



HAPPINET CORPORATION

Stock Listing :Tokyo Stock Exchange
Code Number :7552

Fiscal Year 2012 Results Briefing

May 22, 2013



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FY2012 Financial Results

Hideo Asatsu
Board Director, CFO

Change of business results



Fiscal period		FY2008	FY2009	FY2010	FY2011	FY2012
Net sales	¥ million	166,778	194,246	190,891	198,021	176,757
Operating income	¥ million	2,137	2,327	2,855	4,855	2,973
Ordinary income	¥ million	2,322	2,513	3,013	5,032	3,081
Net income	¥ million	1,135	1,179	1,376	2,458	2,011
Comprehensive income	¥ million	—	—	1,179	2,402	2,075
Net assets	¥ million	18,184	18,962	19,802	21,795	23,289
Total assets	¥ million	54,661	49,050	48,507	54,323	53,003
Book Value per share	¥	1,599.08	1,692.76	1,767.34	972.13	1,036.23
Net income per share	¥	97.64	104.60	122.56	109.73	89.75
Dividends per share (Interim dividends)	¥	30.00 (15.00)	30.00 (15.00)	30.00 (15.00)	38.75 (22.50)	22.50 (11.25)
No. of employees	people	1,008	945	923	916	918

FY2011 : ¥5
Including a memorial dividend

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

2. Happinet Corporation acquired shares of WINT CORPORATION on March 10, 2009, making it a subsidiary.

3. 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.

Consolidated results for FY2012 (1) Profit & loss statement



	FY2011			FY2012			(¥ millions)
		% of total	YoY		% of total	YoY	
Net sales	198,021	100.0	3.7	176,757	100.0	-10.7	
Cost of sales*	173,013	87.4	2.6	154,256	87.3	-10.8	
Gross profit	25,007	12.6	12.0	22,501	12.7	-10.0	
SG&A expenses	20,151	10.2	3.5	19,527	11.0	-3.1	
personnel	7,001	3.5	1.1	7,143	4.0	2.0	
Contract personnel costs	1,526	0.8	-6.5	1,531	0.9	0.3	
Depreciation & amortization	688	0.3	-11.9	629	0.4	-8.7	
Depreciation & amortization of goodwill	337	0.2	-24.3	292	0.2	-13.5	
Operating income	4,855	2.5	70.0	2,973	1.7	-38.8	
Non-operating income	186	0.1	-2.2	119	0.1	-36.0	
interest and dividends income	28	0.0	-34.5	24	0.0	-13.5	
Other	157	0.1	7.2	94	0.1	-40.1	
Non-operating expenses	9	0.0	-72.7	10	0.0	21.7	
interest expenses	5	0.0	-71.8	5	0.0	-7.8	
Other	3	0.0	-74.0	5	0.0	68.4	
Ordinary income	5,032	2.5	67.0	3,081	1.7	-38.8	
Extraordinary income**	3	0.0	-97.5	73	0.0	1,899.4	
Extraordinary loss	724	0.4	112.5	182	0.1	-74.8	
Income before income taxes and minority interests	4,311	2.2	52.9	2,972	1.7	-31.1	
Income taxes	1,852	0.9	28.3	960	0.5	-48.2	
Income before minority interests	2,458	1.2	78.7	2,012	1.1	-18.2	
Minority interests in income (loss)	0	0.0	0.0	0	0.0	6.4	
Net income	2,458	1.2	78.6	2,011	1.1	-18.2	

*including stock clearances of ¥ 2,353m in FY2012, ¥ 2,191m in FY2011.

**including profit on sale of real estate (Osaka) ¥ 66m in FY2012.

Net income per share(¥)	109.73	—	79.1	89.75	—	-18.2
NO.of employees at end of period (people)	916	—	-0.8	918	—	0.2
Capital expenditures	174	—	-63.1	190	—	9.7

*The number of employees includes employees temporarily transferred from other companies and contract employees, but excludes employees temporarily transferred to other companies and temporary employees.

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 income per share was estimated

① Change by business segment

■ Net sales

(¥ millions,%)

Segment	Period	FY2010		FY2011		FY2012				
			% of total	YoY		% of total	YoY			
Toy business		69,104	36.2	5.3	77,313	39.0	11.9	74,660	42.2	-3.4
Visual and Music business		57,759	30.3	-14.9	55,719	28.1	-3.5	44,810	25.4	-19.6
Video-game business		46,447	24.3	4.7	42,704	21.6	-8.1	36,839	20.8	-13.7
Amusement business		17,579	9.2	7.3	22,282	11.3	26.8	20,447	11.6	-8.2
Total		190,891	100.0	-1.7	198,021	100.0	3.7	176,757	100.0	-10.7

■ Segment income

(¥ millions,%)

