

Fiscal Year 2006 first-half results presentation

November 9, 2006



Happinet Corporation

Forecasts of future performance are provided as a reference for investors. These forecasts are based on projections and estimates and do not represent an assurance or guarantee of future performance. Use this information with an understanding that actual results may differ from these forecasts.

Fiscal 2006 first-half consolidated results

Consolidated results by business segment

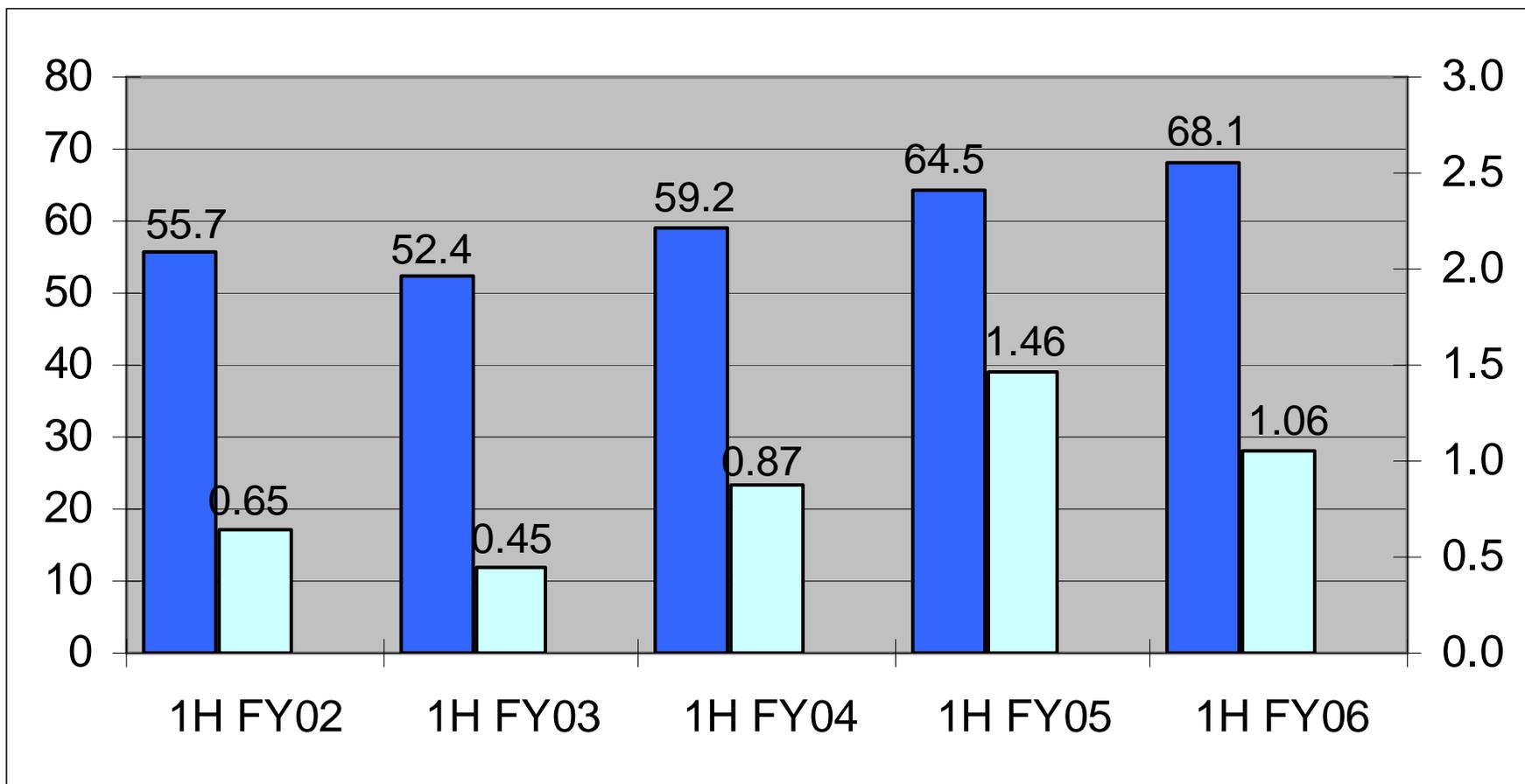
(¥ billions, %)

| Segment | | Period | Fiscal 2005 first half | Fiscal 2006 first half | YoY change | Fiscal 2005 |
|-------------------------------|------------------|--------|---------------------------|---------------------------|---------------|----------------|
| | | | | | | |
| Toy business | Net Sales | | 25.2 | 25.5 | 1.3 | 58.7 |
| | Operating profit | | 1.53 | 0.71 | -53.4 | 3.38 |
| Video-related business | Net Sales | | 24.9 | 21.7 | -12.9 | 52.2 |
| | Operating profit | | 0.19 | 0.39 | 105.8 | 0.41 |
| Video game business | Net Sales | | 8.3 | 14.4 | 73.9 | 32.4 |
| | Operating profit | | 0.09 | 0.19 | 108.4 | 0.73 |
| Amusement business | Net Sales | | 2.8 | 3.3 | 16.9 | 5.9 |
| | Operating profit | | 0.08 | 0.14 | 62.0 | 0.13 |
| Other businesses | Net Sales | | 3.1 | 2.9 | -5.6 | 6.3 |
| | Operating profit | | 0.08 | 0.08 | -0.7 | 0.11 |
| Eliminations and corporate | Net Sales | | - | - | - | - |
| | Operating profit | | -0.62 | -0.65 | - | -1.3 |
| Total | Net Sales | | 64.5 | 68.1 | 5.5 | 155.7 |
| | Operating profit | | 1.36 | 0.87 | -35.9 | 34.7 |

Fiscal 2006 first-half consolidated results

(Net sales: ¥ billions)

(Recurring profit: ¥ billions)



Net sales



Recurring profit

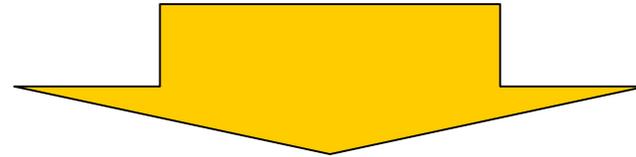
Measures in core businesses

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1. Toy business



Solidify operational reforms



Pursue rigorous product management by firmly establishing a standardized management system

Manage about 14,000 items

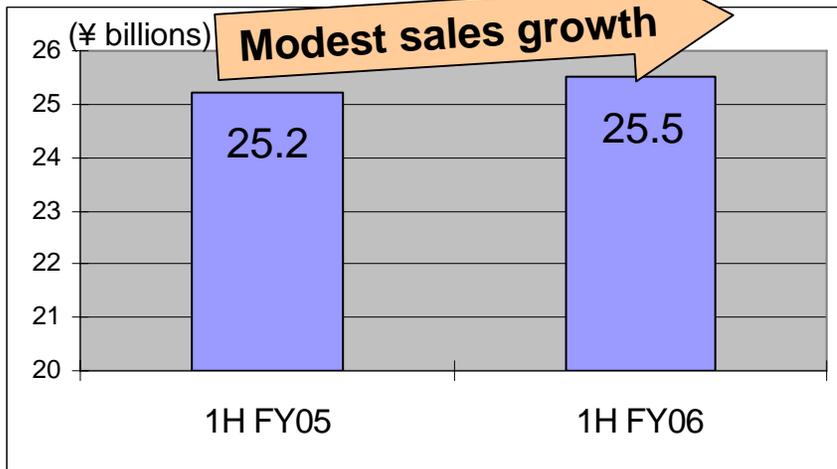
- Reduce management costs by implementing operational reforms
- Establish foundation for profits by solidifying operational reforms

