

Fiscal Year 2008 Full-Year results briefing document

1. Fiscal 2008 consolidated results
2. Fiscal 2008 consolidated forecasts

May 14, 2009



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.

Business results

	Fiscal period	FY2004	FY2005	FY2006	FY2007	FY2008	Remarks
Consolidated	Net Sales	(¥ thousand) 140,461,595	155,703,391	160,606,235	168,958,676	166,778,506	
	Recurring profit	(¥ thousand) 3,030,557	3,786,648	2,554,272	1,569,923	2,322,991	
	Net profit/loss	(¥ thousand) 1,580,783	2,270,747	1,616,477	-1,490,075	1,135,983	
	Net assets	(¥ thousand) 16,992,262	19,109,787	20,602,774	18,811,548	18,184,747	
	Total assets	(¥ thousand) 39,829,631	45,719,978	45,801,983	48,486,678	54,661,686	
	Net assets per share	(¥) 1,413.96	1,590.44	1,714.73	1,566.17	1,599.08	
	Earnings per share	(¥) 131.53	188.97	134.54	-124.11	97.64	
	Dividends per share (Interim dividends)	(¥) 22.5 (10.00)	27.5 (12.50)	30.0 (15.00)	40.0 (25.00)	30.0 (15.00)	The interim dividend for the fiscal year ended March 31, 2008 includes a commemorative dividend of 10 yen to mark our 40th anniversary.
	Payout ratio	% 17.1	14.6	22.3	—	30.7	
	No. of employees	People 566	607	743	890	1,008	
Non-consolidated	Net Sales	(¥ thousand) 138,647,374	154,255,488	137,295,357	135,717,020	134,253,260	
	Recurring profit	(¥ thousand) 3,005,602	3,868,638	2,232,109	1,490,405	1,911,862	
	Net profit/loss	(¥ thousand) 1,570,526	2,188,704	1,018,504	-1,398,574	964,675	
	Net assets per share	(¥) 1,439.88	1,608.85	1,683.62	1,541.75	1,559.36	
	Earnings per share	(¥) 130.68	182.14	84.77	-116.49	82.91	
	No. of employees	People 493	528	547	511	375	

Notes: 1. Consolidated and non-consolidated sales figures 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 Co., Ltd. was succeeded by our non-consolidated subsidiary Best Heart Co., Ltd., and the corporate names of Mori Toys Co., Ltd. and Best Heart Co., Ltd. were changed to Mori Games Co., Ltd. and Mori Toys Co., Ltd., respectively.
3. Happinet Corporation acquired shares of Sunlink Co., Ltd. and The Apple Corporation on November 30, 2007, making it a subsidiary.
4. Happinet Corporation established Happinet Marketing Corporation as a wholly owned subsidiary effective February 1, 2008.
5. Happinet Corporation acquired shares of WINT CORPORATION on March 10, 2009, making it a subsidiary.

1. Fiscal 2008 full-year consolidated profit & loss statement

(¥ millions, %, people, ¥; rounded down)

	FY2007			FY2008			Remarks
		% of total	YoY		% of total	YoY	
Net sales	168,958	100.0	5.2	166,778	100.0	-1.3	
Cost of sales	150,651	89.2	6.0	146,787	88.0	-2.6	Includes inventory disposal loss of ¥2,513m in FY08 and ¥1,809m in FY07
Gross profit	18,306	10.8	-0.8	19,990	12.0	9.2	
SG&A expenses	16,855	10.0	3.4	17,852	10.7	5.9	
Personnel	5,678	3.4	3.8	6,276	3.8	10.5	
Contract personnel costs	1,665	1.0	24.6	2,098	1.3	26.0	
Depreciation and amortization	427	0.3	19.6	546	0.3	28.0	
Operating profit	1,451	0.9	-32.6	2,137	1.3	47.3	
Non-operating income	162	0.1	-65.2	265	0.2	63.4	
Interest and dividends received	47	0.0	107.2	71	0.0	50.9	
Other	115	0.1	-74.0	194	0.1	68.5	
Non-operating expenses	43	0.0	-33.0	80	0.0	82.5	
Interest paid	20	0.0	-54.1	11	0.0	-42.6	
Other	23	0.0	13.6	68	0.0	194.3	
Recurring profit	1,569	0.9	-38.5	2,322	1.4	48.0	
Extraordinary gains	1	0.0	-4.2	41	0.0	—	
Extraordinary losses	4,029	2.4	—	381	0.2	-90.5	
Net profit before income taxes	-2,458	-1.5	—	1,983	1.2	—	
Income taxes	-967	-0.6	—	833	0.5	—	
Minority interests	-0	-0.0	—	14	0.0	—	
Net profit	-1,490	-0.9	—	1,135	0.7	—	