Segment	Period	FY2010		FY2011		FY2012	
			YoY		YoY		YoY
Toy business		2,321	24.4	3,009	29.6	2,055	-31.7
Visual and Music business		-656	-359.0	448	—	309	-30.9
Video-game business		1,156	11.7	936	-19.0	678	-27.6
Amusement business		1,340	146.4	1,801	34.3	1,265	-29.8
Eliminations and corporate		-1,307	—	-1,341	—	-1,335	—
Total		2,855	22.7	4,855	70.0	2,973	-38.8

②Change of sales by channel

(¥ billions,%)

Segment	Period	FY2010			FY2011			FY2012		
			% of total	YoY		% of total	YoY		% of total	YoY
Specialty stores*		65.3	34.2	2.3	62.5	31.6	-4.2	60.4	34.2	-3.5
General Merchandise store		36.7	19.3	3.1	40.3	20.4	9.7	36.9	20.9	-8.5
Convenience stores		21.3	11.2	-1.2	26.3	13.3	23.4	22.8	12.9	-13.4
E-commerce		24.1	12.6	8.5	25.0	12.7	3.8	19.2	10.9	-23.4
Suburban stores		18.5	9.7	-4.2	19.3	9.7	4.3	17.2	9.8	-10.5
Wholesalers		15.4	8.1	-28.4	15.2	7.7	-1.6	11.5	6.5	-23.8
Other**		9.2	4.9	-6.3	9.1	4.6	-1.5	8.5	4.8	-6.8
Total		191.8	100.0	-1.7	198.0	100.0	3.7	176.7	100.0	-10.7

* Including consumer electronics and camera stores.

**Including department stores.

③ Main business summary

■ Toy business

(¥ billions,%)

Manufacturer	Period	FY2010			FY2011			FY2012		
			% of total	YoY		% of total	YoY		% of total	YoY
Bandai Co.,Ltd		37.4	54.2	7.0	42.3	54.8	13.1	38.8	52.0	-8.3
Tomy Co.,Ltd		7.0	10.2	-18.2	6.3	8.1	-10.2	5.3	7.2	-14.7
Happinet originals		1.4	2.1	1.5	2.2	2.9	53.7	2.5	3.4	12.4
Other manufacturers		23.1	33.5	12.3	26.4	34.2	14.1	27.9	37.4	5.7
Total		69.1	100.0	5.3	77.3	100.0	11.9	74.6	100.0	-3.4

■ Visual and Music business

(¥ billions,%)

Division	Period	FY2010			FY2011			FY2012		
			% of total	YoY		% of total	YoY		% of total	YoY
Wholesale		34.4	59.6	-6.6	33.6	60.4	-2.2	25.9	58.0	-22.8
	Exclusive titles	5.8	10.2	2.8	5.9	10.7	1.0	5.6	12.5	-5.7
Visual		40.3	69.8	-5.3	39.6	71.1	-1.8	31.5	70.5	-20.3
Music		17.4	30.2	-30.9	16.1	28.9	-7.6	13.2	29.5	-17.9
Total		57.7	100.0	-14.9	55.7	100.0	-3.5	44.8	100.0	-19.6

■ Sales of video game platform

(¥ billions,%)

Platform	Period	FY2010			FY2011			FY2012		
			% of total	YoY		% of total	YoY		% of total	YoY
PlayStation (PS2,PS3)		6.0	13.0	-13.8	6.8	16.0	13.4	5.3	14.4	-22.6
PlayStation (PSP,PSVita)		11.6	25.1	44.0	12.2	28.8	5.4	7.1	19.4	-41.9
Nintendo (Wii,Wii U)		4.7	10.2	-26.6	3.2	7.7	-30.2	4.4	12.1	35.1
Nintendo (Nintendo DS,3DS)		9.9	21.4	-3.4	10.4	24.4	4.7	14.2	38.7	36.7
Other		14.0	30.3	12.3	9.8	23.1	-30.0	5.6	15.4	-42.2
Total		46.4	100.0	4.7	42.7	100.0	-8.1	36.8	100.0	-13.7

■ Breakdown of Play Station sales and sales volume

(¥ billions,%)

Item	Period	FY2010			FY2011			FY2012		
			% of total	YoY		% of total	YoY		% of total	YoY
stationary	console	2.4	14.1	-18.1	1.4	7.6	-41.6	1.3	10.8	-7.6
	units(ten-thousand)	(8.7)			(5.6)			(5.6)		
	game	3.1	18.0	-15.6	5.2	27.2	635.0	3.7	30.0	-28.4
	accessories	0.3	2.1	87.3	0.1	1.0	-49.7	0.2	1.9	26.9
portable	console	3.0	17.1	-5.0	4.1	21.9	38.1	1.9	15.9	-52.7
	units(ten-thousand)	(18.5)			(23.4)			(11.7)		
	game	8.4	47.6	78.8	7.6	39.9	-9.4	5.0	40.3	-34.3
	accessories	0.2	1.1	5.8	0.4	2.4	129.5	0.1	1.1	-69.7
Total		17.6	100.0	17.2	19.1	100.0	8.1	12.4	100.0	-35.0

