



HAPPINET CORPORATION

Stock Listing :Tokyo Stock Exchange
Code Number :7552

Fiscal Year 2013 First Half Results Briefing

November 20, 2013



■ First Half of FY2013 Financial Results.....	2
■ FY2013 First Half Results Summary and Second Half Measures	12
■ FY2013 Full-Year Projection	28

First Half of FY2013 Financial Results

Hideo Asatsu
Board Director, CFO

Change of business results



		1st hal f of FY2009	1st hal f of FY2010	1st hal f of FY2011	1st hal f of FY2012	1st hal f of FY2013	FY2010	FY2011	FY2012
Net sales	¥ million	89,829	85,090	88,507	76,211	87,371	190,891	198,021	176,757
Operating income	¥ million	930	1,240	2,316	1,007	1,551	2,855	4,855	2,973
Ordinary income	¥ million	1,059	1,314	2,422	1,072	1,579	3,013	5,032	3,081
Net income	¥ million	657	712	1,526	709	1,375	1,376	2,458	2,011
Comprehensive income	¥ million	—	468	1,413	698	1,434	1,179	2,402	2,075
Net assets	¥ million	18,455	19,364	21,053	22,136	24,522	19,802	21,795	23,289
Total assets	¥ million	49,953	49,339	50,392	51,003	60,264	48,507	54,323	53,003
Book Value per share	¥	1,646.64	1,713.41	939.25	987.05	1,086.78	1,767.34	972.13	1,036.23
Net income per share	¥	57.95	63.63	68.14	31.68	61.13	122.56	109.73	89.75
Dividends per share (Interim dividends)	¥	(15.00)	(15.00)	(22.50)	(11.25)	(11.25)	30.00 (15.00)	38.75 (22.50)	22.50 (11.25)
No. of employees	people	978	932	913	935	981	923	916	918

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. Dividend amount of FY2011 is Including a memorial dividend (¥5).

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

Consolidated results for first half of FY2013 (1) Profit & loss statement



(¥ millions)

	FY2012			FY2013			
		% of total	YoY		% of total	YoY	
Net sales	76,211	100.0	-13.9	87,371	100.0	14.6	Including Jul. to Sep. of TOYS UNION Co.,LTD. (8,240)
Cost of sales*	66,019	86.6	-13.9	76,587	87.7	16.0	
Gross profit	10,192	13.4	-14.2	10,783	12.3	5.8	Including disposal loss (FY2013:841,FY2012:707)
SG&A expenses	9,185	12.1	-3.9	9,231	10.6	0.5	
personnel	3,361	4.4	0.1	3,442	3.9	2.4	
Contract personnel costs	752	1.0	1.2	658	0.8	-12.4	
Depreciation & amortization	322	0.4	-7.1	292	0.3	-9.2	
Depreciation & amortization of goodwill	168	0.2	-0.2	123	0.1	-26.8	
Operating income	1,007	1.3	-56.5	1,551	1.8	54.0	Including Jul. to Sep. of TOYS UNION Co.,LTD. (Δ85)
Non-operating income	70	0.1	-36.9	58	0.1	-16.1	
interest and dividends income	17	0.0	-18.9	23	0.0	29.1	
Other	52	0.1	-41.4	35	0.0	-31.5	
Non-operating expenses	5	0.0	-7.4	30	0.0	509.0	
interest expenses	2	0.0	-1.1	5	0.0	126.8	
Other	2	0.0	-13.0	25	0.0	895.5	
Ordinary income	1,072	1.4	-55.7	1,579	1.8	47.3	
Extraordinary income**	5	0.0	75.2	411	0.5	6874.4	Including advantage of negative goodwill of TOYS UNION Co.,LTD. (409)
Extraordinary loss	55	0.1	35.3	152	0.2	174.7	
Income before income taxes and minority interests	1,022	1.3	-57.1	1,838	2.1	79.8	
Income taxes	312	0.4	-63.5	462	0.5	47.9	
Income before minority interests	710	0.9	-53.5	1,376	1.6	93.8	
Minority interests in income (loss)	0	0.0	-32.3	0	0.0	53.6	
Net income	709	0.9	-53.5	1,375	1.6	93.8	
Net income per share(¥)	31.68	—	-53.5	61.13	—	92.9	
NO.of employees at end of period (people)	935	—	2.4	981	—	4.9	
Capital expenditures	97	—	29.8	249	—	156.4	

*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.
TOYS UNION Co.,LTD. 63 people.