1. Toy Business

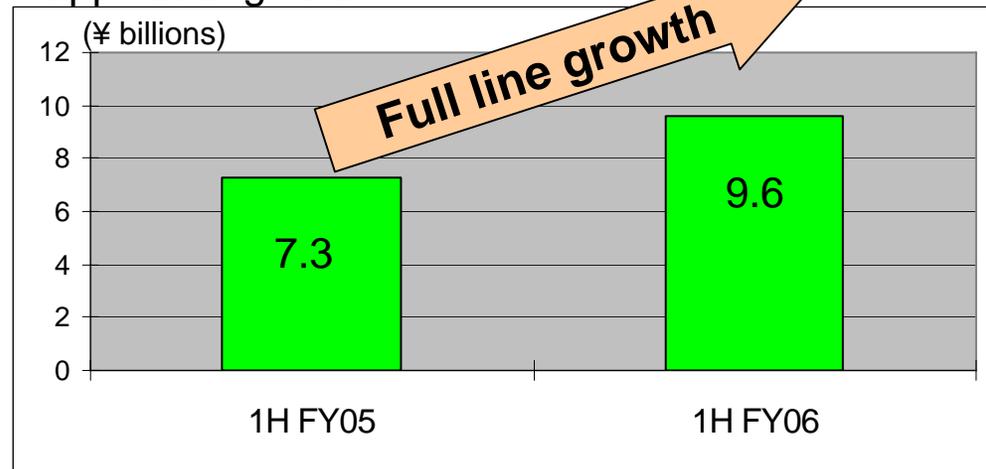
Increase the group's market share by making Mori Toys a subsidiary and accelerating the development of a full product line

Toy market
↓
Difficult market environment lacking in leading items

Toy business consolidated first-half sales



Sales of toys other than Bandai and Happinet originals

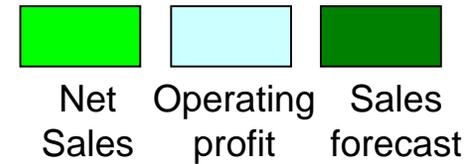


1. Toy Business

Toy business net sales, operating profit and sales forecast

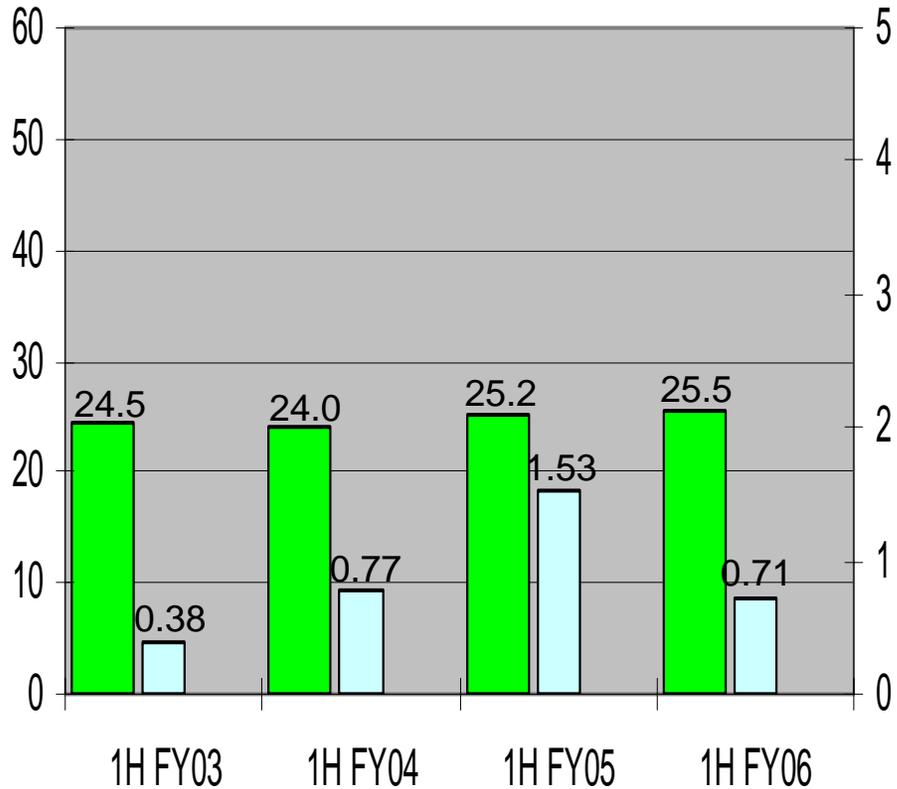
First half

Full year



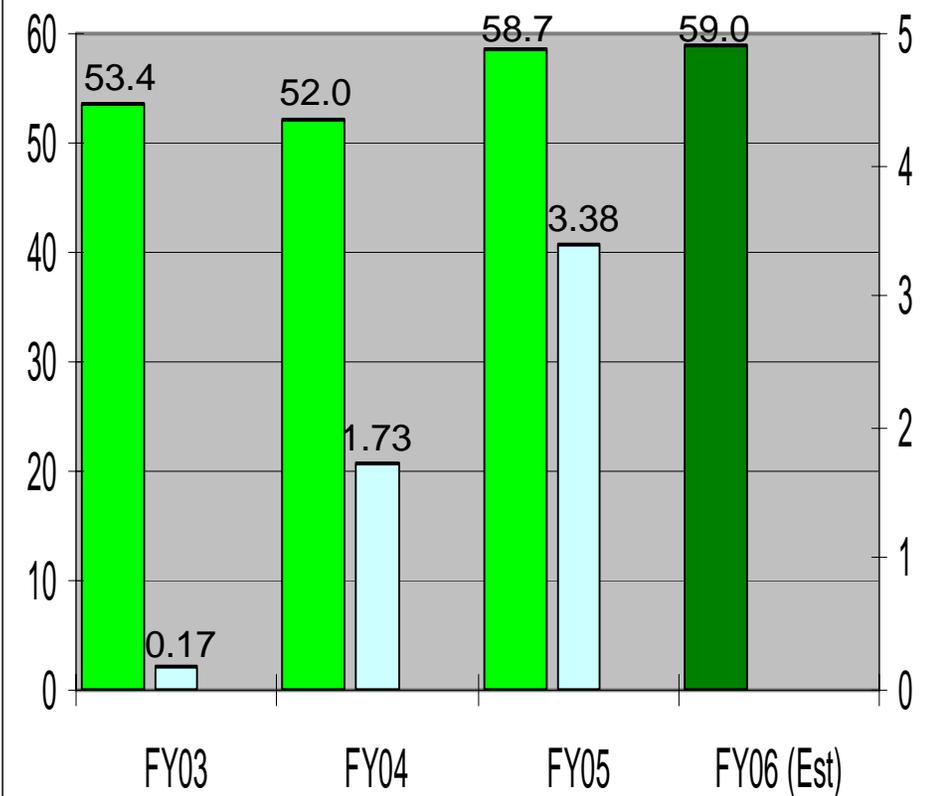
(Sales: ¥ billions)

(Operating profit: ¥ billions)



(Sales: ¥ billions)

(Operating profit: ¥ billions)



Seek to increase market share amid oligopolization and concentration in the toy market

