>	

### ● Breakdown of PlayStation sales and sales volume

(billion yen, %, rounded down)

Item	FY	Interim period of FY2007			1st half of FY2008			FY2007			Remarks
			% of total	YoY		% of total	YoY		% of total	YoY	
PS3 hardware		0.3 (7,000 units)	5.6	-	0.6 (16,000 units)	7.8	73.2	1.9 (40,000 units)	10.6	-43.4	
PS3 software		0.2	3.5	-	0.7	8.8	211.1	1.0	5.7	123.9	
PS3 accessories		0.0	0.3	-	0.0	0.4	63.6	0.1	1.0	158.0	
PS2 hardware		0.1 (10,000 units)	2.6	-55.9	0.1 (8,000 units)	1.5	-30.2	0.3 (20,000 units)	1.9	-58.4	
PS2 software		2.7	41.0	-5.9	1.6	19.7	-40.3	5.3	29.0	-16.3	
PS2 accessories		0.0	1.0	-43.8	0.0	0.4	-46.0	0.1	0.7	-33.7	
PSP hardware		1.8 (90,000 units)	27.8	87.4	3.1 (164,000 units)	38.5	72.4	5.8 (310,000 units)	32.2	124.7	
PSP software		1.0	15.9	-4.9	1.6	20.6	61.0	3.0	16.6	29.1	
PSP accessories		0.1	2.3	316.7	0.1	2.3	26.0	0.4	2.3	268.4	
<b>Total</b>		<b>6.6</b>	<b>100.0</b>	<b>20.2</b>	<b>8.2</b>	<b>100.0</b>	<b>24.4</b>	<b>18.3</b>	<b>100.0</b>	<b>11.5</b>	

(Note) 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 FY2007 are shown for reference.

■ For further information, please contact Ishimaru or Saito (Tel: 03-3847-0410) of the Management Planning Team, Corporate Strategy Planning Department, Corporate Management Headquarters

1. Fiscal 2008 first half consolidated results  
Balance sheet (1)

(million yen, rounded down)

	Interim period of FY2007	FY2007	FY2008 (first half)		Remarks
				Change	
<b>Assets</b>					
(1) Current assets	41,104	40,801	38,422	-2,378	
1. Cash and deposits	6,173	5,927	6,355	427	
2. Accounts and notes receivable	20,976	21,330	18,560	-2,770	
3. Inventories	9,048	7,450	8,527	1,076	
4. Advances	2,962	2,868	2,128	-739	
5. Deferred tax assets	626	1,996	1,751	-245	
6. Other	1,354	1,392	1,385	-6	
7. Allowance for doubtful accounts	-37	-166	-286	-120	
(2) Fixed assets	6,293	7,685	7,348	-337	
1. Tangible fixed assets	1,550	2,218	2,152	-66	
Buildings and structures	466	638	570	-68	
Land	547	851	819	-31	
Other	535	728	761	33	
2. Intangible fixed assets	1,647	2,215	2,543	328	
Goodwill	449	770	652	-118	
Other	1,197	1,444	1,891	447	
3. Investments and other assets	3,096	3,251	2,652	-599	
Investment securities	2,352	2,210	1,752	-457	
Long-term prepaid expenses	5	79	8	-71	
Guarantees paid	533	674	636	-37	
Deferred tax assets	53	16	96	80	
Other	223	447	351	-95	
Allowance for doubtful accounts	-71	-176	-193	-16	
<b>Total assets</b>	<b>47,397</b>	<b>48,486</b>	<b>45,770</b>	<b>-2,716</b>	

(Note) 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 FY2007 are shown for reference.

1. Fiscal 2008 first half consolidated results  
Balance sheet (2)

(million yen, rounded down)

	Interim period of FY2007	FY2007	FY2008 (first half)		Remarks
				Change	
<b>Liabilities</b>					
(1) Current liabilities	24,171	27,426	25,042	-2,383	
1. Accounts and notes payable	20,991	21,096	19,401	-1,695	
2. Deferred payments	1,926	2,494	2,309	-184	
3. Income tax payable	541	57	417	359	
4. Bonus reserve	359	390	418	27	
5. Other	352	3,387	2,495	-891	Allowance for losses on business restructuring ¥1,871m (¥2,599m in FY2007)
(2) Fixed liabilities	1,761	2,248	2,188	-60	
1. Reserve for retirement benefits	960	1,135	1,193	57	
2. Guarantees received	665	689	658	-30	
3. Deferred tax liabilities	134	44	0	-43	
4. Negative goodwill	0	94	118	24	
5. Other	—	285	217	-67	
<b>Total liabilities</b>	<b>25,932</b>	<b>29,675</b>	<b>27,230</b>	<b>-2,444</b>	
<b>Shareholders' equity</b>					
(1) Capital	2,751	2,751	2,751	-	
(2) Capital reserve	2,776	2,776	2,776	-	
(3) Retained earnings	15,053	12,544	12,986	441	
(4) Treasury stock	-14	-239	-534	-294	
(5) Net unrealized gain on securities	897	725	560	-164	
(6) Minority interests	—	253	-	-253	
<b>Total shareholders' equity</b>	<b>21,465</b>	<b>18,811</b>	<b>18,539</b>	<b>-271</b>	
<b>Total liabilities and shareholders' equity</b>	<b>47,397</b>	<b>48,486</b>	<b>45,770</b>	<b>-2,716</b>	
<b>Net assets per share (¥)</b>	<b>1,786.54</b>	<b>1,566.17</b>	<b>1,590.76</b>	<b>24.59</b>	
Shares outstanding at end of period	12,014,915	11,849,355	11,654,695		

(Note) 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 FY2007 are shown for reference.