① Change by business segment

■ Net sales

(¥ millions,%)

	1st hal f of FY2012			1st hal f of FY2013			FY2012		
		% of total	YOY		% of total	YOY		% of total	YOY
Toy business	32,410	42.5	-4.9	31,880	36.5	-1.6	74,660	42.2	-3.4
Visual and Music business	20,711	27.2	-22.4	21,300	24.4	2.8	44,810	25.4	-19.6
Video-game business*	13,127	17.2	-20.4	23,042	26.4	75.5	36,839	20.8	-13.7
Amusement business	9,962	13.1	-11.2	11,147	12.7	11.9	20,447	11.6	-8.2
Total	76,211	100.0	-13.9	87,371	100.0	14.6	176,757	100.0	-10.7

*Including Jul.to Sep. of TOYS UNION Co.,LTD.(8,240)

■ Segment income

(¥ millions,%)

	1st hal f of FY2012			1st hal f of FY2013			FY2012		
		% of total	YOY		% of total	YOY		% of total	YOY
Toy business	833	82.7	-33.3	563	36.3	-32.4	2,055	69.2	-31.7
Visual and Music business	107	10.7	-68.2	377	24.3	250.1	309	10.4	-30.9
Video-game business*	98	9.7	-75.8	34	2.2	-64.6	678	22.8	-27.6
Amusement business	605	60.1	-38.8	1,190	76.7	96.7	1,265	42.5	-29.8
Eliminations and corporate	-637	-63.2	-	-614	-39.5	-	-1,335	-44.9	-
Total	1,007	100.0	-56.5	1,551	100.0	54.0	2,973	100.0	-38.8

*Including Jul. to Sep. of TOYS UNION Co.,LTD. (Δ85)

② Change of sales by channel

(¥ 100millions,%)

	1st hal f of FY2012			1st hal f of FY2013			FY2012		
		% of total	YOY		% of total	YOY	% of total	YOY	
Specialty stores*	259	34.1	-8.7	266	30.5	2.6	604	34.2	-3.5
General Merchandise store	153	20.1	-9.8	175	20.1	14.8	369	20.9	-8.5
Convenience stores	109	14.4	-7.6	109	12.5	-0.5	228	12.9	-13.4
E-commerce	82	10.8	-33.6	138	15.9	68.5	192	10.9	-23.4
Suburban stores	75	9.9	-9.9	86	9.9	14.9	172	9.8	-10.5
Wholesalers	61	8.0	-20.0	65	7.5	6.3	115	6.5	-23.8
Other	20	2.7	-27.2	31	3.6	55.8	85	4.8	-6.8
Total	762	100.0	-13.9	873	100.0	14.6	1,767	100.0	-10.7

* Including consumer electronics and camera stores.

③ Main business summary

■ Toy business

(¥ 100millions,%)

	1st hal f of FY2012			1st hal f of FY2013			FY2012		
		% of total	YOY		% of total	YOY		% of total	YOY
Bandai Co.,Ltd	164	50.6	-8.8	156	48.9	-4.9	388	52.0	-8.3
Tomy Co.,Ltd	23	7.3	-19.7	20	6.4	-13.1	53	7.2	-14.7
Happinet originals	11	3.4	11.7	10	3.2	-9.2	25	3.4	12.4
Other manufacturers	125	38.7	2.9	132	41.5	5.4	279	37.4	5.7
Total	324	100.0	-4.9	318	100.0	-1.6	746	100.0	-3.4

■ Visual and Music business

(¥ 100millions,%)

	1st hal f of FY2012			1st hal f of FY2013			FY2012		
		% of total	YOY		% of total	YOY		% of total	YOY
Wholesale	116	56.1	-24.0	123	58.1	6.6	259	58.0	-22.8
Exclusive titles	25	12.4	-23.6	32	15.2	25.8	56	12.5	-5.7
Visual	141	68.5	-23.9	156	73.3	10.1	315	70.5	-20.3
Music	65	31.5	-18.9	56	26.7	-12.9	132	29.5	-17.9
Total	207	100.0	-22.4	213	100.0	2.8	448	100.0	-19.6