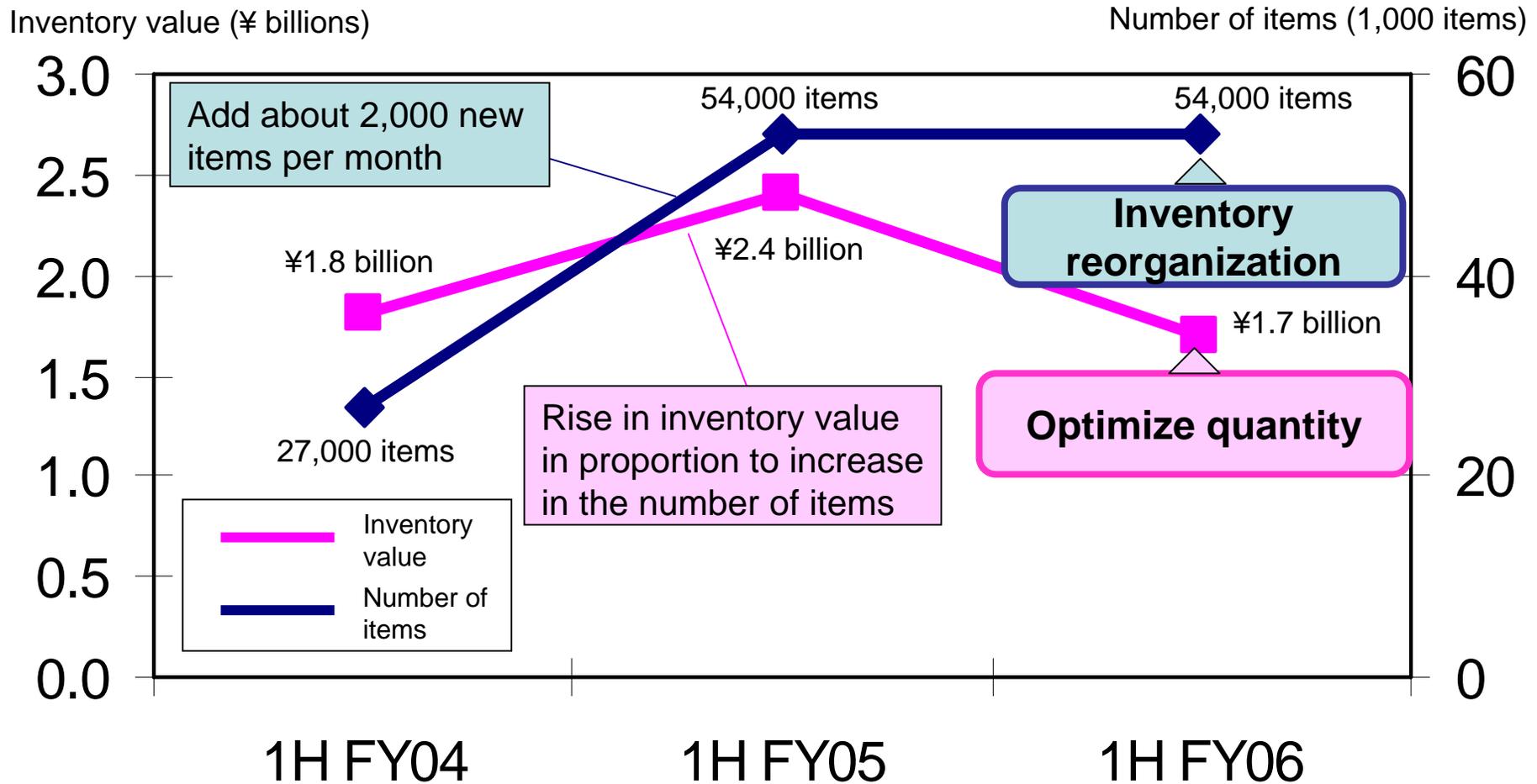
2. Video-related business

2. Video-related business

Operational reforms: Wholesale business

Product management measures: Reorganize inventory items, optimize the number of inventory items, and reduce inventory

Video-related business: Trends in inventory value and the number of items

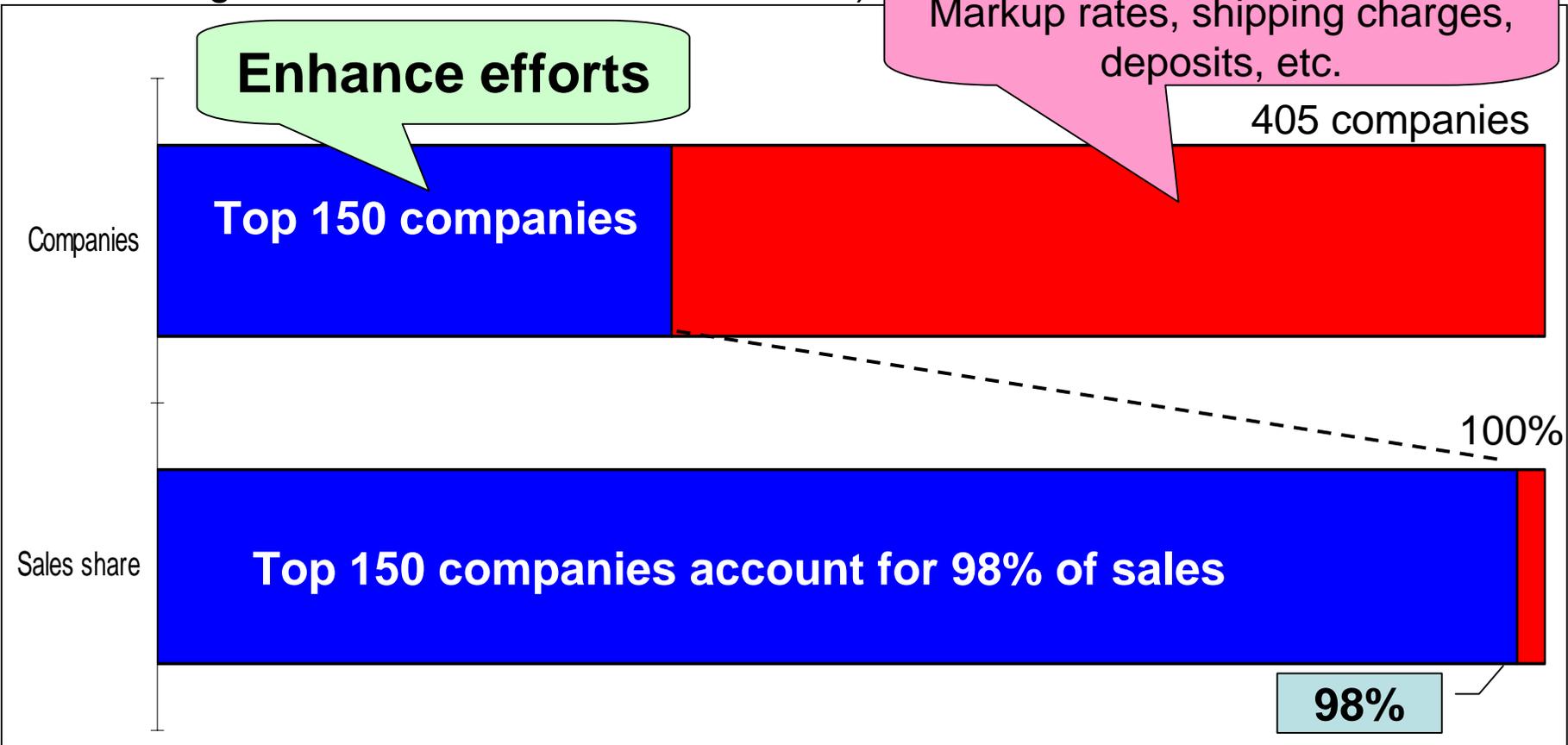


2. Video-related business

Operational reforms: Wholesale business

Customer measures: Identify and focus on key customers

Companies and their sales share
(not including internet sales and rental business)