Consolidated results for FY2012 (2)Balance sheet



(¥ millions)

	FY2011	FY2012	Change
(Assets)			
Cash and deposits	12,359	10,155	-2,203
Notes and accounts receivable-trade	26,755	27,234	479
Inventories	6,168	6,529	360
Advance payments-trade	634	1,389	754
Deferred tax assets	926	910	-16
Other	1,493	1,775	281
Allowance for doubtful accounts	-69	-63	6
Current assets	48,269	47,930	-338
Property, plant and equipment	1,392	1,110	-282
Buildings and structures	408	314	-94
Land	617	464	-153
Other	365	331	-34
Intangible assets	1,715	985	-730
Goodwill	539	246	-292
Other	1,176	738	-438
Investments and other assets	2,946	2,976	30
Investment securities	1,419	1,439	19
Deferred tax assets	711	688	-22
Other	989	865	-123
Allowance for doubtful accounts	-173	-17	156
Noncurrent assets	6,054	5,072	-981
Total assets	54,323	53,003	-1,320

Consolidated results for FY2012 (2)Balance sheet



(¥ millions)

	FY2011	FY2012	Change
(Liabilities)			
Notes and accounts payable-trade	23,042	22,672	-369
Accounts payable-other	3,351	2,656	-695
Income taxes payable	1,605	678	-926
Provision for bonuses	472	378	-94
Other	1,145	497	-647
Current liabilities	29,617	26,883	-2,734
Provision for retirement benefits	1,780	1,830	49
Deferred tax liabilities	3	5	1
Negative goodwill	19	1	-17
Other	1,105	992	-113
Noncurrent liabilities	2,909	2,829	-79
Total liabilities	32,527	29,713	-2,814
(Net assets)			
Capital stock	2,751	2,751	—
Capital surplus	2,775	2,775	—
Retained earnings	17,213	18,607	1,393
Treasury share	-1,091	-1,055	36
Total shareholder's equity	21,649	23,078	1,429
Valuation difference on available-for-sale securities	128	189	61
Deferred gains or losses on hedges	0	1	1
Total accumulated other comprehensive income	128	191	62
Subscription rights to shares	17	17	0
Minority interests	1	1	0
Total Net assets	21,795	23,289	1,493
total liabilities and Net assets	54,323	53,003	-1,320
Net assets per share(¥)	972.13	1,036.23	64.10

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

Consolidated results for FY2012 (3) Cash-flow statement



(¥ millions)

	FY2011	FY2012	Change
Net cash provided by (used in) operating activities	4,609	-1,505	-6,115
Income before income taxes and minority interests	4,311	2,972	-1,338
Depreciation and amortization	688	644	-43
Impairment loss	669	89	-580
Decrease (increase) in notes and accounts receivable-trade	-3,551	-477	3,073
Decrease (increase) in inventories	267	-360	-627
Increase (decrease) in notes and accounts payable-trade	2,838	-369	-3,207
Increase (decrease) in accounts payable-other	86	-657	-744
Other	798	-1,471	-2,270
Income taxes paid	-1,499	-1,874	-375
Net cash provided by (used in) investing activities	-50	-108	-58
Purchase of property, plant and equipment and intangible assets	-119	-219	-99
Proceeds from sales of property, plant and equipment	30	195	164
Purchase of investment securities	-8	-8	-0
Proceeds from sales of investment securities	3	48	45
Other	43	-125	-168
Net cash provided by (used in) financing activities	-421	-588	-166
Cash dividends paid	-419	-615	-195
Proceeds from sales of treasury stock	—	29	29
Purchase of treasury stock	-0	-0	0
Other	-1	-2	-0
Effect of exchange rate change on cash and cash equivalents	1	-0	-2
Net increase (decrease) in cash and cash equivalents	4,138	-2,203	-6,342
Cash and cash equivalents at beginning of period	8,220	12,359	4,138
Cash and cash equivalents at end of period	12,359	10,155	-2,203