■ Sales of video game platform

(¥ 100millions,%)

	1st hal f of FY2012			1st hal f of FY2013			FY2012		
		% of total	YOY		% of total	YOY		% of total	YOY
PlayStation (PS2,PS3)	18	14.2	-31.4	16	7.4	-8.7	53	14.4	-22.6
PlayStation (PSP,PSVita)	26	20.2	-50.4	18	8.2	-28.9	71	19.4	-41.9
Nintendo (Wii,Wii U)	10	8.0	-10.0	27	12.1	164.2	44	12.1	35.1
Nintendo (Nintendo DS,3DS)	52	39.7	96.3	146	63.5	180.8	142	38.7	36.7
Other	23	17.9	-49.1	20	8.8	-13.4	56	15.4	-42.2
Total	131	100.0	-20.4	230	100.0	75.5	368	100.0	-13.7

■ Breakdown of Play Station sales and sales volume

(¥ 100millions,%)

		1st hal f of FY2012			1st hal f of FY2013			FY2012		
			% of total	YOY		% of total	YOY		% of total	YOY
stationary	hardware	3	8.0	-32.8	2	7.8	-22.7	13	10.8	-7.6
	units(ten-thousand)	1.4			1.1			5.6		
	software	14	31.4	-32.3	13	37.2	-6.1	37	30.0	-28.4
	accessories	0	1.8	3.8	0	2.4	7.4	2	1.9	26.9
portable	hardware	7	17.0	-47.9	4	13.3	-37.7	19	15.9	-52.7
	units(ten-thousand)	4.3			2.9			11.7		
	software	18	40.4	-51.8	13	36.7	-27.9	50	40.3	-34.3
	accessories	0	1.4	-33.7	0	2.6	50.8	1	1.1	-69.7
Total		45	100.0	-44.0	35	100.0	-20.6	124	100.0	-35.0

Consolidated results for first half of FY2013 (2)Balance sheet



(¥ millions)

	1st half of FY2012	FY2012	1st half of FY2013	Change
(Assets)				
Cash and deposits	10,512	10,155	10,541	386
Notes and accounts receivable-trade	23,398	27,234	28,569	1,334
Inventories	8,405	6,529	9,049	2,520
Advance payments-trade	1,048	1,389	1,575	186
Deferred tax assets	924	910	1,067	157
Other	1,095	1,775	2,231	456
Allowance for doubtful accounts	-66	-63	-84	-20
Current assets	45,318	47,930	52,951	5,020
Property, plant and equipment	1,353	1,110	1,694	583
Buildings and structures	388	314	385	71
Land	617	464	889	424
Other	347	331	419	87
Intangible assets	1,331	985	704	-280
Goodwill	370	246	123	-123
Other	961	738	580	-157
Investments and other assets	2,999	2,976	4,914	1,937
Investment securities	1,367	1,439	1,767	328
guaranty money deposited	682	684	2,264	1,580
Deferred tax assets	786	688	742	53
Other	294	181	182	0
Allowance for doubtful accounts	-132	-17	-42	-25
Noncurrent assets	5,685	5,072	7,312	2,240
Total assets	51,003	53,003	60,264	7,261

Consolidated results for first half of FY2013 (2)Balance sheet



(¥ millions)

	1st half of FY2012	FY2012	1st half of FY2013	Change
(Liabilities)				
Notes and accounts payable-trade	21,541	22,672	22,795	123
short-term debt	-	-	6,000	6,000
Accounts payable-other	3,127	2,656	2,531	-125
Income taxes payable	376	678	569	-109
Provision for bonuses	261	378	230	-147
Other	632	497	536	38
Current liabilities	25,939	26,883	32,663	5,780
Provision for retirement benefits	1,828	1,830	2,039	209
Deferred tax liabilities	3	5	61	55
Negative goodwill	5	1	-	-1
Other	1,090	992	976	-15
Noncurrent liabilities	2,927	2,829	3,077	247
Total liabilities	28,867	29,713	35,741	6,028
(Net assets)				
Capital stock	2,751	2,751	2,751	-
Capital surplus	2,775	2,775	2,775	-
Retained earnings	17,559	18,607	19,727	1,119
Treasury share	-1,091	-1,055	-989	66
Total shareholder's equity	21,994	23,078	24,265	1,186
Valuation difference on available-for-sale securities	118	189	249	59
Deferred gains or losses on hedges	-1	1	-0	-2
Total accumulated other comprehensive income	117	191	249	57
Subscription rights to shares	22	17	8	-9
Minority interests	1	1	0	-1
Total Net assets	22,136	23,289	24,522	1,233
total liabilities and Net assets	51,003	53,003	60,264	7,261
Net assets per share(¥)	987.05	1,036.23	1,086.78	50.55