Earnings per share (¥)	-124.11	—	—	97.64	—	—
Average number of shares during period	12,005,682			11,635,001		

No. of employees at end of period	890	—	19.8	1,008	—	13.3
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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 expenditures	835	—	6.6	1,581	—	89.4
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1. Fiscal 2008 full-year consolidated results

1. Sales by business segment

(¥ millions, %; rounded down)

Segment \ Period	FY2006			FY2007			FY2008			Remarks
		% of total	YoY		% of total	YoY		% of total	YoY	
Toy business	57,212	35.6	-2.6	57,784	34.2	1.0	54,482	32.7	-5.7	
Visual-related business	46,145	28.7	-11.7	38,554	22.8	-16.5	36,570	21.9	-5.1	
Video game business	45,092	28.1	38.9	54,535	32.3	20.9	50,474	30.3	-7.4	
Amusement business	6,347	4.0	7.5	12,957	7.7	104.1	17,919	10.7	38.3	
Other businesses	5,808	3.6	-8.3	5,126	3.0	-11.7	7,330	4.4	43.0	
Total	160,606	100.0	3.1	168,958	100.0	5.2	166,778	100.0	-1.3	

2. Operating profit by business segment

(¥ millions, %; rounded down)

Segment \ Period	FY2006		FY2007		FY2008		Remarks
		YoY		YoY		YoY	
Toy business	1,817	-46.4	1,281	-29.5	894	-30.2	
Visual-related business	629	53.0	37	-94.1	1,330	3,494.6	
Video game business	806	10.3	1,321	63.9	1,221	-7.6	
Amusement business	120	-10.4	-25	—	-127	—	
Other businesses	66	-40.5	40	-39.4	101	152.5	
Eliminations and corporate	-1,286		-1,202		-1,283		
Total	2,153	-37.9	1,451	-32.6	2,137	47.3	

3. Sales by channel

(¥100millions, %; rounded down)

Channel \ Period	FY2006			FY2007			FY2008			Remarks
		% of total	YoY		% of total	YoY		% of total	YoY	
General merchandise store	279	17.4	27.9	298	17.7	6.7	270	16.2	-9.5	
Convenience stores	111	6.9	-17.7	126	7.5	14.0	141	8.5	11.3	
Suburban stores	140	8.7	-24.2	135	8.0	-3.5	90	5.4	-33.0	
E-commerce	306	19.1	27.8	350	20.7	14.2	288	17.3	-17.6	
Specialty stores	435	27.1	-3.0	509	30.1	17.0	552	33.1	8.5	Includes consumer electronics and camera stores
Wholesalers	149	9.3	-15.7	149	8.9	-0.2	170	10.2	14.2	
Department stores	32	2.0	43.4	25	1.5	-20.3	16	1.0	-36.9	
Other	151	9.4	16.7	94	5.6	-37.5	137	8.3	45.8	
Total	1,606	100.0	3.1	1,689	100.0	5.2	1,667	100.0	-1.3	

1. Fiscal 2008 full-year consolidated results

● Toy sales by manufacturer

(¥100millions, %; rounded down)

Manufacturer	Period	FY2006		FY2007		FY2008		Remarks			
		% of total	YoY	% of total	YoY	% of total	YoY				
Bandai Co., Ltd.		307	53.8	-18.9	300	52.1	-2.3	289	53.1	-3.9	
Tomy Co., Ltd.		50	8.8	16.0	48	8.4	-3.2	48	8.8	-1.1	
Happinet originals		23	4.0	-18.3	26	4.6	14.0	12	2.3	-52.3	
Other manufacturers		190	33.4	40.4	201	34.9	5.8	195	35.8	-3.4	
Total		572	100.0	-2.6	577	100.0	1.0	544	100.0	-5.7	

● Visual-related business sales composition

(¥100millions, %; rounded down)

Division	Period	FY2006		FY2007		FY2008		Remarks			
		% of total	YoY	% of total	YoY	% of total	YoY				
Wholesale		340	73.7	-15.9	298	77.5	-12.1	291	79.6	-2.6	
Exclusive titles		121	26.3	2.7	86	22.5	-28.5	74	20.4	-13.9	
Total		461	100.0	-11.7	385	100.0	-16.5	365	100.0	-5.2	

1. Fiscal 2008 full-year consolidated results

● Sales by video game machine

(¥100millions, %; rounded down)