FY2012 Results Summary FY2013 Plan

Kazuhiko Note
President and COO

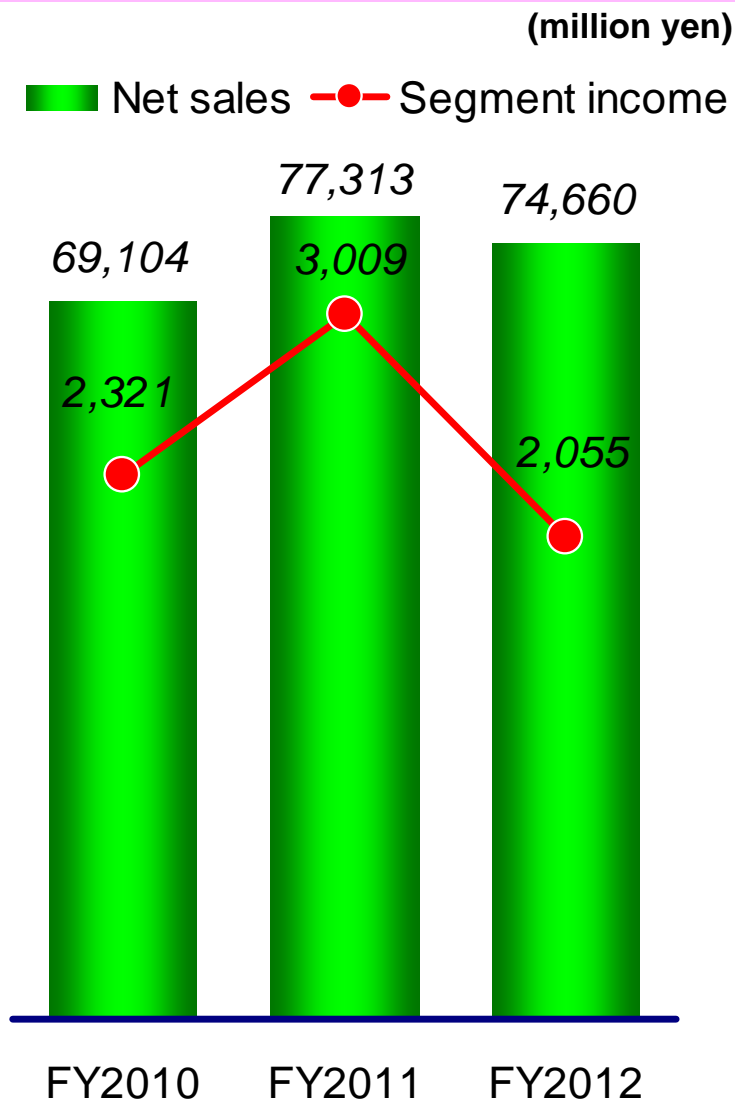
FY2012 Results Summary



(¥ millions)

	FY2011	FY2012	YOY
Net sales	198,021	176,757	△10.7%
Operating income	4,855	2,973	△38.8%
Ordinary income	5,032	3,081	△38.8%
Net income	2,458	2,011	△18.2%

Toy Business



■ FY2012 Results Summary

Net sales and segment income in the toy business declined year on year, chiefly due to weak sales of trading cards, despite strong sales of toys featuring *Kamen Rider Wizard* in Bandai's character products.

	FY2010	FY2011	FY2012
Segment income	2.3 billion yen	3.0 billion yen	2.0 billion yen
Clearance amounts	1.1 billion yen	1.3 billion yen	1.3 billion yen
Inventory amounts	2.2 billion yen	2.3 billion yen	2.4 billion yen
Inventory turnover rate	31.3	33.6	30.7

Toy Business

Focus on the expansion of popular product

Hit products of previous term



Kamen Rider Wizard
Deluxe WIZARDRIVER



Tamagotchi P's

(C)2012 石森プロ・テレビ朝日・ADK・東映
(C)BANDAI,WIZ

Noteworthy products



Jyuuden sentai Kyouryujya



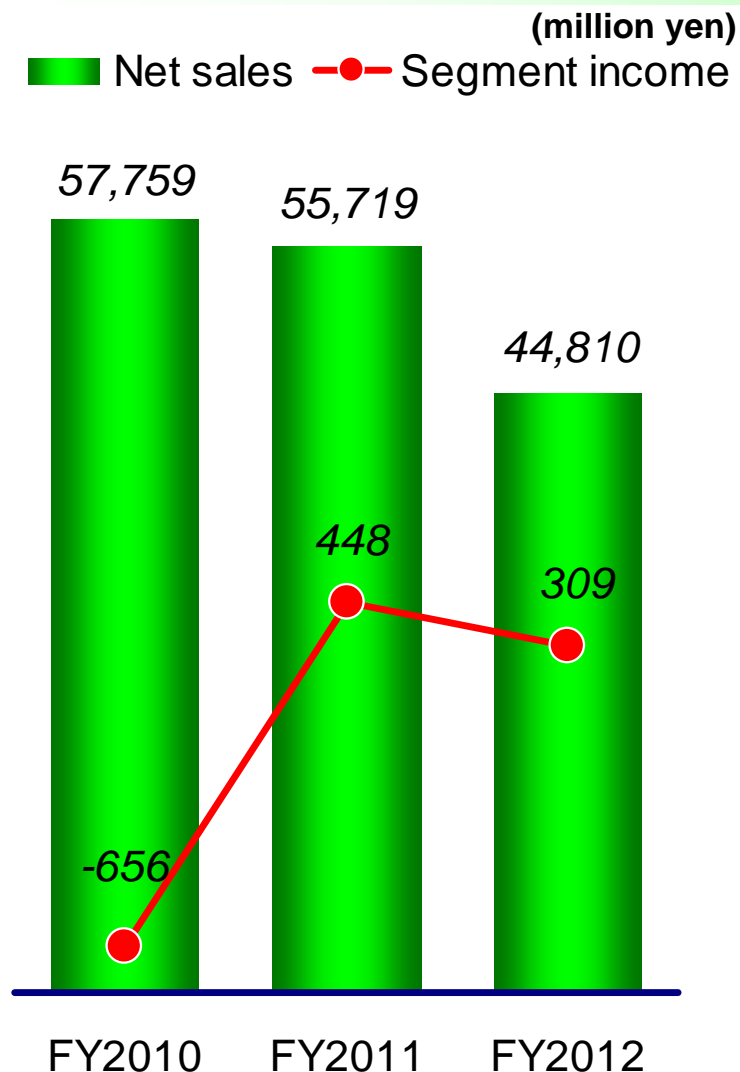
Aikatsu !