Taking similar actions at rental shops

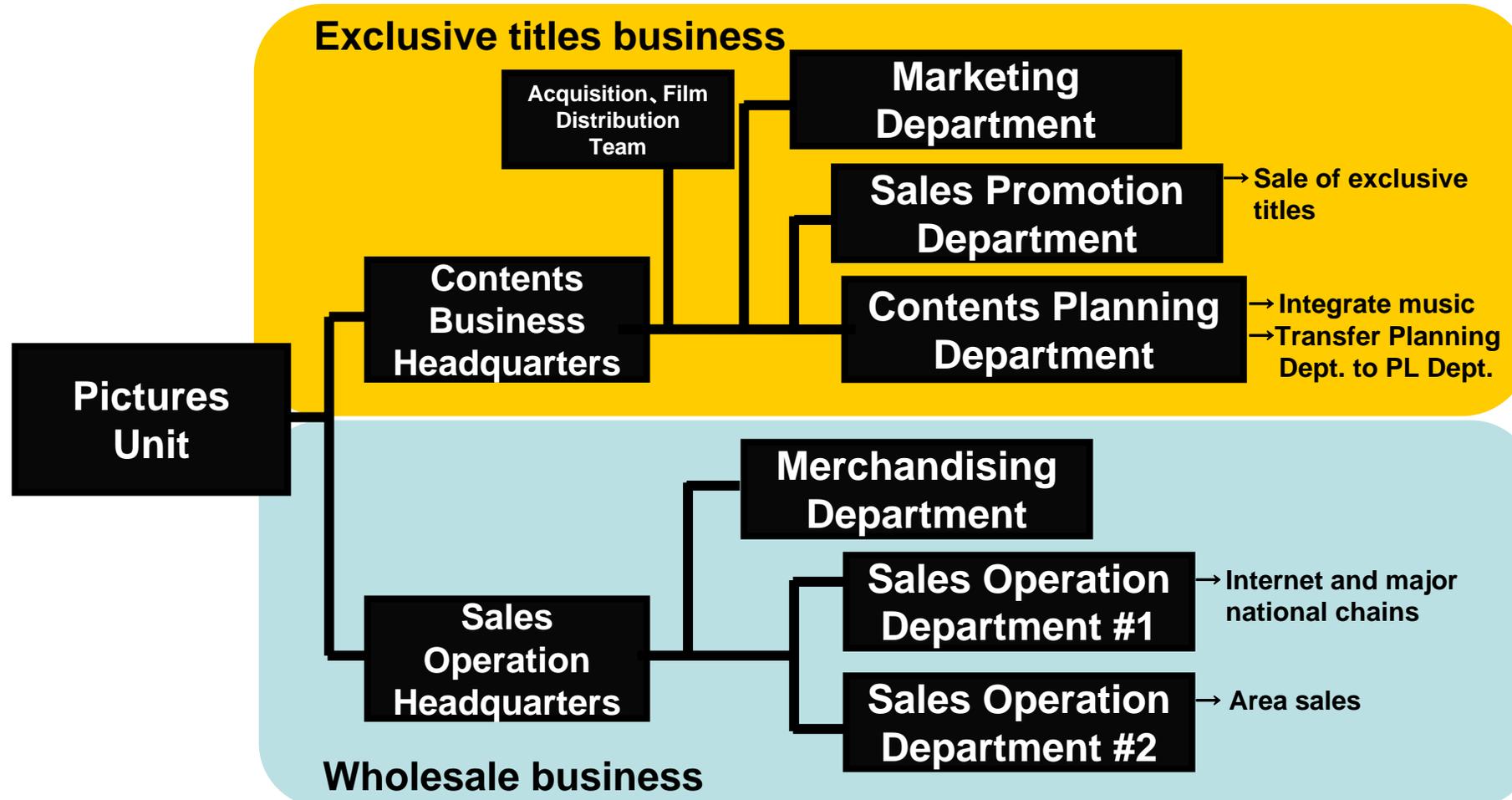
2. Video-related business

Operational reforms: Exclusive titles business

■ Create standards for acquiring titles

Enhance the efficiency of identifying and focusing on titles to acquire

■ Strengthen Exclusive Titles Division through organizational reforms



2. Video-related business

◇ Enhance and expand the infrastructure to produce exclusive titles in the Exclusive Titles Division

Seek to maintain high-quality content and expand non-packaged business

Investment in video titles

(¥ billions)

| | 1H FY 2005 | 1H FY 2006 | FY 2005 | FY 2006 (Est) |
|--------------------------------|------------|------------|------------|---------------|
| Video titles investment | 1.5 | 1.5 | 2.9 | 3.8 |

Exclusive Title Division: Top ten contributors to packaged sales during the first half:

| Rank | Title | Rights | Sales (¥m) | Genre |
|------|--|---------------------------------------|------------|---------------|
| 1 | Game Center CX | Sole distribution rights | 400 | TV |
| 2 | Shuffle | Sole distribution rights | 383 | Animation |
| 3 | Yaoh | Sole distribution rights | 160 | TV |
| 4 | Full Metal Panic! OVA | Sole distribution rights | 109 | Animation |
| 5 | Majime ni Fumajime Kaiketsu Zorori | Investment & video game rights | 110 | Animation |
| 6 | Ketai Keiji The Movie Babel no To no Himitsu | Investment & sole distribution rights | 100 | Japanese film |
| 7 | Tenshi | Investment & video game rights | 100 | Japanese film |
| 8 | Tokyo Zombie | Sole distribution rights | 94 | Japanese film |
| 9 | Cube Zero | Investment & sole distribution rights | 88 | Foreign film |
| 10 | Yoshinaga Family Gargoyle | Investment & sole distribution rights | 64 | Animation |

2. Video-related business

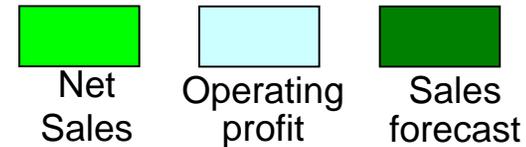
Exclusive Title Division: Major titles in the second half:

| Title | Rights | Genre | |
|------------------------|---------------------------------------|---------------|---|
| Guemuru | Investment & all domestic rights | Foreign film | No. 1 hit in S. Korea |
| Invitation | Video game rights | Foreign TV | S. Korean drama directed by Winter Sonata's Yoon Suk-ho |
| Hula Girl | Investment & video game rights | Japanese film | Cast includes Yasuko Matsuyuki and Etsushi Toyokawa |
| Yoru no Picnic | Video game rights | Japanese film | Movie based on a best-selling novel by Riku Onda |
| Yawarakai Seikatsu | Exclusive title | Japanese film | Shinobu Terajima plays leading role |
| Dr. Slump & Arare-chan | Sole distribution rights | Animation | DVD of all 243 episodes of the TV series |
| Soukou no Strain | Exclusive title | Animation | Broadcast by Wowwow since November |
| Giniro no Olynssis | Investment & sole distribution rights | Animation | Broadcast by Osaka ABC, Nagoya TV, and others since October |

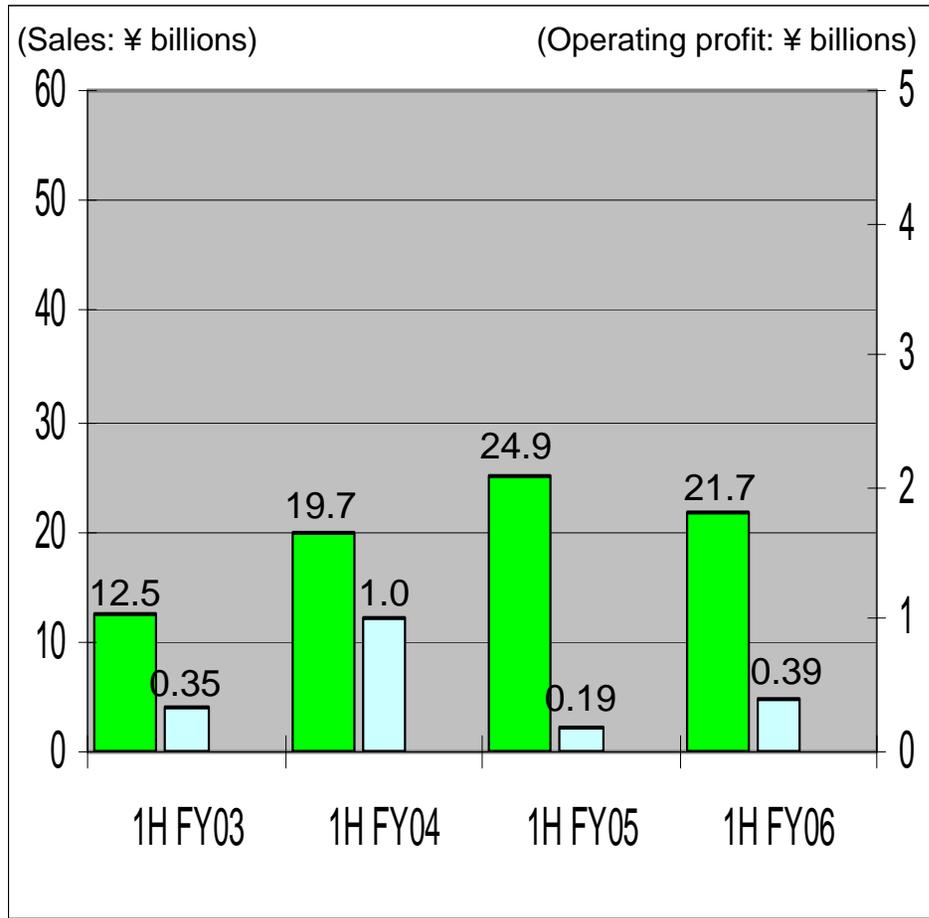
Distribute the Japanese film *Hula Girl* and the Dutch film *Black Book* (scheduled for release in summer 2007). Both films have been entered in the Best Foreign Language Film category of the US Academy Awards