Machine \ Period	FY2006			FY2007			FY2008			Remarks
		% of total	YoY		% of total	YoY		% of total	YoY	
PlayStation 3	39	8.8		31	5.8	-20.1	38	7.6	21.1	
PlayStation 2	73	16.4	-49.5	57	10.6	-21.5	29	5.9	-48.6	
PlayStation Portable	50	11.3	11.6	93	17.2	83.9	103	20.5	10.3	
Wii	25	5.7		90	16.6	245.0	42	8.5	-52.7	
Nintendo DS	146	32.5	536.3	127	23.4	-12.9	96	19.0	-24.6	
Other	113	25.2	18.0	143	26.3	26.2	194	38.5	34.9	
Total	450	100.0	38.9	545	100.0	20.9	504	100.0	-7.5	

● Breakdown of PlayStation sales and sales volume

(¥100millions, %; rounded down)

Item \ Period	FY2006			FY2007			FY2008			Remarks
		% of total	YoY		% of total	YoY		% of total	YoY	
PS3 hardware (60,000units)	34	20.8		19 (40,000units)	10.6	-43.4	17 (40,000units)	10.0	-11.6	
PS3 software	4	2.9		10	5.7	123.9	20	11.9	95.1	
PS3 accessories	0	0.4		1	1.0	158.0	0	0.4	-59.2	
PS2 hardware (50,000units)	8	5.1	-60.3	3 (20,000units)	1.9	-58.4	2 (10,000units)	1.2	-40.0	
PS2 software	63	38.7	-47.6	53	29.0	-16.3	27	15.8	-49.1	
PS2 accessories	2	1.2	-52.1	1	0.7	-33.7	0	0.4	-51.2	
PSP hardware (120,000units)	26	16.0	-12.6	58 (310,000units)	32.2	124.7	59 (310,000units)	34.8	1.2	
PSP software	23	14.3	57.4	30	16.6	29.1	40	23.6	33.1	
PSP accessories	1	0.7	74.6	4	2.3	268.4	3	1.9	-24.3	
Total	164	100.0	-14.4	183	100.0	11.5	171	100.0	-6.5	

1. Fiscal 2008 full-year consolidated balance sheet (1)

(¥ millions, %; rounded down)

	FY2007	FY2008	Change	Main reason behind increase or decrease in assets
Assets				
(1) Current assets	40,801	44,864	4,062	
1. Cash and deposits	5,927	5,463	-464	
2. Accounts and notes receivable	21,330	25,149	3,818	
3. Inventories	7,450	9,346	1,895	
4. Advances	2,868	2,315	-552	
5. Deferred tax assets	1,996	1,502	-494	
6. Other	1,392	1,715	323	
7. Allowance for doubtful accounts	-166	-629	-462	
(2) Fixed assets	7,685	9,797	2,112	
1. Tangible fixed assets	2,218	1,952	-265	
Buildings and structures	638	569	-68	
Land	851	701	-150	
Other	728	681	-46	
2. Intangible fixed assets	2,215	4,488	2,273	
Goodwill	770	1,868	1,097	Increase ¥1,344m by acquisition of WINT Corporation share
Other	1,444	2,620	1,176	Invest in the Next-Generation System ¥1,290m
3. Investments and other assets	3,251	3,355	104	
Investment securities	2,210	1,742	-467	
Long-term prepaid expenses	79	9	-70	
Guarantees paid	674	892	218	
Deferred tax assets	16	542	525	
Other	447	301	-145	
Allowance for doubtful accounts	-176	-133	43	
Total assets	48,486	54,661	6,175	

1. Fiscal 2008 full-year consolidated balance sheet (2)

(¥ millions, %; rounded down)

	FY2007	FY2008	Change	Main reason behind increase or decrease in liabilities
Liabilities				
(1) Current liabilities	27,426	33,171	5,745	
1. Accounts and notes payable	21,096	20,748	-347	
2. Short-term Debt	126	5,520	5,393	
3. Deferred payments	2,494	3,640	1,146	
4. Income tax payable	57	433	375	
5. Bonus reserve	390	445	54	
6. Other	3,260	2,384	-876	
(2) Fixed liabilities	2,248	3,305	1,056	
1. Reserve for retirement benefits	1,135	1,356	221	
2. Long-term Debt	31	430	398	
3. Guarantees received	689	947	258	
4. Negative goodwill	94	128	34	
5. Other	297	441	143	
Total liabilities	29,675	36,476	6,801	
Shareholders' equity				
(1) Capital	2,751	2,751	—	
(2) Capital reserve	2,776	2,776	-0	
(3) Retained earnings	12,544	13,328	783	
(4) Treasury stock	-239	-900	-660	
(5) Net unrealized gain on securities	725	228	-496	
(6) Minority interests	253	—	-253	
Total shareholders' equity	18,811	18,184	-626	
Total liabilities and shareholders' equity	48,486	54,661	6,175	
Net assets per share (¥)	1,566.17	1,599.08	32.91	
Shares outstanding at end of period	11,849,355	11,371,995		