Consolidated results for first half of FY2013 (3)Cash-flow statement



(¥ millions)

	1st half of FY2012	1st half of FY2013	Change
Net cash provided by (used in) operating activities	-1,306	-3,093	-1,786
Income before income taxes and minority interests	1,022	1,838	815
Depreciation and amortization	323	309	-14
advantage of negative goodwill	-	-409	-409
Decrease (increase) in notes and accounts receivable-trade	3,357	618	-2,739
Decrease (increase) in inventories	-2,236	-1,564	671
Increase (decrease) in notes and accounts payable-trade	-1,501	-1,030	470
Increase (decrease) in accounts payable-other	-163	-227	-63
Other	-515	-1,961	-1,445
Income taxes paid	-1,593	-666	926
Net cash provided by (used in) investing activities	-173	-124	48
Purchase of property, plant and equipment and intangible assets	-142	-218	-76
Proceeds from sales of property, plant and equipment	1	5	4
Purchase of investment securities	-4	-5	-1
Proceeds from sales of investment securities	6	-	-6
Other	-34	94	128
Net cash provided by (used in) financing activities	-364	3,605	3,969
Increase (decrease) in short term debt	-	3,805	3,805
Cash dividends paid	-363	-252	110
Proceeds from sales of treasury stock	-	53	53
Purchase of treasury stock	-	-0	-0
Other	-0	-1	-0
Effect of exchange rate change on cash and cash equivalents	-1	-1	0
Net increase (decrease) in cash and cash equivalents	-1,846	386	2,232
Cash and cash equivalents at beginning of period	12,359	10,155	-2,203
Cash and cash equivalents at end of period	10,512	10,541	28

First Half of FY2013 Results Summary
Second Half of FY2013 Plan

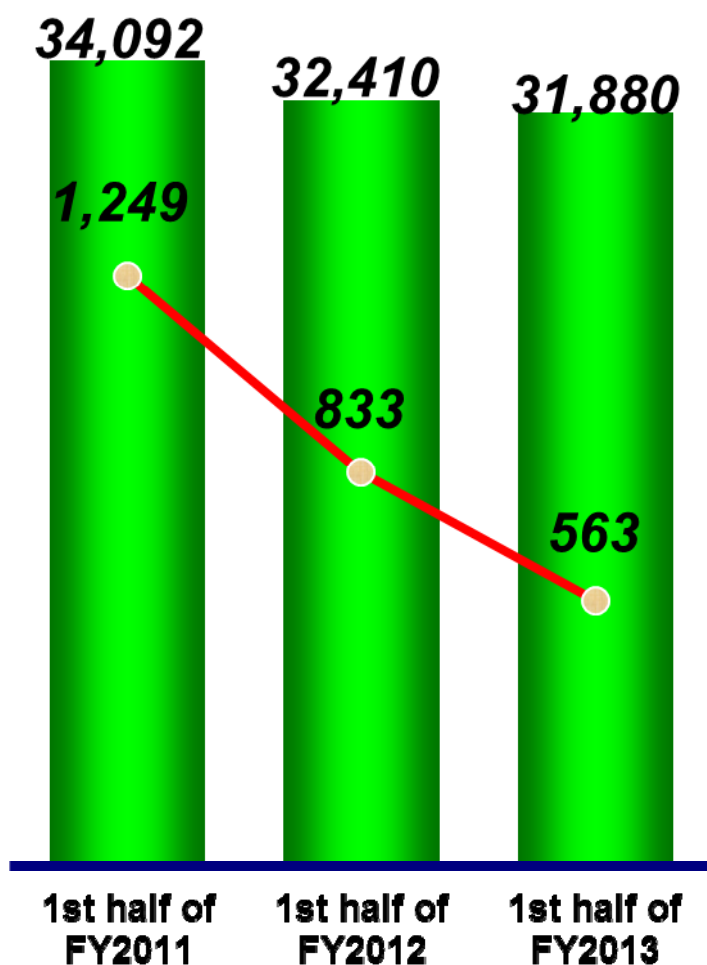
Kazuhiko Note
President and COO

(¥ millions)