2. Video-related business

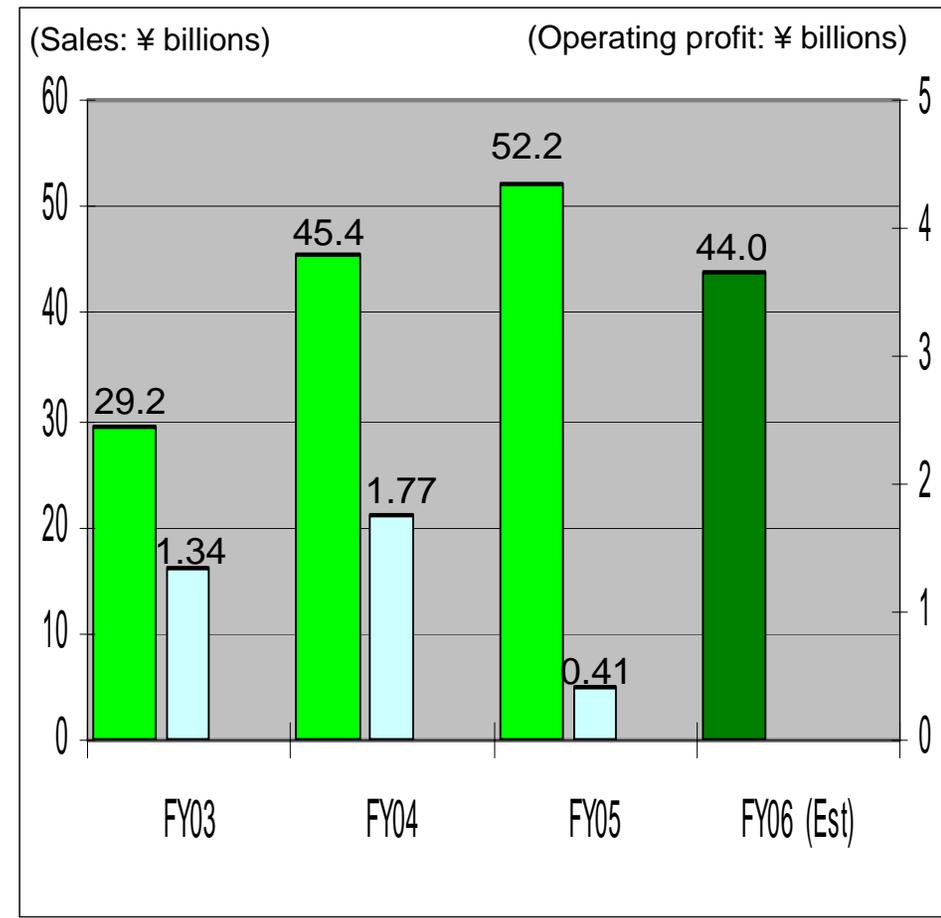
Video-related business net sales, operating profit and sales forecast



First half



Full year



3. Video game business

3. Video game business

◆ Xbox 360

● Expand lineup of software titles

▪ Main titles scheduled for release within the year

| | |
|--|---------------------|
| ▪ Dead or Alive Xtreme 2 (TECMO) | November 22 release |
| ▪ Culdcept Saga (Namco Bandai Games) | November 22 release |
| ▪ Super Robot Taisen XO (Banpresto) | November 30 release |
| ▪ Blue Dragon (Microsoft) | December 7 release |
| ▪ Lost Planet Extreme Condition (Capcom) | December 21 release |

Plan to release a total of 24 titles between November and the end of 2006

● Release of Xbox 360 Core System as low-priced model without hard drive

▪ Xbox 360 Core System Release Pack

Includes two software titles: Project Gotham Racing 3 and Ninety-Nine Nights
Release on November 2. Price: ¥29,800 (including sales tax)

● Release of HD-DVD drive

▪ Release of HD-DVD drive for the Xbox 360 on Nov. 16. Price: ¥20,790

Users can enjoy an HD-DVD player for about ¥50,000 with the combined Core System and HD-DVD drive attachment.

3. Video game business

◆ Xbox 360

Release of *Blue Dragon* on December 7

Superb RPG developed by an outstanding creative team

Producer: Hironobu Sakaguchi (*Final Fantasy* series)

Character design: Akira Toriyama

Music: Nobuo Uematsu (*Final Fantasy* series)

◆ Release of Xbox 360 Core System Blue Dragon Premium Pack

Premium Pack containing the Core System and *Blue Dragon* also to be released on the release date of *Blue Dragon*. Price: ¥29,800 (including sales tax). Advance orders for Blue Dragon Premium Pack flooding in.

◆ Available at convenience stores

Actively conducting in-store promotions at Seven-Eleven and Lawson stores.



3. Video game business

◆ PlayStation 3 (PS3) Release: November 11

- **Price reduction announced at the Tokyo Game Show**

PlayStation 3 with a 20GB hard drive. Price: ¥49,980 (including sales tax)

- **Shipment volume**

Expect initial domestic shipments of 100,000 units at the time of release on November 11, domestic shipments of 1 million units by the end of 2006, and worldwide shipments of 6 million units by the end of March.

- **Software**

Expect to release five titles on November 11, including *Ridge Racer 7* and *Mobile Suit Gundam: Target in Sight* (both are from Namco Bandai Games). Expect to release 11 titles by the end of 2006, including *Gran Turismo HD* (Sony Computer Entertainment), *Armored Core 4* (FromSoftware), and *Hot Shots Golf 5* (Sony Computer Entertainment).

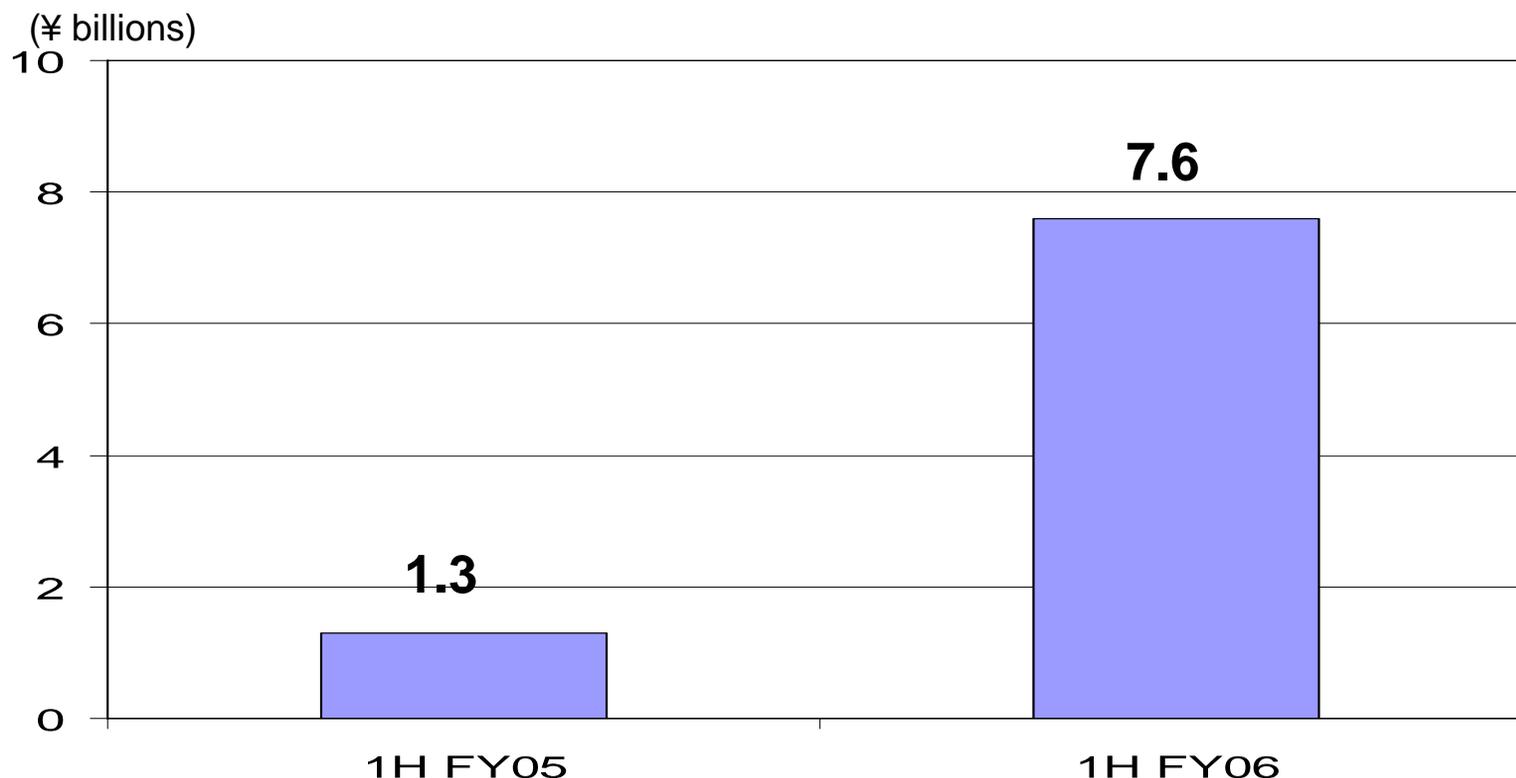
- **Distribution by Happinet**

Similar to previous PlayStation series, Happinet will handle toy distribution, primarily through general merchandise stores, and distribution through major convenience store chains.