1. Fiscal 2008 full-year consolidated cash-flow statement

(¥ millions, %; rounded down)

	FY2007	FY2008	Change	Remarks
(1) Cash flows from operating activities				
Net profit before income taxes	2,537	-2,458	-4,995	
Depreciation and amortization	357	427	70	
Change in provision for loss on business restructuring	—	2,599	2,599	
Change in trade receivables	1,831	2,743	912	
Change in inventories	-322	-305	17	
Change in trade payables	-2,133	-1,039	1,094	
Change in other receivables	97	96	-0	
Change in other payables	553	-631	-1,185	
Other	-866	1,160	2,027	
Payment of income taxes	-1,247	-901	345	
Net cash provided by/used in operating activities	806	1,691	885	
(2) Cash flows from investing activities				
Payments for purchase of tangible and intangible fixed assets	-752	-851	-99	
Proceeds for sales of tangible and intangible fixed assets	3	0	-3	
Payments for purchase of investment securities	-28	-23	5	
Proceeds from sale of investment securities	60	0	-60	
Proceeds for purchase of stock in subsidiaries with change in scope of consolidation	—	210	210	
Payments for purchase of stock in subsidiaries with change in scope of consolidation	-804	—	804	
Other	-264	169	434	
Net cash provided by/used in investing activities	-1,785	-494	1,291	
(3) Cash flows from financing activities				
Payments of dividends	-360	-479	-118	
Proceeds from sale of treasury stock	0	0	0	
Other	-1,887	-1,175	712	
Net cash provided by/used in financing activities	-2,248	-1,655	593	
(4) Change in cash and equivalents	-3,227	-457	2,769	
(5) Cash and equivalents at beginning of period	9,480	6,252	-3,227	
(6) Changes in cash and cash equivalents with changes in the scope of consolidation	—	42	42	
(7) Cash and equivalents at end of period	6,252	5,837	-415	

2. Fiscal 2009 forecasts

Consolidated statements of income

(¥ millions, %; rounded down)

	FY2009 forecasts			Remarks
		% of total	YoY	
Net sales	200,000	100.0	19.9	
Cost of sales	174,000	87.0	18.5	
Gross profit	26,000	13.0	30.1	
SG&A expenses	23,700	11.9	32.8	
Personnel costs	7,500	3.8	19.5	
Contract personnel costs	2,600	1.3	23.9	
Depreciation and amortization	1,200	0.6	119.5	Depreciation and amortization of the Next-Generation System ¥430m
Goodwill	466	0.2	95.0	
Operating profit	2,300	1.2	7.6	
Non-operating income	343	0.2	29.2	
Interest and dividends received	93	0.0	30.4	
Other	250	0.1	28.8	
Non-operating expenses	143	0.1	78.4	
Interest paid	120	0.1	909.9	
Other	23	0.0	-66.3	
Recurring profit	2,500	1.3	7.6	
Extraordinary gains	0	0.0	—	
Extraordinary losses	0	0.0	—	
Net profit before income taxes	2,500	1.3	26.1	
Income taxes	1,200	0.6	44.0	
Net income	1,300	0.7	14.4	
Earnings per share (¥)				
	114.32	0	17.1	
Number of employees at end of period				
	0	0	0.0	
Capital expenditures				
	1,254	0	-20.7	

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2. Fiscal 2009 consolidated forecasts

Sales forecasts by business segment

(¥ millions, %; rounded down)

Segment	Period	FY2008		FY2009 forecasts			Remarks
		% of total	YoY		% of total	YoY	
Toy business	1	54482.0	32.7	52,000	26.0	-4.6	
Visual-related business	-17	36570.0	21.9	75,000	37.5	105.1	
Video game business	21	50474.0	30.3	50,000	25.0	-0.9	
Amusement business	104	17919.0	10.7	18,000	9.0	0.5	
Other business	-12	7330.0	4.4	5,000	2.5	-31.8	
Total	5	166778.0	100.0	200,000	100.0	19.9	

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