



HAPPINET CORPORATION

Stock Listing :Tokyo Stock Exchange  
Code Number :7552

# Fiscal Year 2014 First Half Results Briefing

November 19, 2014



|  |    |
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# First Half of FY2014 Financial Results

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# Change of business results



|  |           | 1st half of<br>FY2010 | 1st half of<br>FY2011 | 1st half of<br>FY2012 | 1st half of<br>FY2013 | 1st half of<br>FY2014 | FY2011           | FY2012           | FY2013           |
|--|-----------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------|------------------|------------------|
| Net sales                                  | ¥ million | 85,090                | 88,508                | 76,211                | 87,371                | 93,437                | 198,021          | 176,757          | 206,867          |
| Operating income                           | ¥ million | 1,240                 | 2,316                 | 1,007                 | 1,551                 | 2,362                 | 4,855            | 2,973            | 3,888            |
| Ordinary income                            | ¥ million | 1,314                 | 2,422                 | 1,072                 | 1,579                 | 2,413                 | 5,032            | 3,081            | 3,917            |
| Net income                                 | ¥ million | 712                   | 1,526                 | 709                   | 1,375                 | 1,841                 | 2,458            | 2,011            | 2,466            |
| Comprehensive income                       | ¥ million | 468                   | 1,413                 | 698                   | 1,434                 | 1,957                 | 2,402            | 2,075            | 2,654            |
| Net assets                                 | ¥ million | 19,364                | 21,053                | 22,136                | 24,522                | 27,356                | 21,795           | 23,289           | 25,694           |
| Total assets                               | ¥ million | 49,339                | 50,392                | 51,003                | 60,264                | 61,985                | 54,323           | 53,003           | 53,879           |
| Net assets per share                       | ¥         | 1,713.41              | 939.25                | 987.05                | 1,086.78              | 1,200.85              | 972.13           | 1,036.23         | 1,128.25         |
| Net income per share                       | ¥         | 63.63                 | 68.14                 | 31.68                 | 61.13                 | 80.21                 | 109.73           | 89.75            | 109.40           |
| Dividends per share<br>(Interim dividends) | ¥         | (15.00)               | (11.25)               | (11.25)               | (11.25)               | (13.50)               | 27.50<br>(11.25) | 22.50<br>(11.25) | 24.75<br>(11.25) |
| No. of employees                           | people    | 932                   | 913                   | 935                   | 981                   | 959                   | 916              | 918              | 972              |

Notes: 1. Consolidated sales figures do not include consumption tax.

2. A stock split in which two shares were issued for each outstanding common share on December 1, 2011 was carried out.

Therefore, supposing that the stock split was carried out at the beginning of the period of the Fiscal Year ended March 31, 2011, Net assets per share and Net income per share were estimated. Interim dividends per share for the Fiscal Year ended March 31, 2012 was estimated by the figure before the stock split.

3. Dividends per share amount of FY2011 is Including a memorial dividend of 20<sup>th</sup> anniversary of Happinet Corporation (¥5).

4. Happinet Corporation acquired shares of TOYS UNION CO.,LTD.(now MAXGAMES Corporation) on July 16, 2013, making it a subsidiary.

# Consolidated results for first half of FY2014 (1)Profit & loss statement



(millions of yen, %)

|   | FY2013 |            |        | FY2014 |            |
|---|--------|------------|--------|--------|------------|
|   |        | % of total | YoY    |        | % of total |
| Net sales                                       | 87,371 | 100.0      | 14.6   | 93,437 | 100.0      |
| Cost of sales                                   | 76,587 | 87.7       | 16.0   | 81,421 | 87.1       |
| Gross profit                                    | 10,783 | 12.3       | 5.8    | 12,016 | 12.9       |
| Selling general and administrative expenses     | 9,231  | 10.6       | 0.5    | 9,653  | 10.3       |
| Personnel expenses                              | 3,442  | 3.9        | 2.4    | 3,647  | 3.9        |
| Temporary staff expenses                        | 658    | 0.8        | -12.4  | 648    | 0.7        |
| Depreciation                                    | 292    | 0.3        | -9.2   | 166    | 0.2        |
| Amortization of goodwill                        | 123    | 0.1        | -26.8  | -      | -          |
| Operating income                                | 1,551  | 1.8        | 54.0   | 2,362  | 2.5        |
| Non-operating income                            | 58     | 0.1        | -16.1  | 57     | 0.1        |
| Dividends of interest income                    | 23     | 0.0        | 29.1   | 22     | 0.0        |
| Other   | 35     | 0.0        | -31.5  | 35     | 0.0        |
| Non-operating expenses                          | 30     | 0.0        | 509.0  | 6      | 0.0        |
| Interest expenses                               | 5      | 0.0        | 126.8  | 0      | 0.0        |
| Other   | 25     | 0.0        | 895.5  | 6      | 0.0        |
| Ordinary income                                 | 1,579  | 1.8        | 47.3   | 2,413  | 2.6        |
| Extraordinary income                            | 411    | 0.5        | 6874.4 | 6      | 0.0        |
| Extraordinary loss                              | 152    | 0.2        | 174.7  | 525    | 0.6        |
| Quarterly income before income taxes and others | 1,838  | 2.1        | 79.8   | 1,894  | 2.0        |
| Income taxes                                    | 462    | 0.5        | 47.9   | 79     | 0.1        |
| Quarterly income before minority interests      | 1,376  | 1.6        | 93.8   | 1,814  | 1.9        |
| Minority interests in income                    | 0      | 0.0        | 53.6   | -      | -          |
| Quarterly net income                            | 1,375  | 1.6        | 93.8   | 1,814  | 1.9        |
| Quarterly net income per share(millions of yen) | 61.13  | -          | 92.9   | 80.21  | -          |
| No.of employees at end of period (people)       | 981    | -          | 4.9    | 959    | -          |
| Capital expenditures(millions of yen)           | 249    | -          | 156.4  | 450    | -          |

Including disposal loss  
(FY2014:863,FY2013:841)

\*The No. of employees includes employees temporarily transferred from other companies and contract employees, but excludes employees temporarily transferred to other companies and temporary employees.