	First Half of FY2012	First Half of FY2013	YOY
Net sales	76,211	87,371	14.6%
Operating income	1,007	1,551	54.0%
Ordinary income	1,072	1,579	47.3%
Net income	709	1,375	93.8%

Toy Business

■ Net sales ■ Segment income (million yen)



Both net sales and segment income were lower than year-ago levels, influenced by the change of the month of commencement of the broadcasting of certain popular character programs, although sales of toys featuring Jyuuden sentai Kyouryuja and Aikatsu!, Bandai characters for boys and girls, respectively, remained firm.

	1st half of FY2011	1st half of FY2012	1st half of FY2013
Segment income	1.24 billion yen	0.83 billion yen	0.56 billion yen
Clearance amounts	0.31 billion yen	0.29 billion yen	0.48 billion yen
Inventory amounts	3.0 billion yen	3.2 billion yen	3.8 billion yen
Inventory turnover rate	25.7	23.2	20.2

Toy Business

Expand sales of popular products towards year end

* Targets for Oct. - Dec.

■ Sales of Bandai's products in Happinet: Target a year-on-year increase of 10%*



Kamen Rider series
Target a year-on-year increase of 15%*

(C) 2013 Ishinomori Productions, TV Asahi, ADK, Toei



Super Sentai series
Target a year-on-year increase of 100%*

(C) 2013 TV Asahi, Toei AG, Toei



Precure series
Target a year-on-year increase of 10%*

(C) ABC, Toei Animation



Aikatsu!
[Began to sell in FY2013]

(C) SUNRISE/BANDAI
DENTSU TV TOKYO
(C) BANDAI

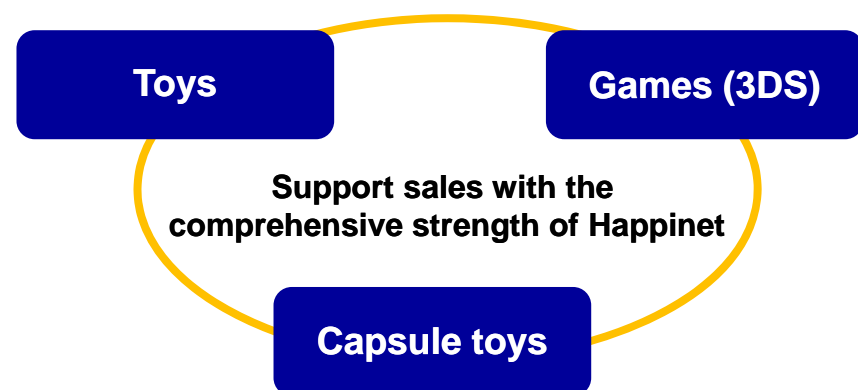
2,000 dedicated fixtures manufactured

Installed in 650 major stores

Expand sales of new TV anime products

“Youkai Watch”

- Very popular series in *Korokoro Comic*, a Japanese comic magazine
- Due to be broadcast from January 8, 2014 on Wednesdays at 19:00 by TV Tokyo



Toy Business

Offer original / exclusive distribution products



“Ultimate Hunter”



“New Ame de Wataame”

Won the excellence award
at the “Toy grand prize 2013”