(C)2013テレビ朝日・東映AG・東映
(C)SUNRISE/BANDAI,DENTSU,TV TOKYO (C)BANDAI2012

Previous	Net sales	74,660 (million yen)
	Income	2,055 (million yen)

Current	Net sales (Plan)	75,000 (million yen)
	Income (Plan)	2,100 (million yen)

Visual and Music Business



■ FY2012 Results Summary

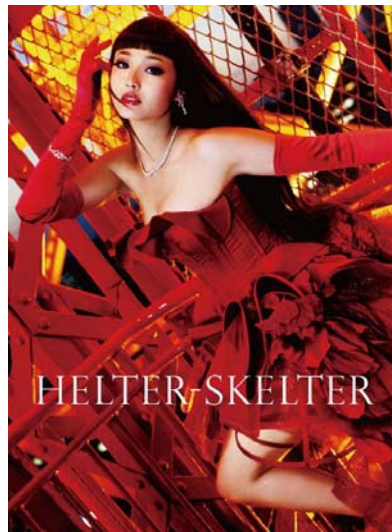
Although certain co-produced titles were hits, the Group struggled due to the stagnation of the package market caused by growth in online content distribution.

	FY2010	FY2011	FY2012
Segment income	-0.6 billion yen	0.4 billion yen	0.3 billion yen
Rejection rate	—	6.2%	4.7%
Inventory amounts	2.6 billion yen	1.8 billion yen	1.7 billion yen
Inventory turnover rate	20.7	24.6	24.5