## ① Change by business segment

### ■ Net sales

(millions of yen,%)

| Segment                   | Period | 1st half of FY2013 |            |      | 1st half of FY2014 |            |       | FY2013  |            |      |
|---------------------------|--------|--------------------|------------|------|--------------------|------------|-------|---------|------------|------|
|                           |        |                    | % of total | YOY  |                    | % of total | YOY   |         | % of total | YOY  |
| Toy business              |        | 31,880             | 36.5       | -1.6 | 39,479             | 42.3       | 23.8  | 76,821  | 37.1       | 2.9  |
| Visual and Music business |        | 21,300             | 24.4       | 2.8  | 21,376             | 22.9       | 0.4   | 42,955  | 20.8       | -4.1 |
| Video-game business       |        | 23,042             | 26.4       | 75.5 | 19,939             | 21.3       | -13.5 | 63,609  | 30.7       | 72.7 |
| Amusement business        |        | 11,147             | 12.7       | 11.9 | 12,643             | 13.5       | 13.4  | 23,481  | 11.4       | 14.8 |
| Total                     |        | 87,371             | 100.0      | 14.6 | 93,437             | 100.0      | 6.9   | 206,867 | 100.0      | 17.0 |

### ■ Segment income

(millions of yen,%)

| Segment                   | Period | 1st half of FY2013 |            |       | 1st half of FY2014 |            |       | FY2013 |            |       |
|---------------------------|--------|--------------------|------------|-------|--------------------|------------|-------|--------|------------|-------|
|                           |        |                    | % of total | YOY   |                    | % of total | YOY   |        | % of total | YOY   |
| Toy business              |        | 563                | 36.3       | -32.4 | 1,663              | 70.4       | 195.2 | 2,710  | 69.7       | 31.8  |
| Visual and Music business |        | 377                | 24.3       | 250.1 | 145                | 6.1        | -61.4 | 307    | 7.9        | -0.7  |
| Video-game business       |        | 34                 | 2.2        | -64.6 | -61                | -2.6       | -     | 79     | 2.0        | -88.2 |
| Amusement business        |        | 1,190              | 76.7       | 96.7  | 1,264              | 53.5       | 6.2   | 2,053  | 52.8       | 62.4  |
| Adjustments               |        | -614               | -39.5      | -     | -648               | -27.4      | -     | -1,263 | -32.4      | -     |
| Total                     |        | 1,551              | 100.0      | 54.0  | 2,362              | 100.0      | 52.3  | 3,888  | 100.0      | 30.8  |

## ② Main business summary

### ■ Toy business

(100millions of yen,%)

| Manufacturer        | Period | 1st half of FY2013 |              | 1st half of FY2014 |            | FY2013       |             |            |              |            |
|---------------------|--------|--------------------|--------------|--------------------|------------|--------------|-------------|------------|--------------|------------|
|                     |        | % of total         | YOY          | % of total         | YOY        | % of total   | YOY         |            |              |            |
| Bandai Co.,Ltd      |        | 156                | 48.9         | -4.9               | 223        | 56.6         | 43.2        | 407        | 53.1         | 5.0        |
| Tomy Co.,Ltd        |        | 20                 | 6.4          | -13.1              | 18         | 4.7          | -8.9        | 42         | 5.5          | -21.6      |
| Happinet originals  |        | 10                 | 3.2          | -9.2               | 11         | 3.0          | 16.4        | 20         | 2.7          | -17.7      |
| Other manufacturers |        | 132                | 41.5         | 5.4                | 140        | 35.7         | 6.6         | 297        | 38.7         | 6.5        |
| <b>Total</b>        |        | <b>318</b>         | <b>100.0</b> | <b>-1.6</b>        | <b>394</b> | <b>100.0</b> | <b>23.8</b> | <b>768</b> | <b>100.0</b> | <b>2.9</b> |

### ■ Visual and Music business

(100millions of yen,%)

| Division                | Period | 1st half of FY2013 |              | 1st half of FY2014 |            | FY2013       |             |            |              |
|-------------------------|--------|--------------------|--------------|--------------------|------------|--------------|-------------|------------|--------------|
|                         |        | % of total         | YOY          | % of total         | YOY        | % of total   | YOY         |            |              |
| Distribution department |        | 123                | 58.1         | 6.6                | 126        | 59.0         | 1.8         | 252        | 58.8         |
| Manufacturer department |        | 32                 | 15.2         | 25.8               | 33         | 15.4         | 2.0         | 63         | 14.8         |
| <b>Visual</b>           |        | <b>156</b>         | <b>73.3</b>  | <b>10.1</b>        | <b>159</b> | <b>74.4</b>  | <b>1.8</b>  | <b>316</b> | <b>73.6</b>  |
| <b>Music</b>            |        | <b>56</b>          | <b>26.7</b>  | <b>-12.9</b>       | <b>54</b>  | <b>25.6</b>  | <b>-3.7</b> | <b>113</b> | <b>26.4</b>  |
| <b>Total</b>            |        | <b>213</b>         | <b>100.0</b> | <b>2.8</b>         | <b>213</b> | <b>100.0</b> | <b>0.4</b>  | <b>429</b> | <b>100.0</b> |

## ■ Sales of video game platform

(100millions of yen,%)

| Platform                   | Period | 1st half of FY2013 |            |       | 1st half of FY2014 |            |       | FY2013 |            |       |
|----------------------------|--------|--------------------|------------|-------|--------------------|------------|-------|--------|------------|-------|
|                            |        |                    | % of total | YOY   |                    | % of total | YOY   |        | % of total | YOY   |
| Nintendo (Wii,Wii U)       |        | 27                 | 12.1       | 164.2 | 34                 | 17.3       | 23.5  | 107    | 16.9       | 142.4 |
| Nintendo (Nintendo DS,3DS) |        | 146                | 63.5       | 180.8 | 118                | 59.2       | -19.3 | 403    | 63.4       | 182.8 |
| PlayStation (PS2,PS3,PS4)  |        | 16                 | 7.4        | -8.7  | 10                 | 5.3        | -37.6 | 48     | 7.6        | -9.1  |
| PlayStation (PSP,PSVita)   |        | 18                 | 8.2        | -28.9 | 17                 | 9.0        | -4.6  | 47     | 7.5        | -33.1 |
| Other                      |        | 20                 | 8.8        | -13.4 | 18                 | 9.2        | -10.0 | 29     | 4.6        | -48.8 |
| Total                      |        | 230                | 100.0      | 75.5  | 199                | 100.0      | -13.5 | 636    | 100.0      | 72.7  |