3. Video game business

◆ Expansion of Nintendo game sales through Mori Toys

Consolidated sales of Nintendo titles



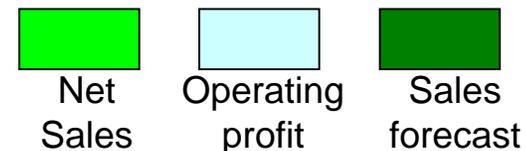
Release of Nintendo Wii

Release date: December 2

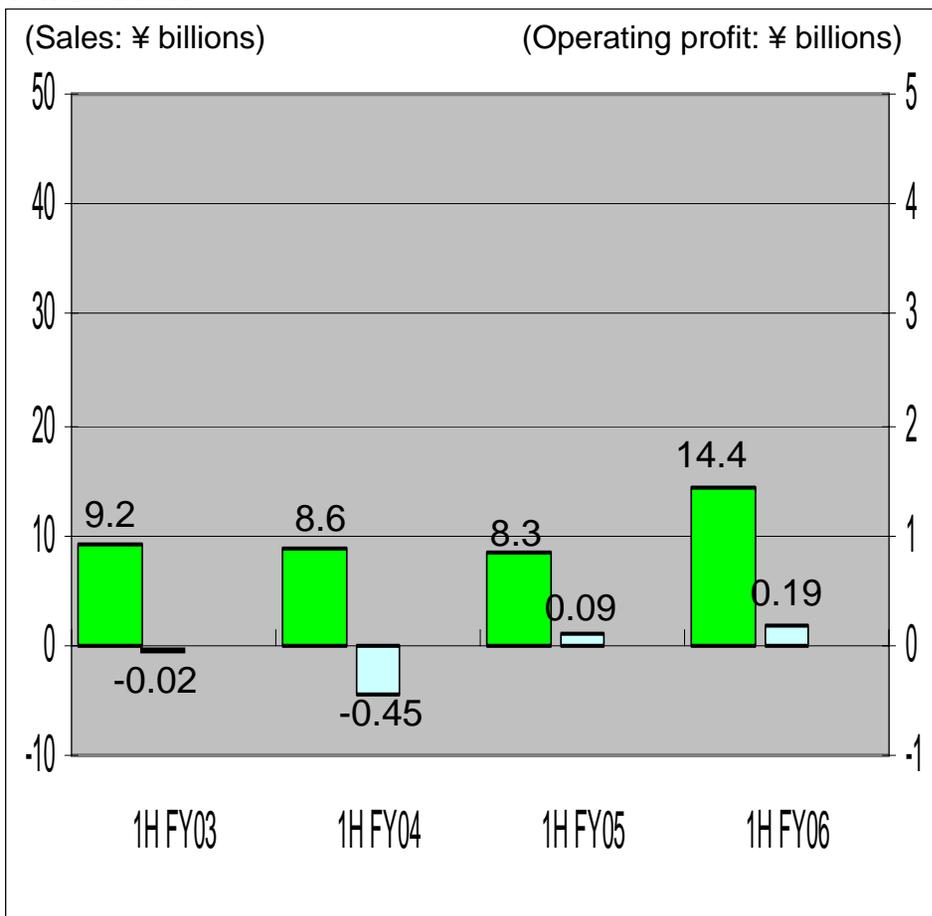
Price: ¥25,000 (including sales tax)

3. Video game business

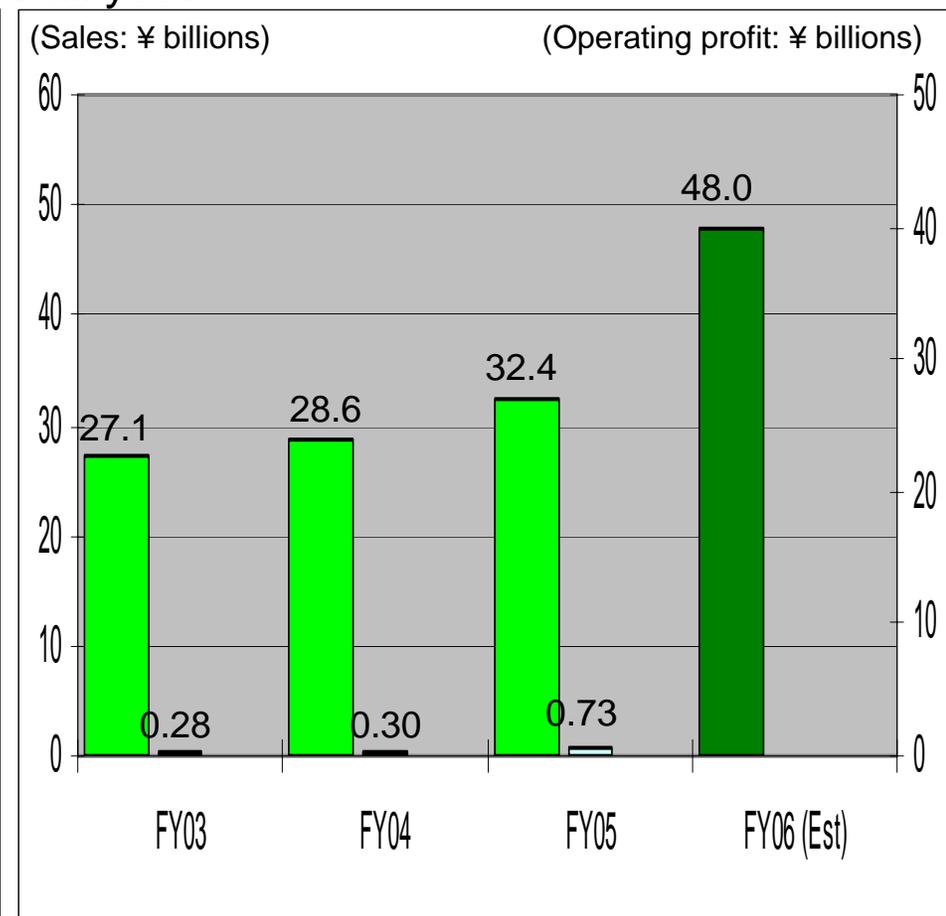
Video game business net sales, operating profit and sales forecast