Visual and Music Business

expansion of product sales of
Original and exclusive distribution Products

Hit products of previous term



(C)2012映画『ヘルタースケルター』製作委員会 (C)岡崎京子/祥伝社

Noteworthy products of current term



(C)2011『のぼうの城』フィルムパートナーズ



Jonathan Olley (C)2012 CTMG. All rights reserved



(C)2013「俺まだ」製作委員会



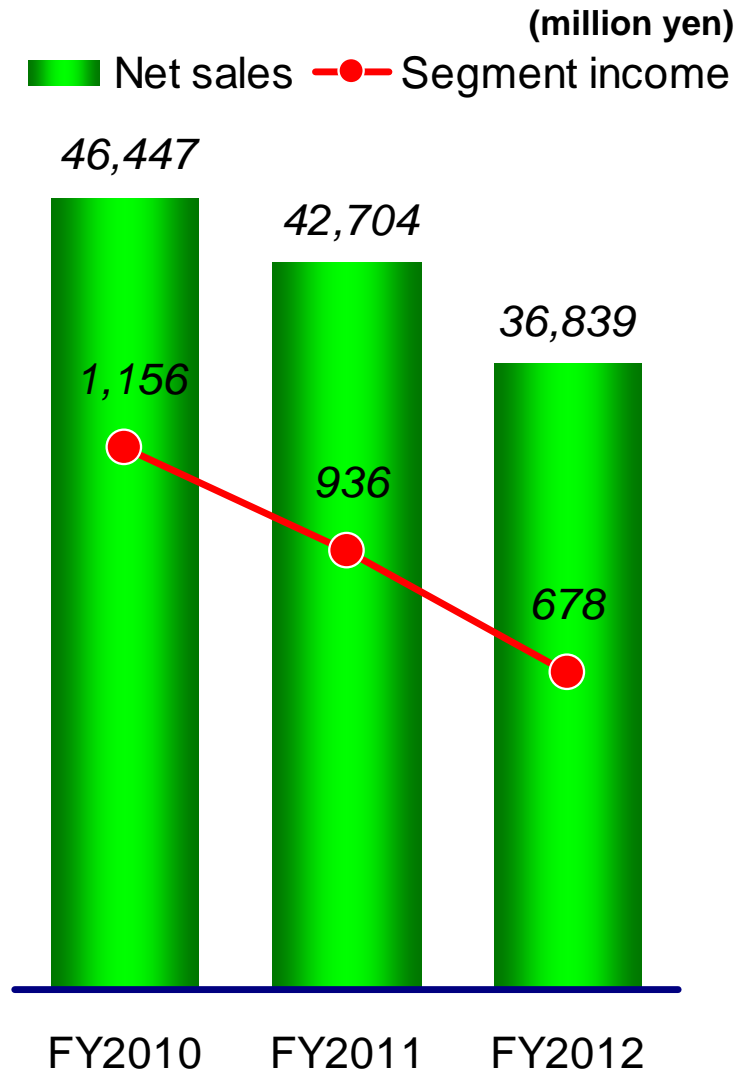
(C)1983-2005 TOMY (C)ShoPro



(C)2012 Cogans Film Holdings, LLC. All Rights Reserved.

Previous	Net sales	44,810 (million yen)	▶	Current	Net sales (Plan)	41,000 (million yen)
	Income	309 (million yen)			Income (Plan)	600 (million yen)

Video-Game Business



■ FY2012 Results Summary

Despite the release of new game consoles and some hit products, performance was weak as the Company faces a difficult market environment with the spread of social games, among other factors.

Video-Game Business

Expansion of product sales
with new console

Hit products of previous term



Nintendo 3DS



Tobidase Doubutsu
no mori

Noteworthy products of current term

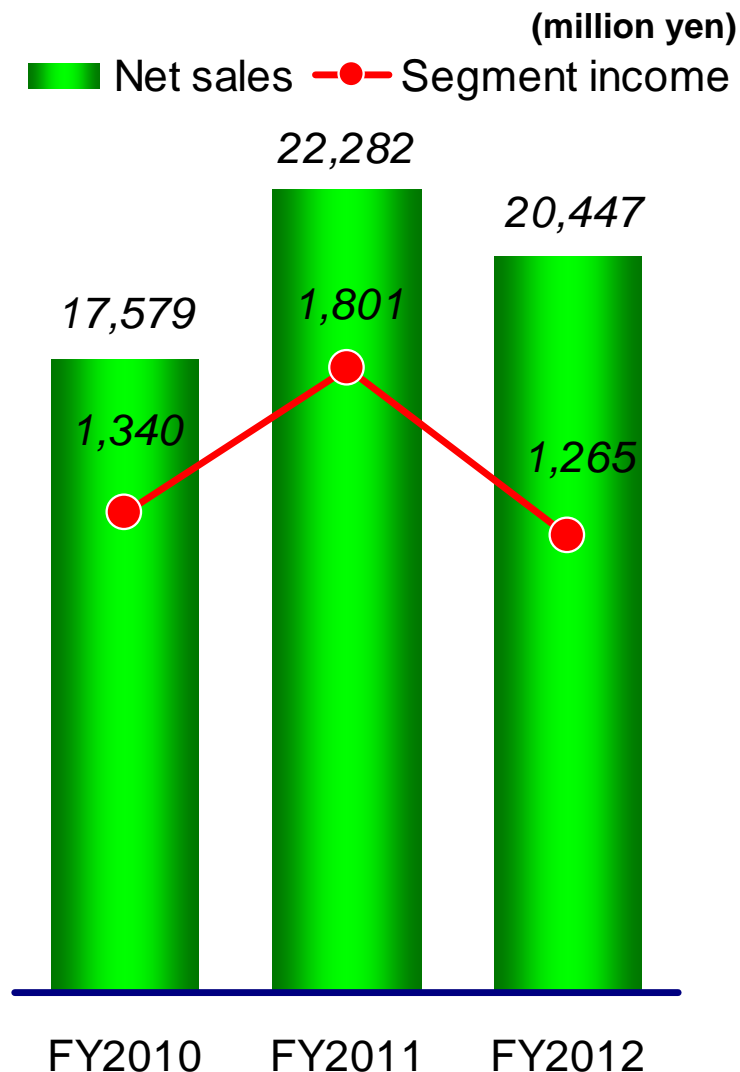
PlayStation 4

It would be released in time
for the year-end shopping season.

Previous	Net sales	36,839 (million yen)
	Income	678 (million yen)

Current	Net sales (Plan)	43,000 (million yen)
	Income (Plan)	800 (million yen)