## ■ Breakdown of Nintendo sales

(100millions of yen,%)

| Item       | Period      | 1st half of FY2013 |            |       | 1st half of FY2014 |            |       | FY2013 |            |       |
|------------|-------------|--------------------|------------|-------|--------------------|------------|-------|--------|------------|-------|
|            |             |                    | % of total | YOY   |                    | % of total | YOY   |        | % of total | YOY   |
| Stationary | Hardware    | 14                 | 8.1        | 738.6 | 12                 | 8.3        | -9.4  | 64     | 12.6       | 189.5 |
|            | Software    | 11                 | 6.7        | 43.3  | 18                 | 11.8       | 54.9  | 34     | 6.8        | 89.3  |
|            | Accessories | 2                  | 1.3        | 194.5 | 3                  | 2.5        | 64.4  | 8      | 1.7        | 120.7 |
| Portable   | Hardware    | 65                 | 37.3       | 177.6 | 33                 | 21.9       | -48.6 | 176    | 34.5       | 147.5 |
|            | Software    | 75                 | 43.4       | 193.3 | 80                 | 53.0       | 6.9   | 214    | 41.9       | 236.5 |
|            | Accessories | 5                  | 3.2        | 94.8  | 3                  | 2.5        | -33.8 | 12     | 2.5        | 64.5  |
| Total      |             | 174                | 100.0      | 178.0 | 152                | 100.0      | -12.5 | 510    | 100.0      | 173.2 |

## Breakdown of Play Station sales

(billions of yen,%)

| Item       | Period      | 1st half of FY2013 |            |       | 1st half of FY2014 |            |       | FY2013 |            |       |
|------------|-------------|--------------------|------------|-------|--------------------|------------|-------|--------|------------|-------|
|            |             |                    | % of total | YOY   |                    | % of total | YOY   |        | % of total | YOY   |
| Stationary | Hardware    | 2                  | 7.8        | -22.7 | 4                  | 14.7       | 50.2  | 11     | 12.1       | -13.5 |
|            | Software    | 13                 | 37.2       | -6.1  | 5                  | 20.3       | -56.4 | 34     | 35.9       | -7.6  |
|            | Accessories | 0                  | 2.4        | 7.4   | 0                  | 2.1        | -32.2 | 2      | 2.2        | -8.3  |
| Portable   | Hardware    | 4                  | 13.3       | -37.7 | 3                  | 13.8       | -17.2 | 14     | 15.3       | -25.8 |
|            | Software    | 13                 | 36.7       | -27.9 | 13                 | 47.5       | 3.3   | 31     | 32.4       | -38.0 |
|            | Accessories | 0                  | 2.6        | 50.8  | 0                  | 1.6        | -50.5 | 1      | 2.1        | 41.6  |
| Total      |             | 35                 | 100.0      | -20.6 | 28                 | 100.0      | -20.3 | 95     | 100.0      | -22.9 |

# Consolidated results for first half of FY2014 (2)Balance sheet



(millions of yen)

|                                     | 1st half of<br>FY2013 | FY2013        | 1st half of<br>FY2014 | Change       |
|-------------------------------------|-----------------------|---------------|-----------------------|--------------|
| <b>(Assets)</b>                     |                       |               |                       |              |
| Cash and deposits                   | 10,541                | 9,996         | 11,795                | 1,799        |
| Notes and accounts receivable-trade | 28,569                | 24,104        | 30,167                | 6,063        |
| Inventories                         | 9,049                 | 7,404         | 8,557                 | 1,152        |
| Advance payments                    | 1,575                 | 1,818         | 1,919                 | 100          |
| Deferred tax assets                 | 1,067                 | 980           | 796                   | -184         |
| Other                               | 2,231                 | 2,733         | 1,209                 | -1,524       |
| Allowance for doubtful accounts     | -84                   | -12           | -5                    | 7            |
| <b>Total current assets</b>         | <b>52,951</b>         | <b>47,025</b> | <b>54,439</b>         | <b>7,413</b> |
| Property, plant and equipment       | 1,694                 | 1,342         | 1,013                 | -329         |
| Buildings and structures            | 385                   | 289           | 186                   | -103         |
| Land                                | 889                   | 632           | 455                   | -177         |
| Other                               | 419                   | 420           | 371                   | -48          |
| Intangible assets                   | 704                   | 446           | 695                   | 249          |
| Investments and other assets        | 4,914                 | 5,065         | 5,836                 | 771          |
| Investment securities               | 1,767                 | 1,925         | 2,126                 | 200          |
| Deferred tax assets                 | 742                   | 749           | 1,376                 | 626          |
| Other                               | 2,446                 | 2,488         | 2,430                 | -57          |
| Allowance for doubtful accounts     | -42                   | -97           | -96                   | 1            |
| <b>Total non-current assets</b>     | <b>7,312</b>          | <b>6,854</b>  | <b>7,546</b>          | <b>691</b>   |
| <b>Total assets</b>                 | <b>60,264</b>         | <b>53,879</b> | <b>61,985</b>         | <b>8,105</b> |

# Consolidated results for first half of FY2014 (2)Balance sheet



(millions of yen)