First half



Full year

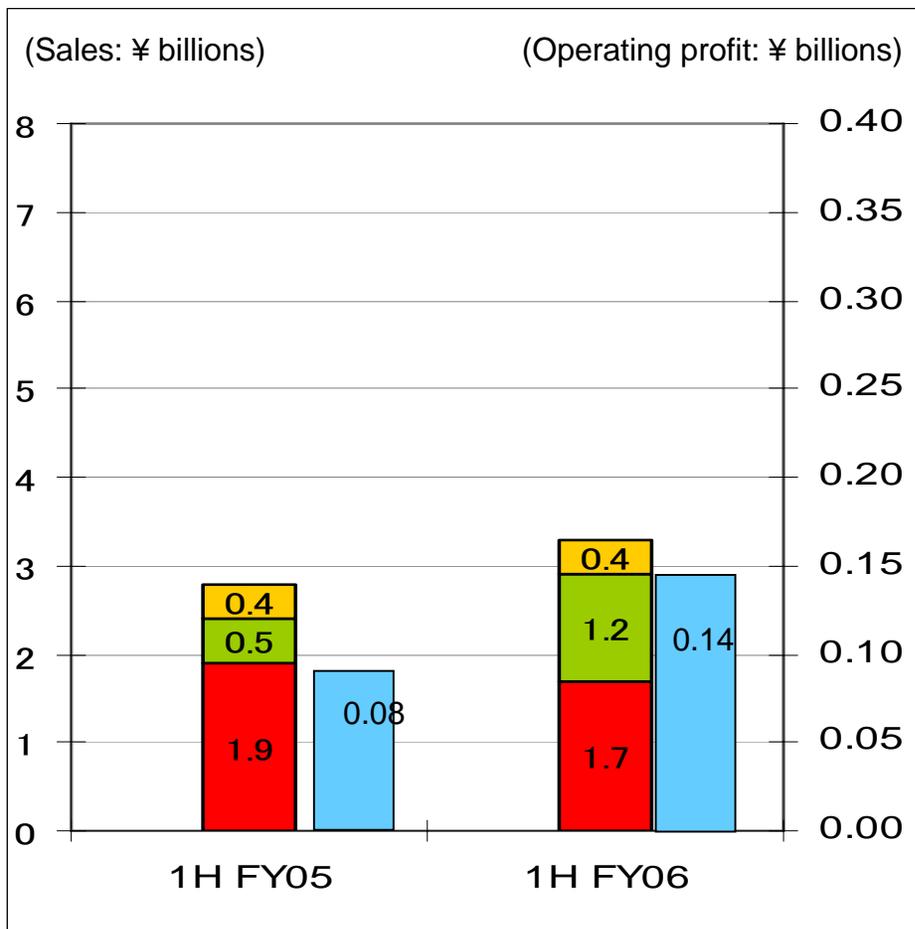


4. Amusement business

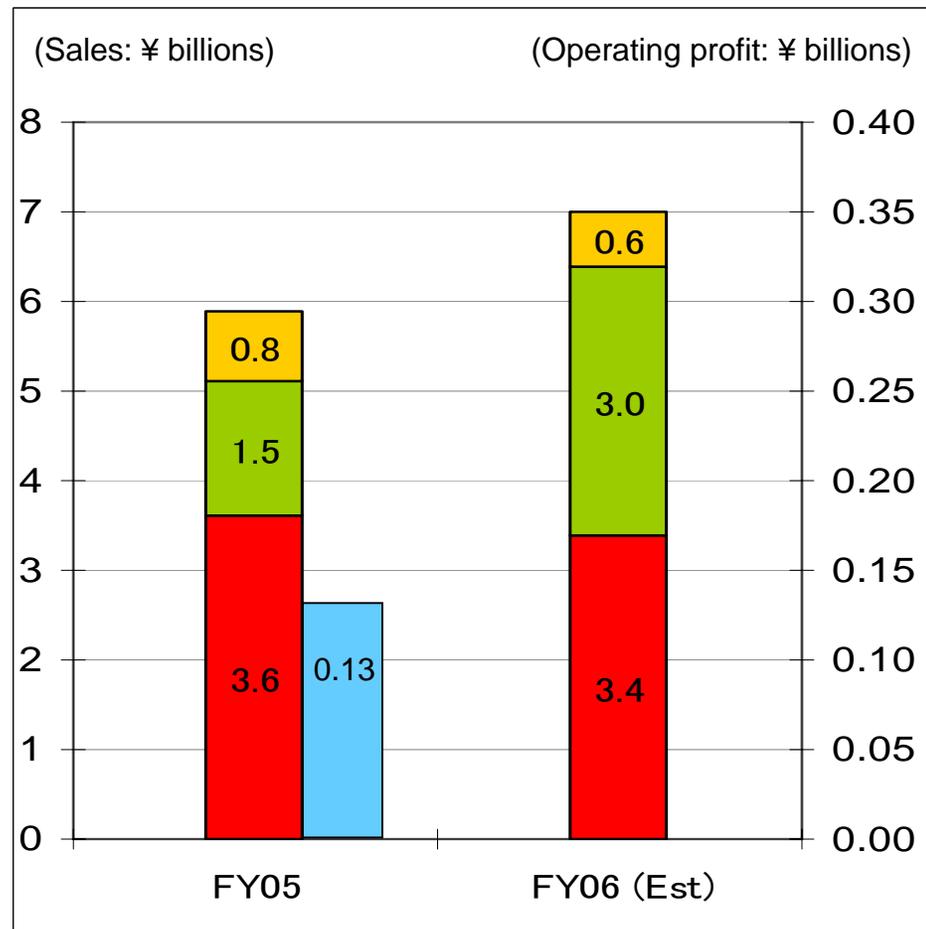
4. Amusement business

Amusement business net sales and operating profit trends and sales forecast

First half



Full year



Toy vending



Kids' card games



Other



Operating profit

4. Amusement business

◇ **Actively installing kids' card game machines (amusement arcade games) at toy vending locations and developing a new market for mini play areas for kids.**

- Seek to receive sales data instantly and reduce inventory risk by developing a groundbreaking integrated toy vending inventory management system using PDAs.
- In the toy vending sections at chain store, supermarkets, and toy specialty stores, we have installed a variety of kids' card game machines, including the Bandai Data Carddass, at about 600 locations nationwide.

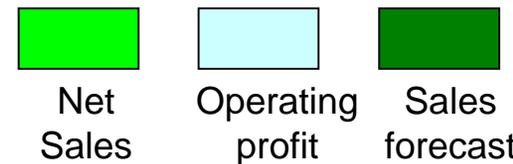
We have rapidly expanded this market and achieved steady success thanks to our no-risk, full-operation scheme using our integrated inventory management system.