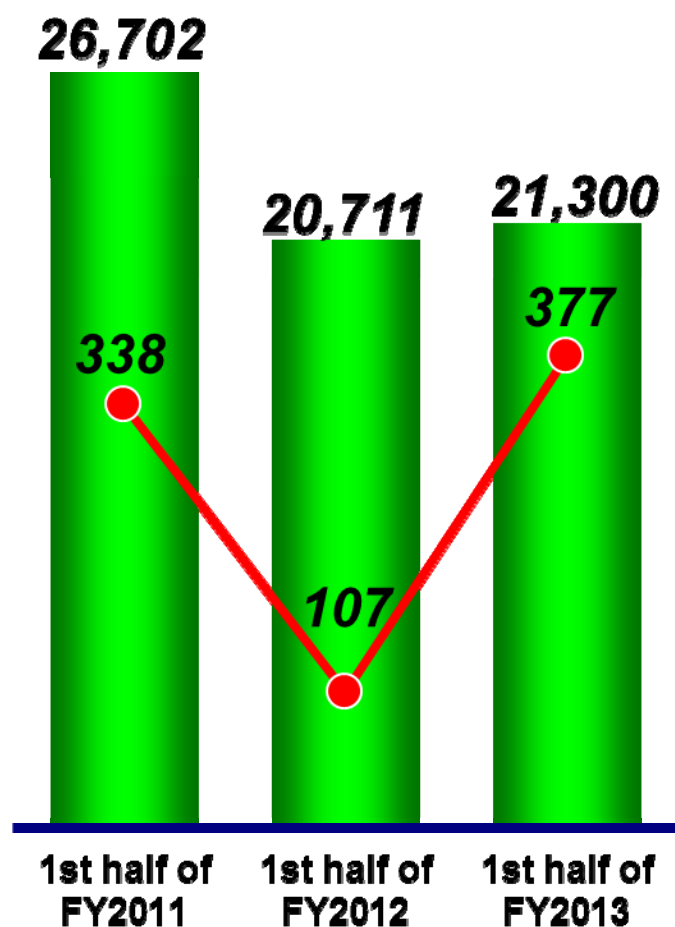
“Tekichu Nyanko”
Ikimono version



“Micro Chargers”

Visual and Music Business

■ Net sales ● Segment income (million yen)