|   | 1st half of<br>FY2013 | FY2013          | 1st half of<br>FY2014 | Change       |
|---|-----------------------|-----------------|-----------------------|--------------|
| <b>(Liabilities)</b>                                  |                       |                 |                       |              |
| Notes and accounts payable-trade                      | 22,795                | 20,099          | 26,540                | 6,441        |
| Accounts payable-other                                | 2,531                 | 2,545           | 3,064                 | 518          |
| Income taxes payable                                  | 569                   | 1,104           | 610                   | -493         |
| Provision for bonuses                                 | 230                   | 477             | 249                   | -227         |
| Other   | 6,536                 | 809             | 783                   | -26          |
| <b>Total current liabilities</b>                      | <b>32,663</b>         | <b>25,036</b>   | <b>31,248</b>         | <b>6,211</b> |
| Provision for retirement benefits                     | 2,039                 | 2,103           | 2,422                 | 319          |
| Deferred tax liabilities                              | 61                    | 60              | 59                    | -1           |
| Other   | 976                   | 984             | 897                   | -86          |
| <b>Total non-current liabilities</b>                  | <b>3,077</b>          | <b>3,148</b>    | <b>3,380</b>          | <b>231</b>   |
| <b>Total liabilities</b>                              | <b>35,741</b>         | <b>28,185</b>   | <b>34,628</b>         | <b>6,443</b> |
| <b>(Net assets)</b>                                   |                       |                 |                       |              |
| Capital stock   | 2,751                 | 2,751           | 2,751                 | -            |
| Capital surplus                                       | 2,775                 | 2,775           | 2,775                 | -            |
| Retained earnings                                     | 19,727                | 20,562          | 22,071                | 1,508        |
| Treasury share  | -989                  | -948            | -936                  | 11           |
| <b>Total shareholder's equity</b>                     | <b>24,265</b>         | <b>25,141</b>   | <b>26,661</b>         | <b>1,520</b> |
| Valuation difference on available-for-sale securities | 249                   | 378             | 519                   | 140          |
| Deferred gains or losses on hedges                    | -0                    | -0              | 1                     | 2            |
| <b>Total accumulated other comprehensive income</b>   | <b>249</b>            | <b>378</b>      | <b>521</b>            | <b>143</b>   |
| Subscription rights to shares                         | 8                     | 175             | 173                   | -1           |
| Minority interests                                    | 0                     | -               | -                     | -            |
| <b>Total net assets</b>                               | <b>24,522</b>         | <b>25,694</b>   | <b>27,356</b>         | <b>1,661</b> |
| <b>Total liabilities and net assets</b>               | <b>60,264</b>         | <b>53,879</b>   | <b>61,985</b>         | <b>8,105</b> |
| <b>Net assets per share(¥)</b>                        | <b>1,086.78</b>       | <b>1,128.25</b> | <b>1,200.85</b>       | <b>72.60</b> |

# Consolidated results for first half of FY2014 (3)Cash-flow statement



(millions of yen)

|   | 1st half of<br>FY2013 | 1st half of<br>FY2014 | Change        |
|---|-----------------------|-----------------------|---------------|
| <b>Net cash provided by (used in) operating activities</b>                  | <b>-3,093</b>         | <b>2,325</b>          | <b>5,418</b>  |
| Income before income taxes and others                                       | 1,838                 | 1,894                 | 56            |
| Depreciation  | 309                   | 184                   | -125          |
| Impairment loss   | 33                    | 125                   | 91            |
| Decrease (increase) in trade accounts receivable                            | 618                   | -6,062                | -6,680        |
| Decrease (increase) in inventories  | -1,564                | -1,152                | 411           |
| Increase (decrease) in trade payables                                       | -1,030                | 6,441                 | 7,471         |
| Increase (decrease) in accounts payable-other                               | -227                  | 524                   | 752           |
| Increase (decrease) in guarantee deposits                                   | -1,265                | -20                   | 1,244         |
| Other   | -1,139                | 1,492                 | 2,631         |
| Income taxes paid   | -666                  | -1,103                | -436          |
| <b>Net cash provided by (used in) investing activities</b>                  | <b>-124</b>           | <b>-201</b>           | <b>-76</b>    |
| Payment for purchase of property, plant and equipment and intangible assets | -218                  | -456                  | -237          |
| Proceeds from sales of property, plant and equipment and intangible assets  | 5                     | 183                   | 178           |
| Payment for purchase of investment securities                               | -5                    | -6                    | -0            |
| Proceeds from sales of investment securities                                | -                     | 10                    | 10            |
| Other   | 94                    | 66                    | -27           |
| <b>Net cash provided by (used in) financing activities</b>                  | <b>3,605</b>          | <b>-323</b>           | <b>-3,929</b> |
| Increase (decrease) of loans payable  | 3,805                 | -                     | -3,805        |
| Cash dividends paid   | -252                  | -305                  | -52           |
| Proceeds from sales of treasury stock                                       | 53                    | 9                     | -43           |
| Purchase of treasury stock  | -0                    | -0                    | -0            |
| Other   | -1                    | -27                   | -26           |
| <b>Effect of exchange rate change on cash and cash equivalents</b>          | <b>-1</b>             | <b>-0</b>             | <b>0</b>      |
| <b>Net increase (decrease) in cash and cash equivalents</b>                 | <b>386</b>            | <b>1,799</b>          | <b>1,413</b>  |
| <b>Cash and cash equivalents at beginning of period</b>                     | <b>10,155</b>         | <b>9,996</b>          | <b>-159</b>   |
| <b>Cash and cash equivalents at end of period</b>                           | <b>10,541</b>         | <b>11,795</b>         | <b>1,254</b>  |