Example of combining toy vending machines and kids card game machines

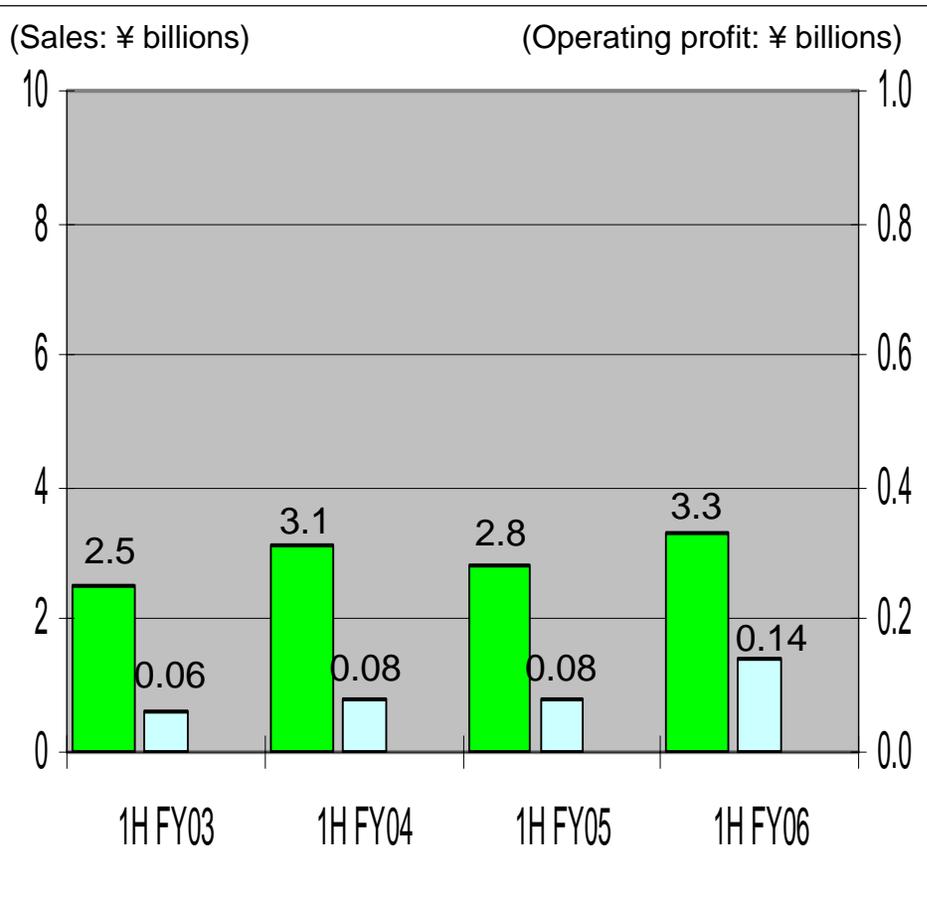


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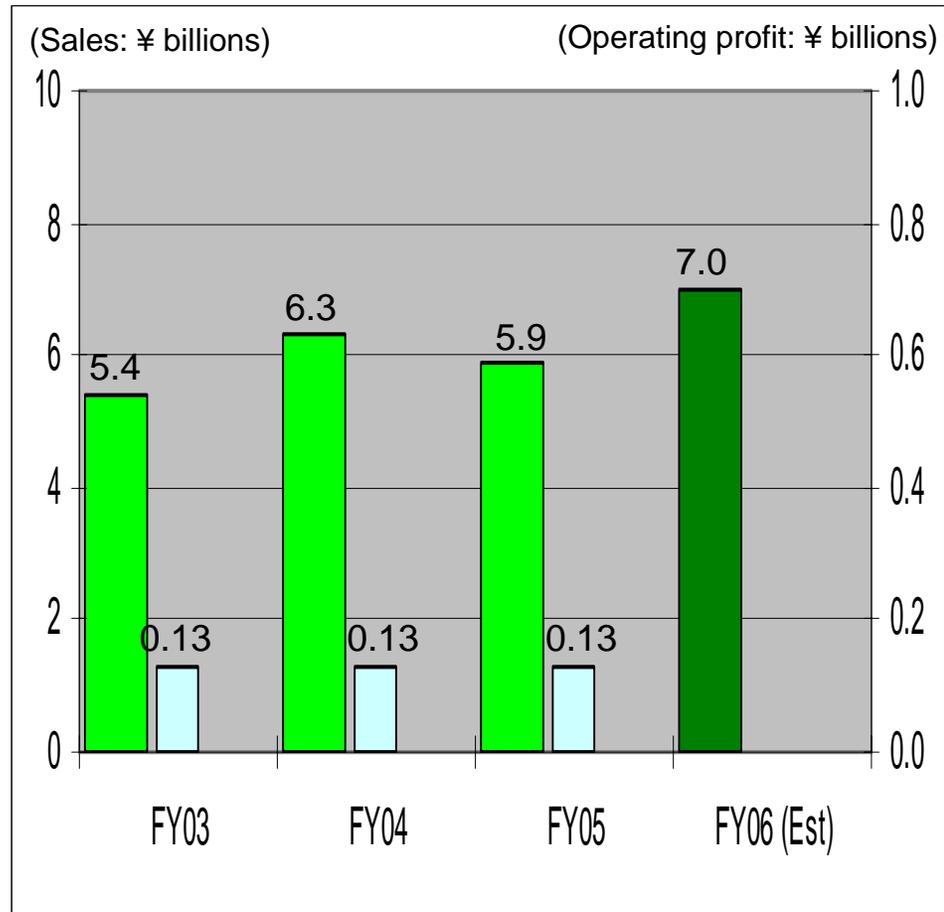
Amusement business net sales and operating profit trends and sales forecast



First half



Full year



Fiscal 2006 forecasts

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Fiscal 2006 forecasts

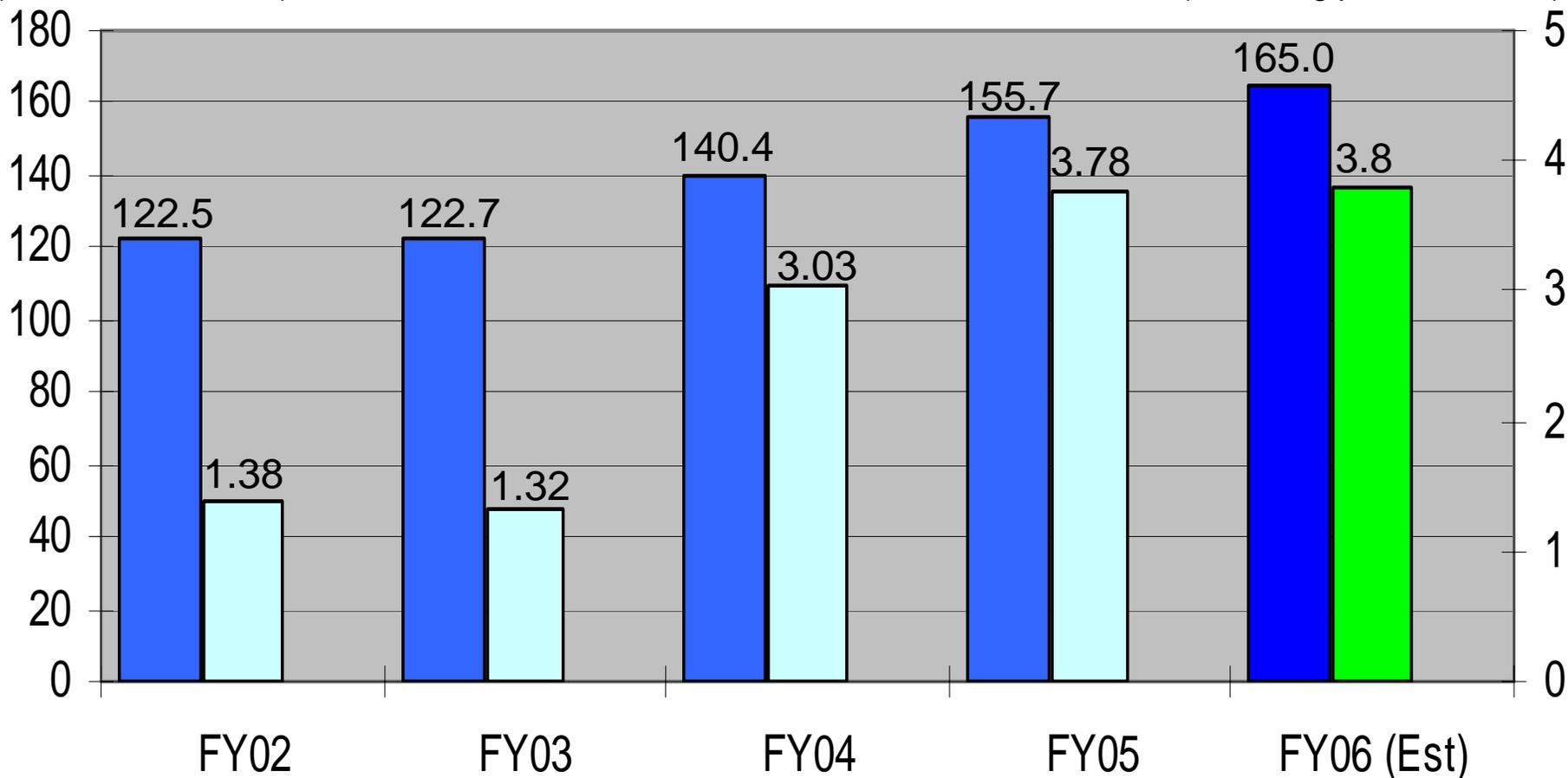
(¥ billions, %)

| | | Fiscal 2006 forecasts | YoY change |
|------------------|------------------|-----------------------|------------|
| Consolidated | Net sales | 165 | 6.0 |
| | Operating profit | 3.4 | -0.6 |
| | Recurring profit | 3.8 | 0.4 |
| | Net profit | 2.4 | 5.7 |
| Non-consolidated | Net sales | 140 | -9.2 |
| | Operating profit | 2.9 | -17.7 |
| | Recurring profit | 3.3 | -14.6 |
| | Net profit | 2.0 | -8.6 |

Full year consolidated results and forecasts

(Net sales: ¥ billions)

(Recurring profit: ¥ billions)



Net sales



Recurring profit



Net sales forecast



Recurring profit forecast

Fiscal 2006 Consolidated sales forecasts by business segment

(¥ billions, %)

| Segment | Period | Fiscal 2006 forecasts | | |
|------------------------|--------|-----------------------|--------------|------------|
| | | | % of total | YoY change |
| Toy business | | 59 | 35.8 | 4.7 |
| Video-related business | | 44 | 26.7 | -15.8 |
| Video game business | | 48 | 29.1 | 47.8 |
| Amusement business | | 7 | 4.2 | 18.6 |
| Other businesses | | 7 | 4.2 | 10.5 |
| Total | | 165 | 100.0 | 6.0 |