Amusement Business



■ FY2012 Results Summary

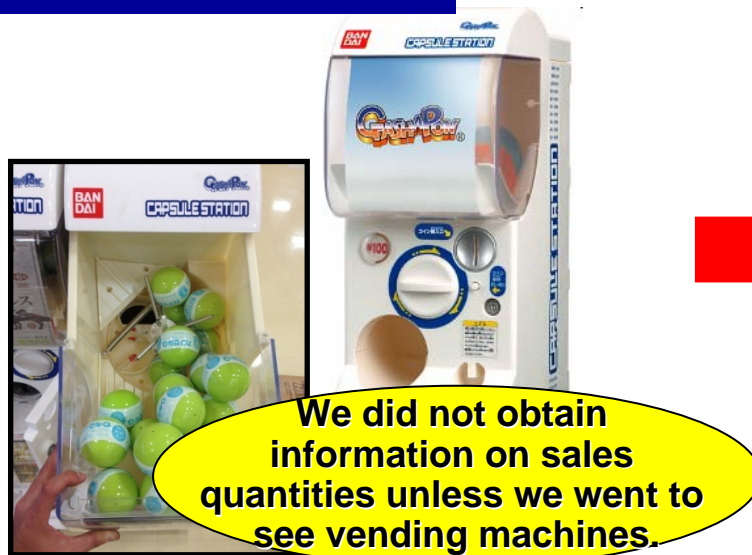
Results were down from the year-ago levels in the absence of products that surpassed last year's levels in toy vending machine products or kids card games.

	FY2010	FY2011	FY2012
Segment income	1.3 billion yen	1.8 billion yen	1.2 billion yen
Fixed cost productivity	146%	152%	139%
Inventory amounts	1.1 billion yen	1.4 billion yen	1.4 billion yen
Inventory turnover rate	16.6	17.3	14.3

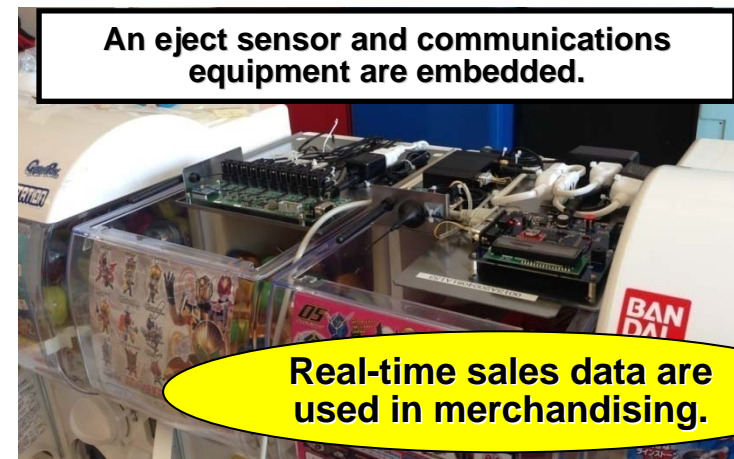
Amusement Business

Introduction of a POS system to capsule toy vending machines

Before introduction



Introduction of POS



Starting **the end of February 2013**, the POS system has been installed at five retail outlets.

Comparison of income (changes from February) at outlets that have introduced the POS system and ones that have not

	Mar.	Apr.
Introduced	117.6%	144.0%
Not introduced	110.8%	112.5%

Income rose!

We plan to bring in the system at 200 outlets in FY2013.

Future Strategies

Kazuhiko Note
President and COO

1

Creating an environment where the exclusive titles division can produce hits

2

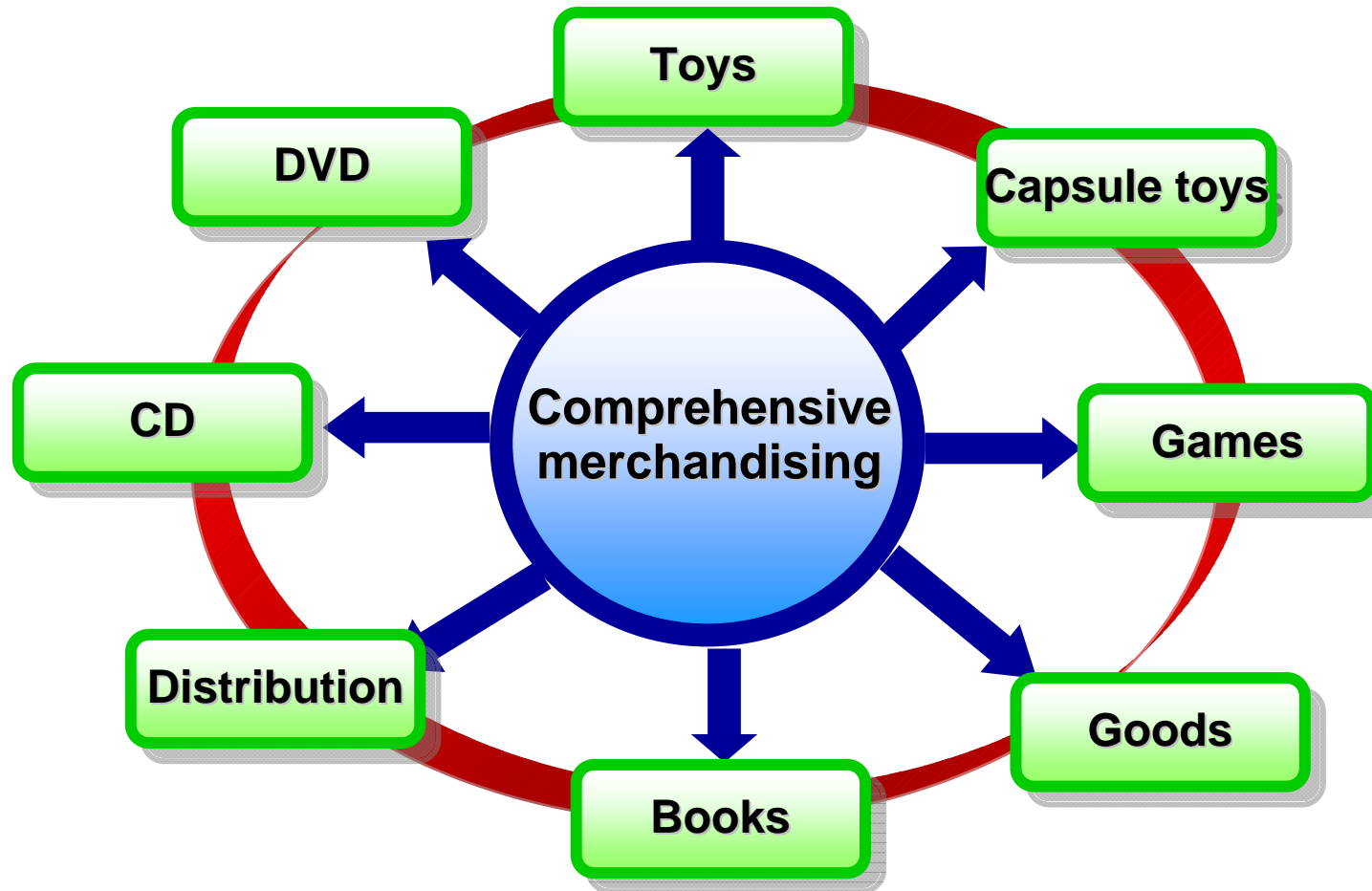
Promoting sales of digital content and acquisition of rights