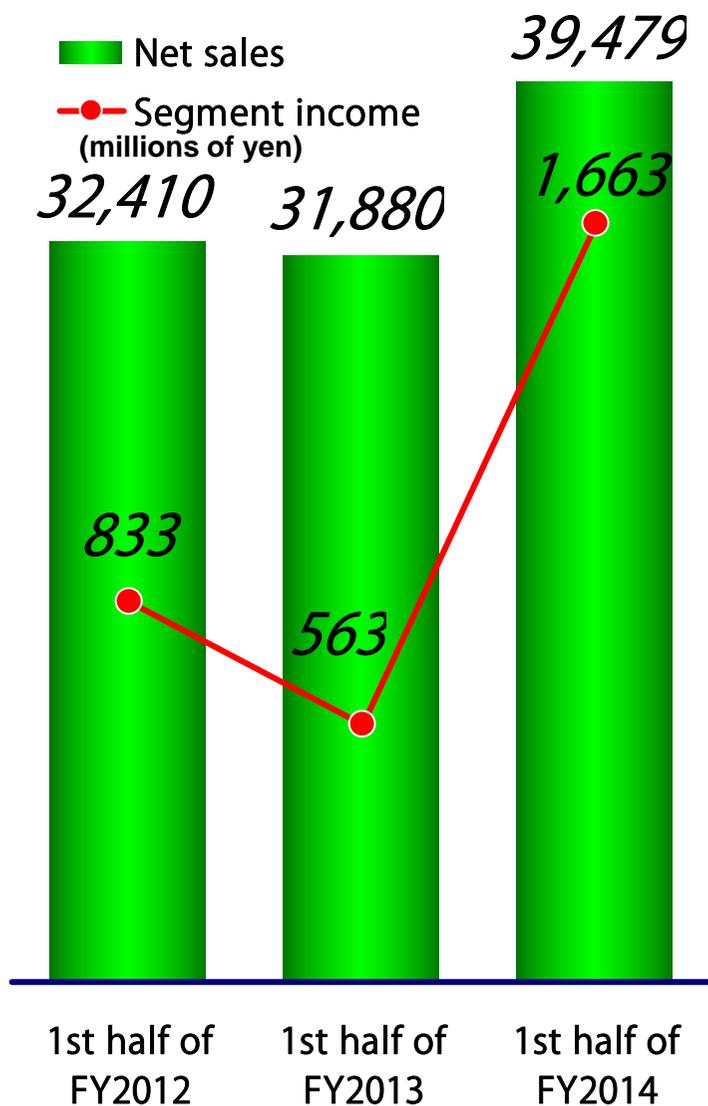
## First Half of FY2014 Results Summary

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(millions of yen)

|                     | First Half of<br>FY2013 | First Half of<br>FY2014 | YOY   |
|---------------------|-------------------------|-------------------------|-------|
| Net sales           | 87,371                  | 93,437                  | 6.9%  |
| Operating<br>income | 1,551                   | 2,362                   | 52.3% |
| Ordinary<br>income  | 1,579                   | 2,413                   | 52.8% |
| Net income          | 1,375                   | 1,814                   | 31.9% |

## Toy Business

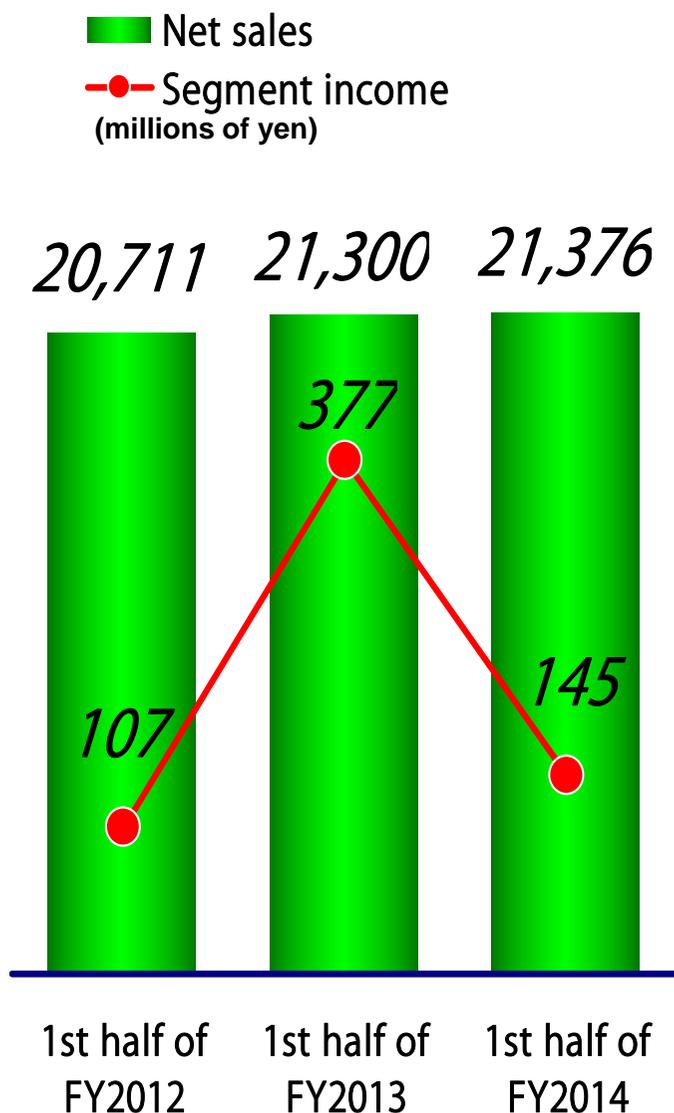


### ■ FY2014 First Half Results Summary

Both net sales and segment income were significantly higher than the previous year by strong sales of Yokai Watch and Kamen Rider Gaimu in Bandai's character products.

|                         | 1st half of FY2012 | 1st half of FY2013 | 1st half of FY2014 |
|-------------------------|--------------------|--------------------|--------------------|
| Segment income          | 0.83 billion yen   | 0.56 billion yen   | 1.66 billion yen   |
| Clearance amounts       | 0.29 billion yen   | 0.48 billion yen   | 0.63 billion yen   |
| Inventory amounts       | 3.2 billion yen    | 3.8 billion yen    | 3.4 billion yen    |
| Inventory turnover rate | 23.2               | 20.2               | 26.6               |