1. Fiscal 2008 first half consolidated results  
Cash flow statement

	Interim period of FY2007	1st half of FY2008		Remarks
			Change	
(1) Cash flows from operating activities				
Net profit before income taxes	1,186	1,270	84	
Depreciation and amortization	176	247	71	
Change in trade receivables	1,118	2,740	1,622	
Change in inventories	-2,840	-1,076	1,763	
Change in trade payables	1,878	-1,695	-3,573	
Change in other receivables	-17	-73	-56	
Change in other payables	-1,196	-115	1,080	
Other	535	468	-67	
Payment of income taxes	-563	-43	519	
Net cash provided by/used in operating activities	277	1,723	1,445	
(2) Cash flows from investing activities				
Payments for purchase of tangible and intangible fixed assets	-248	-763	-515	
Payments for purchase of investment securities	-71	-8	62	
Proceeds from sale of investment securities	0	169	169	
Other	99	65	-34	
Net cash provided by/used in investing activities	-219	-537	-318	
(3) Cash flows from financing activities				
Payments of dividends	-179	-178	0	
Payments for acquisition of treasury stock	0	-294	-294	
Other	-0	-197	-197	
Net cash provided by/used in financing activities	-180	-671	-491	
(4) Change in cash and equivalents	-121	513	635	
(5) Cash and equivalents at beginning of period	6,252	5,837	-415	
(6) Changes in cash and cash equivalents with changes in the scope of consolidation	42	-	-42	
(7) Cash and equivalents at end of period	6,173	6,351	177	

(Note) 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 FY2007 are shown for reference.

2. (For reference) Fiscal 2008 consolidated forecasts  
Profit & loss statement

(million yen, %, rounded down)

	FY2007			FY2008 (forecast)			Remarks
		% of total	YoY		% of total	YoY	
Net sales	168,958	100.0	5.2	180,000	100.0	6.5	
Cost of sales	150,651	89.2	6.0	154,300	85.7	2.4	
Gross profit	18,306	10.8	-0.8	25,700	14.3	40.4	
SG&A expenses	16,855	10.0	3.4	23,800	13.2	41.2	
Personnel	5,678	3.4	3.8	6,298	3.5	10.8	
Contract personnel costs	1,665	1.0	24.6	2,300	1.3	38.1	
Depreciation and amortization	427	0.3	19.6	815	0.5	90.8	
Operating profit	1,451	0.9	-32.6	1,900	1.1	30.9	
Non-operating income	162	0.1	-65.2	140	0.1	-13.8	
Interest and dividends received	47	0.0	107.2	50	0.0	5.8	
Other	115	0.1	-74.0	90	0.1	-21.8	
Non-operating expenses	43	0.0	-33.0	40	0.0	-8.9	
Interest paid	20	0.0	-54.1	20	0.0	-3.5	
Other	23	0.0	13.6	20	0.0	-13.8	
Recurring profit	1,569	0.9	-38.5	2,000	1.1	27.4	
Extraordinary gains	1	0.0	-4.2	—	—	—	
Extraordinary losses	4,029	2.4	—	—	—	—	
Net profit before income taxes	-2,458	-1.5	—	2,000	1.1	—	
Income taxes	-967	-0.6	—	780	0.4	—	
Minority interests	-0	-0.0	—	20	0.0	—	
Net profit	-1,490	-0.9	—	1,200	0.7	—	

Earnings per share (yen)	-124.11	—	—	101.27	—	—	
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Number of employees at end of period	890	—	19.8	868	—	—	
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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	835	—	6.6	1,200	—	43.7	
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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 2008 consolidated forecasts

Sales forecasts by business segment

(million yen, %, rounded down)

Segment	FY	1st half of FY2008		FY2007		FY2008 (forecast)				
			% of total	YoY		% of total	YoY	% of total	YoY	
Toy business		23,409	30.8	-6.2	57,784	34.2	1.0	65,000	36.1	12.5
Video-related business		16,637	21.9	-10.6	38,554	22.8	-16.5	35,000	19.4	-9.2
Video game business		23,671	31.1	17.0	54,535	32.3	20.9	55,000	30.6	0.9
Amusement business		9,341	12.3	205.5	12,957	7.7	104.1	20,000	11.1	54.4
Other business		2,991	3.9	23.5	5,126	3.0	-11.7	5,000	2.8	-2.5
Total		76,052	100.0	9.8	168,958	100.0	5.2	180,000	100.0	6.5

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.