3

Aiming to expand market share in the intermediate distribution business

1

Creating an environment where the exclusive titles division can produce hits



Setting up cross-functional projects

2 Promoting sales of digital content and acquisition of rights

■ Promoting sales of original video-game products

- Planning to sell five titles and a total of 200,000 units this fiscal year
- Diversifying sources of revenue, including distribution and downloading
- Cooperating with partners, including ShoPro and Alchemist

First original product



Nintendo 3DS

“Chibi Devi! 2 Maho no Yume Ehon”

To be released in July 2013

A popular series in Ciao, the leading Japanese comic magazine for girls (circulation: 800,000)

A total of 1.2 million books have been sold.

A TV animation series is airing in the “Dai! Tensai Terebi-kun” program on NHK-E channel.

FY2013 Full-Year Projection

Kazuhiko Note
President and COO

FY2013 Full-Year Projection



(¥ millions)

	FY2012	FY2013 projection	YOY
Net sales	176,757	180,000	1.8%
Operating income	2,973	3,400	14.4%
Ordinary income	3,081	3,500	13.6%
Net income	2,011	2,000	△0.6%

FY2013 Full-Year Projection



■ Sales projection by business segment

(¥ millions)

Segment	Period	FY2012			FY2013		
			% of total	YoY		% of total	YoY
Toy business		74,660	42.2	-3.4	75,000	41.7	0.5
Visual and Music business		44,810	25.4	-19.6	41,000	22.8	-8.5
Video-Game business		36,839	20.8	-13.7	43,000	23.9	16.7
Amusement business		20,447	11.6	-8.2	21,000	11.6	2.7
Total		176,757	100.0	-10.7	180,000	100.0	1.8

■ Income projection by business segment

(¥ millions)

Segment	Period	FY2012			FY2013		
			% of total	YoY		% of total	YoY
Toy business		2,055	69.2	-31.7	2,100	61.8	2.1
Visual and Music business		309	10.4	-30.9	600	17.6	93.6
Video-Game business		678	22.8	-27.6	800	23.5	18.0
Amusement business		1,265	42.5	-29.8	1,200	35.3	-5.1
Eliminations and corporate		-1,335	-44.9	-0.4	-1,300	-38.2	-2.7
Total		2,973	100.0	-38.8	3,400	100.0	14.4

Development of Digital Content

Keiji Korogi

Manager of Digital Publishing Department

2 Promoting sales of digital content and acquisition of rights

■ Accelerating the development of social games



voice actor : Nana Mizuki / Aoi Yuki / Ayahi Takagaki

King Record and Happinet

The second TV animation series will be broadcast on Tokyo MX and other channels from July.



Enterbrain and Happinet

Making Movie
(The Mythical Detective LOKI)



Manga2.5

Please see the Making Movie

Promotional video
(Karasuma Kyoko no Jikenbo)



Manga2.5

Please see the Promotional video

Future design for Manga2.5 Platform