## Visual and Music Business

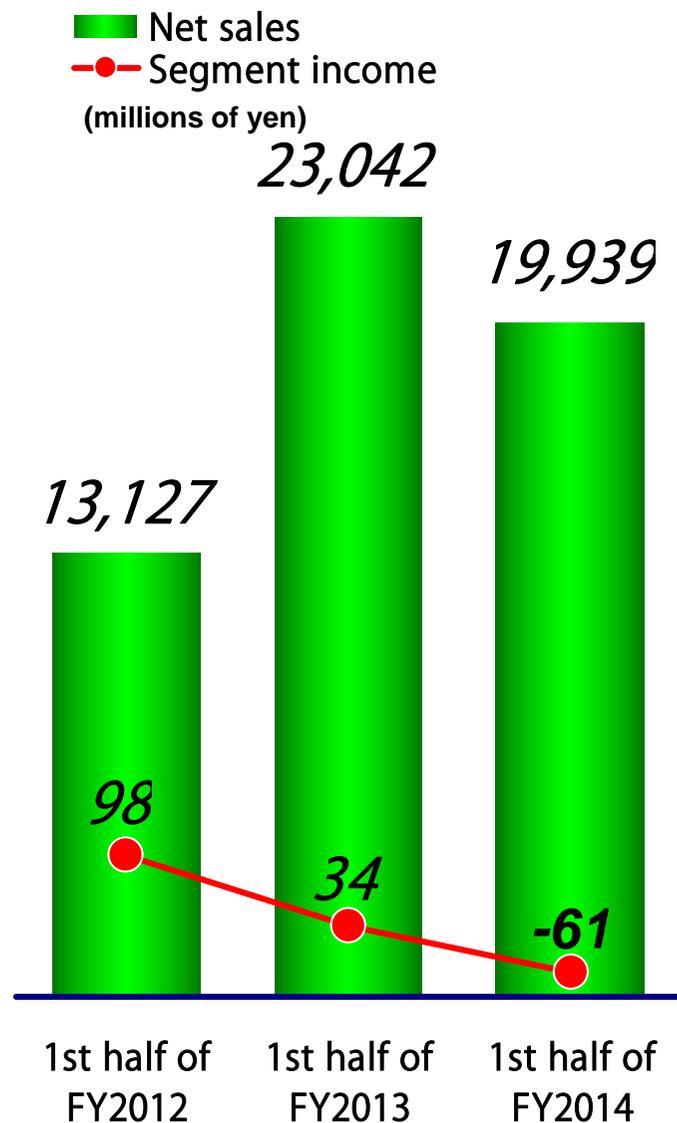


### FY2014 First Half Results Summary

Amid the stagnation of the package market caused by growth in online content distribution, etc., net sales increased strongly year on year with the strong performance titles such as Frozen. However segment income declined from a year ago due to the weak performance of highly profitable original titles.

|                         | 1st half of FY2012 | 1st half of FY2013 | 1st half of FY2014 |
|-------------------------|--------------------|--------------------|--------------------|
| Segment income          | 0.10 billion yen   | 0.37 billion yen   | 0.14 billion yen   |
| Rejection rate          | 5.2%               | 4.4%               | 4.9%               |
| Inventory amounts       | 2.2 billion yen    | 2.1 billion yen    | 2.0 billion yen    |
| Inventory turnover rate | 19.9               | 21.9               | 23.9               |

## Video-Game Business

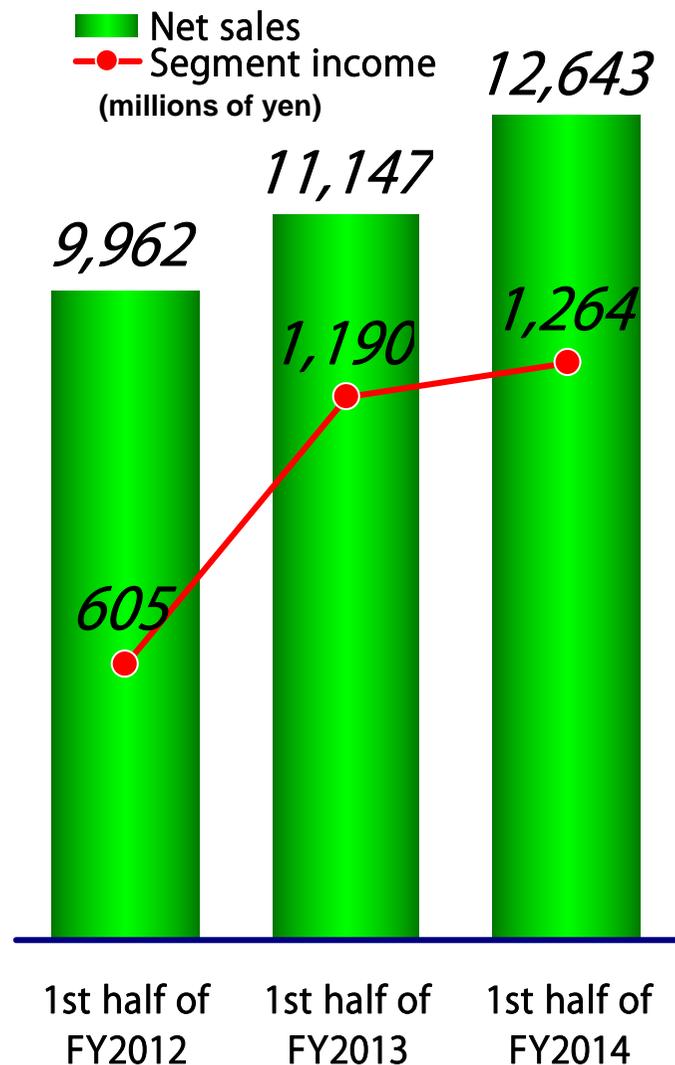


### ■ FY2014 First Half Results Summary

Although the overall package market was weak mainly due to the growth of online content distribution and social games, some hit products were emerged. However both net sales and segment income of the Group declined from the previous year.

|                         | 1st half of FY2012 | 1st half of FY2013 | 1st half of FY2014 |
|-------------------------|--------------------|--------------------|--------------------|
| Segment income          | 0.09 billion yen   | 0.03 billion yen   | -0.06 billion yen  |
| Clearance amounts       | 0.03 billion yen   | 0.15 billion yen   | 0.09 billion yen   |
| Inventory amounts       | 1.1 billion yen    | 1.5 billion yen    | 1.2 billion yen    |
| Inventory turnover rate | 32.1               | 38.6               | 26.6               |

## Amusement Business



### ■ FY2014 First Half Results Summary

Both net sales and segment income were significantly higher than the previous year by strong sales of popular character products in toy vending machine and kids card games.

|                         | 1st half of FY2012 | 1st half of FY2013 | 1st half of FY2014 |
|-------------------------|--------------------|--------------------|--------------------|
| Segment income          | 0.60 billion yen   | 1.19 billion yen   | 1.26 billion yen   |
| Clearance amounts       | 0.35 billion yen   | 0.19 billion yen   | 0.1 billion yen    |
| Inventory amounts       | 1.7 billion yen    | 1.5 billion yen    | 1.7 billion yen    |
| Inventory turnover rate | 12.7               | 15.1               | 14.8               |

# **FY2014 Second Half Measures for the Intermediate Distribution Business**

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**Toy business**

**Noteworthy products for the second half**

**Yokai Watch**

Promoted with a cross-media strategy involving games, broadcast anime, and comics. Toys, capsule vending machines, and kids card games are also very popular.



DX Yokai Pad



DX Yokai Watch Type Zero

※Zメダル(緑フレーム)、志貴メダル(赤フレーム)専用ウォッチです。通常の妖怪メダル(緑フレーム)には対応していません。

© L5/YWP, TX

**Kamen Rider Drive**



Broadcasting started on October 5, 2014 on the TV Asahi network.