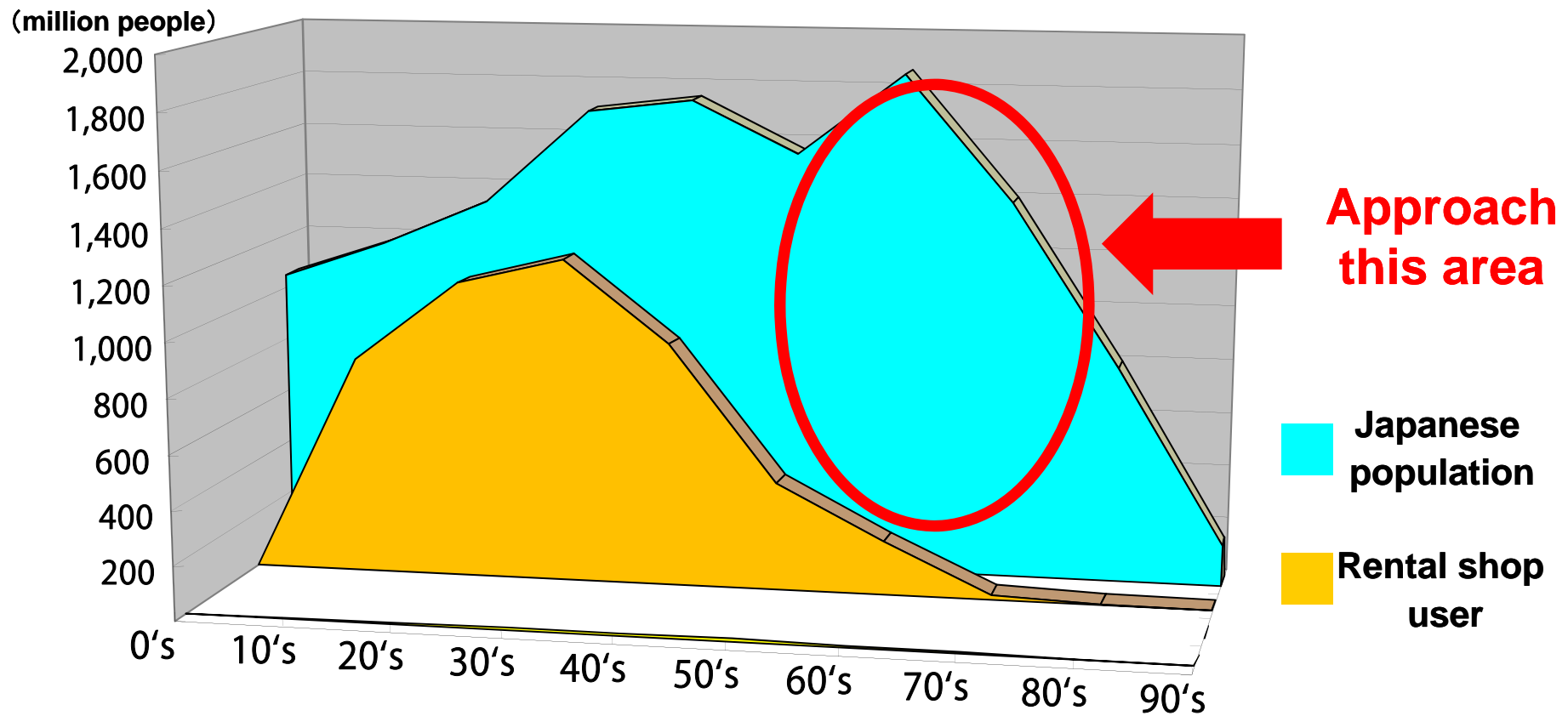


Amid the stagnation of the package market caused by growth in online content distribution, etc., segment income increased significantly year on year with the strong performance of highly profitable original titles such as Nobo no Shiro, a co-produced title, and ZOIDS, a title made by Happiness.

	1st half of FY2011	1st half of FY2012	1st half of FY2013
Segment income	0.33 billion yen	0.10 billion yen	0.37 billion yen
Rejection rate	6.3%	5.2%	4.4%
Inventory amounts	2.1 billion yen	2.2 billion yen	2.1 billion yen
Inventory turnover rate	22.3	19.9	21.9

Visual and Music Business

Comparison of Population by age and video rental market



For expanding video rental market, it's urgent need to approach seniors.

Visual and Music Business

Implement a joint campaign with five Japanese film companies (rental products)

- Purpose● Reconstruct the rental market by changing the user structure through the full stimulation of the seniors group, a sleeping resource, once again.

Offer **150 titles** (first rental in some titles) of Japanese movies from 1970 and earlier.

To be implemented in just fewer than **2,000** rental stores.

Showa Kinema Yokocho

Awake the “sleeping resource”!!



株式会社ハピネット

Visual and Music Business

Funded/Exclusive distribution products

Hit products in First Half of Y2013

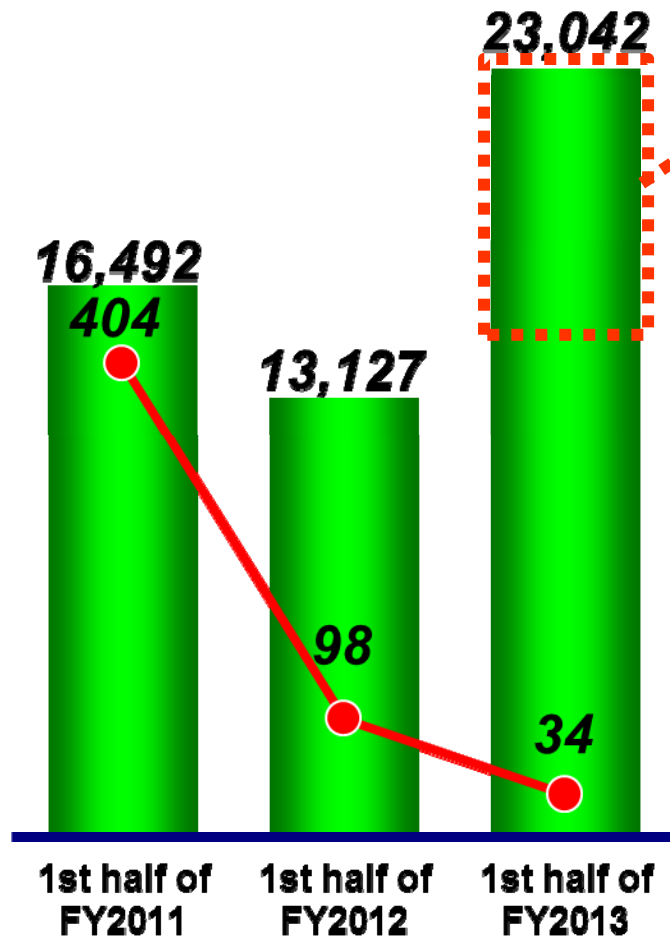


Expectant products in Second Half of Y2013



Video-Game Business

■ Net sales ● Segment income (million yen)



TOYS UNION Co., Ltd.