A driver driving an automobile, instead of a rider riding a motorcycle, is the main character for the first time in the Kamen Rider series.

Transformation Belt, DX Drive Driver & Shift Brace

© 2014 Ishimori Production, TV Asahi, ADK, TOEI

KenDamaXross



The new “street kendama” KDX has been launched. You can make your own customized kendama.

© BANDAI 2014

TAMAGOTCHI 4U



TAMAGOTCHI 4U is equipped with NFC (Near Field Communication), and the targets include women in their 20s and 30s.

© BANDAI, WIZ

Expanding sales proactively to accelerate the popularity of toys featuring characters

Visual and Music business **Happinet's measures**

- Increasing our market share in terms of sales and our income by expanding sales of original products and exclusive products

Japanese movies



American/  
European movies



Anime



Music



Putting together various movie and music titles and proposing them to retailers

Aiming to increase profitability by increasing the original and exclusive products we distribute.

Video-Game business

Noteworthy products for the second half

Yokai Watch 2 Shinuchi



To be released by: LEVEL-5

Over one million units of the first title of the series have been distributed, and over three million units of the second title have been distributed.

An episode associated with the movie is included.

**To be released on December 13, 2014**

Yokai Watch the Movie:

The Secret is Created, Nyan!

To be released nationwide on December 20, 2014

Over 720,000 advanced tickets have been sold (as of October 26).

Pokémon Omega Ruby / Alpha Sapphire (Software)



Twelve years have passed since Pokémon Ruby and Sapphire for Game Boy Advance were released. They will be reborn as Nintendo 3DS software.

**To be released on November 21, 2014**

© 2014 Pokémon. © 1995-2014 Nintendo / Creatures Inc. / GAME FREAK inc. Pokémon is a registered trademark of Nintendo, Creatures, and GAME FREAK.

Dairanto Smash Brothers for Wii U



Following Smash Bros., where all-star Nintendo game characters fight each other, for Nintendo 3DS, Smash Bros. for Wii U will be released. Multiple players can enjoy massive fights on the TV's big screen.

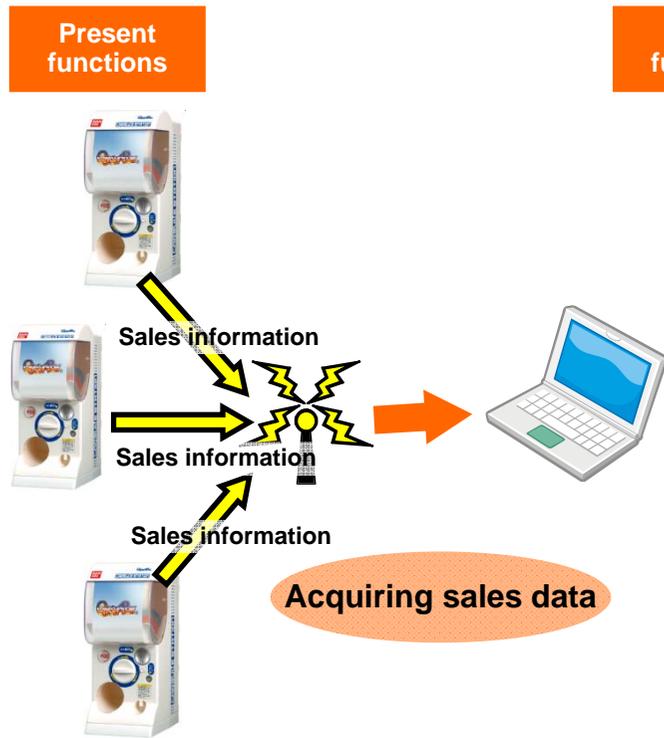
**To be released on December 6, 2014**

© 2014 Nintendo  
Original Game: © Nintendo / HAL Laboratory, Inc.  
Characters: © Nintendo / HAL Laboratory, Inc. / Pokémon. / Creatures Inc. / GAME FREAK inc. / SHIGESATO ITOI / APE inc. / INTELLIGENT SYSTEMS / SEGA / CAPCOM CO., LTD. / BANDAI NAMCO Games Inc. / MONOLITHSOFT

A number of software titles will be released towards the end of the year. Sales promotion will be enhanced.

Amusement business Happinet's measures

A system for acquiring data on a single item has evolved, and sales staff can look at data on an iPhone.



Present functions

New functions

- Remote checking of sales quantities and stock status
- Identifying dead stock based on data

The information below can be obtained via iPhone (only by Company staff)



- Red pin: Stockout rate: 15% or more
- Yellow pin: Stockout rate: 1%-15%
- Blue pin: Stockout rate: 0%

Obtaining information on stock status based on the colors of pins on the map

Data by category is shown so that sales staff can determine status

カプセルカテゴリー別情報

| カテゴリー   | 総面数 | 在庫少面数 | 欠品面数 | 停滞面数 | 面数構成比 | インカム構成比 |
|---------|-----|-------|------|------|-------|---------|
| マニア 女   | 1   |       |      |      | 5%    | 13%     |
| マニア 男   |     |       |      |      | 0%    | 6%      |
| マニア全般   | 1   |       |      |      | 5%    | 2%      |
| 女12才以上  |     |       |      |      | 0%    | 0%      |
| 女6才~12才 |     |       |      |      | 0%    | 8%      |
| 男12才以上  | 3   |       |      | 2    | 15%   | 7%      |
|         |     |       |      |      | 5%    | 9%      |
|         |     |       |      | 2    | 25%   | 21%     |
|         |     |       |      | 1    | 10%   | 3%      |
|         |     |       |      |      | 15%   | 15%     |
| 男全般     | 2   |       |      |      | 10%   | 6%      |
| 女全般     | 2   |       |      |      | 10%   | 3%      |
| 幼児      |     |       |      |      | 0%    | 7%      |
| 合計      | 20  |       |      | 5    | 100%  | 100%    |

More detailed information → Looking at stock status by item

Sales staff can obtain real-time stock information from places outside the office, which enables efficient routine runs.

Amusement business Happinet's measures and Focus products of Second Half of fiscal



**"Odaiba New World 2014"**  
(7/19/2014~8/31/2014)



**Limited time offer at the mall**



**Yokai Watch Yokai Omikuji jinjya**



**Kamen Rider Drive**

**We continue to aggressively expand the popular products to the place where people gather.**

# **FY2014 Second Half Measures for the Manufacturing Business**

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**Toy Business**

Focus Products  
of Second half of fiscal

Year-end measures for character products  
animated TV work "TENKAI NIGHT"

**Toys**



**To be released on October 4, 2014**  
**Ultimate final form Σ Mode + Big Item TENKAI DRAGON**

■ Advertisement: Shogakukan / Cooperation with Shogakukan Shueisha production

◆ Magazine



◆ TV program



◆ Shop

Intensification  
of each companies  
flyers for sales  
at the end of year

**In addition to new product launch at the end of year, we aim to maximize sales on Christmas selling season.**

## Toy business

## Products to be launched by Happinet

### Rolling Phantom



**Innovative!**

This helicopter runs on the floor, climbs the walls, and even dashes over the ceiling with its rolling frame.

Launched on November 8, 2014

Reported on Mezamashi TV (Fuji TV) and in the December issue of Nikkei Trendy magazine

### Maracas de Popcorn



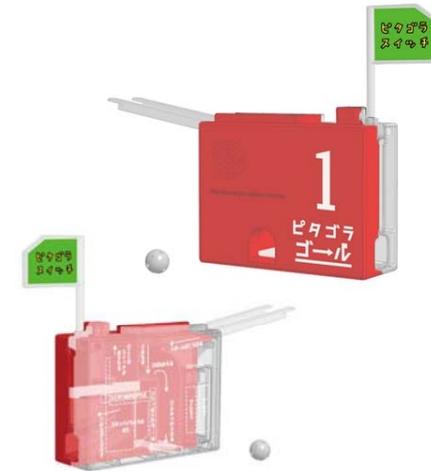
Popcorn can be popped in a microwave.

You can season it by shaking.

On sale

Reported on King's Brunch (TBS) and Oha Suta (TV Tokyo) and in Nikkei MJ newspaper

### Pythagora Goal No. 1



A long-awaited product modeled after the goal of the Pythagorean device in Pythagoraswitch, a very popular TV program, will be launched.

To be launched in January 2015

Reported on King's Brunch (TBS) and Oha Suta (TV Tokyo) and in Nikkei MJ newspaper

Expanding sales of original products and exclusive products.

## Visual and Music business

### Priority works for the second half



#### Produced title

A live-action movie based on a very popular cartoon  
This surreal comedy depicts turmoil involving a girl who is not interested in fashion and a boy dressed as a woman.

Theaters: 250 theaters nationwide  
Release date: December 27, 2014  
Cast: Rena Nonen, Masaki Suda

© 2014 Movie Kuragehime Production Committee © Higashimura Akiko / Kodansha



#### Managed title

A movie based on a popular work serialized in the FEEL YOUNG comic book

Theaters: 130 theaters nationwide  
Release date: Autumn 2015  
Cast: Mikako Tabe, Go Ayano  
Original author: George Asakura

© 2015 George Asakura / Shodensha / Piece of Cake Production Committee



#### Exclusive title

The latest film starring true action star Jason Statham as an eternal outlaw

DVD released on Nov. 5, 2014



#### Exclusive title

A non-stop suspense and action movie that topped box-office takings worldwide immediately after its release

DVD to be released on Feb. 3, 2015



#### Exclusive title

Production and screenplay: Sylvester Stallone;  
Starring Jason Statham

DVD to be released on Jan. 6, 2015

Video-Game business

Products to be launched by Happinet

Releasing games based on very popular cartoons serialized on the Ciao (Shogakukan) comic book for elementary school girls



Enjoy secret music activities by producing the mysterious idol Canon, a handsome boy dressed as a girl.

**To be released on Nov. 20, 2014**

© Yabuuchi Yu / Shogakukan, BANDAI, Dentsu © Happinet



A love and adventure game depicting the pure troubles and love of 12-year-old girls, focusing on two couples of children in grade 6.

**To be released on Dec. 4, 2014**

© Maita Nao / Shogakukan © Happinet

Releasing games, especially those for children, based on popular works

# FY2014 Full-Year Projection

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# FY2014 Full-Year projection



(millions of yen)

|                  | FY2013  | FY2014 projection | YOY   |
|------------------|---------|-------------------|-------|
| Net sales        | 206,867 | 215,000           | 3.9%  |
| Operating income | 3,888   | 5,000             | 28.6% |
| Ordinary income  | 3,917   | 5,000             | 27.6% |
| Net income       | 2,466   | 3,500             | 41.9% |

# FY2014 Full-Year Projection



## ■ Sales projection by business segment

(millions of yen)

|                           | FY2013  |            |      | FY2014  |            |      |
|---------------------------|---------|------------|------|---------|------------|------|
|                           |         | % of total | YoY  |         | % of total | YoY  |
| Toy business              | 76,821  | 37.1       | 2.9  | 85,000  | 39.5       | 10.6 |
| Visual and Music business | 42,955  | 20.8       | -4.1 | 42,000  | 19.5       | -2.2 |
| Video-Game business       | 63,609  | 30.7       | 72.7 | 64,000  | 29.8       | 0.6  |
| Amusement business        | 23,481  | 11.4       | 14.8 | 24,000  | 11.2       | 2.2  |
| Total                     | 206,867 | 100.0      | 17.0 | 215,000 | 100.0      | 3.9  |

## ■ Income projection by business segment

(millions of yen)

|                           | FY2013 |            |       | FY2014 |            |       |
|---------------------------|--------|------------|-------|--------|------------|-------|
|                           |        | % of total | YoY   |        | % of total | YoY   |
| Toy business              | 2,710  | 69.7       | 31.8  | 3,700  | 74.0       | 36.5  |
| Visual and Music business | 307    | 7.9        | -0.7  | 400    | 8.0        | 30.0  |
| Video-Game business       | 79     | 2.1        | -88.2 | 400    | 8.0        | 400.5 |
| Amusement business        | 2,053  | 52.8       | 62.4  | 1,800  | 36.0       | -12.3 |
| Adjustment                | -1,263 | -32.5      | —     | -1,300 | -26.0      | —     |
| Total                     | 3,888  | 100.0      | 30.8  | 5,000  | 100.0      | 28.6  |

*Happinet*