Net sales: 8,240 million yen (July 1 – September 30)

Despite the emergence of some hit products, the overall package market was weak mainly due to the growth of social games.

Although sales of the Group increased as Happinet fully consolidated Toys Union Co., Ltd., a leading distributor of Nintendo's products, as a subsidiary, segment income declined from a year ago due to the review of the valuation of shares to improve its efficiency.

Video-Game Business

Expand sales of new hardware and

strengthen distribution outlets in line with the product lineup.

PlayStation®4



©2013 Sony Computer Entertainment Inc. All rights reserved.
Design and specifications are subject to change without notice.

To be released on February 22, 2014

RRP: 41,979 yen (including tax)

PlayStation®Vita



©2013 Sony Computer Entertainment Inc. All rights reserved.
Design and specifications are subject to change without notice.

**Released on October 10, 2013.
Evolved to be more casual
and easier to use.**



**Strengthen sales promotion primarily for
GSM in preparation for the release
of software for junior high and high
school students.**

Video-Game Business

Strengthen sales by increasing the market share.



Monster Hunter 4



Released on September 14, 2013

Pocket Monster X·Y



Released on October 12, 2013

Puzzle & Dragons Z



To be released on December 12, 2013

Aim to expand sales of popular products in the second half.

Video-Game Business

Offer original products

Released on November 14, 2013



A total of 300,000 units were sold in series.
Earned a Gold award in the cross review of new titles by the *Weekly Famitsu*.

Released on November 28, 2013



Picture book touching cultures around the world.
Two types of “Princess Edition” for girls and “Adventure Edition” for boys were released.

To be released in 2014

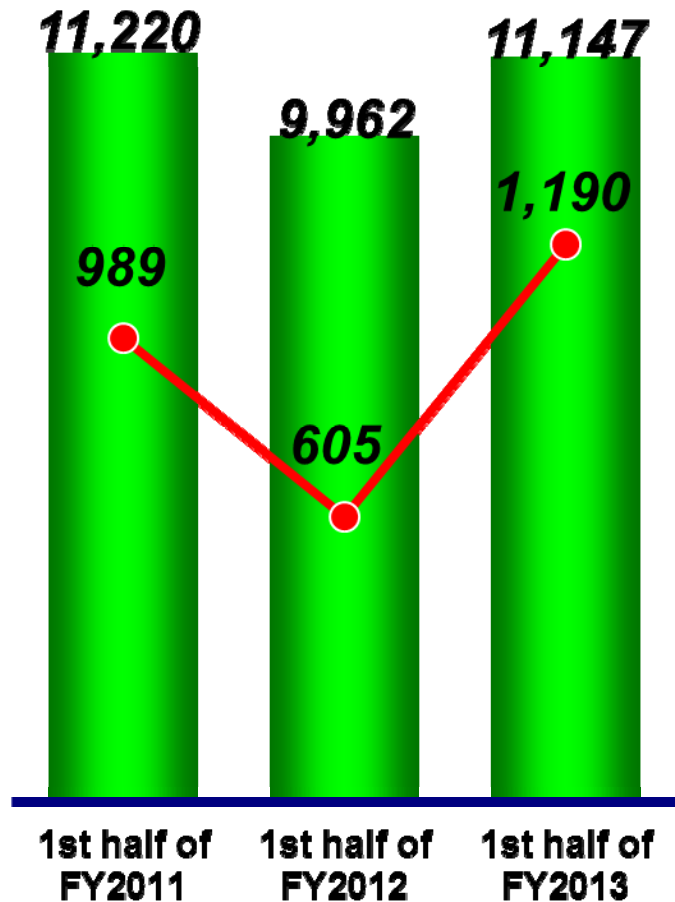


The “Penguin no Mondai +” series in Shogakukan’s *Korokoro Comic* was made into a board game.

Continue to enhance original products and in-house products.

Amusement Business

■ Net sales ■ Segment income (million yen)

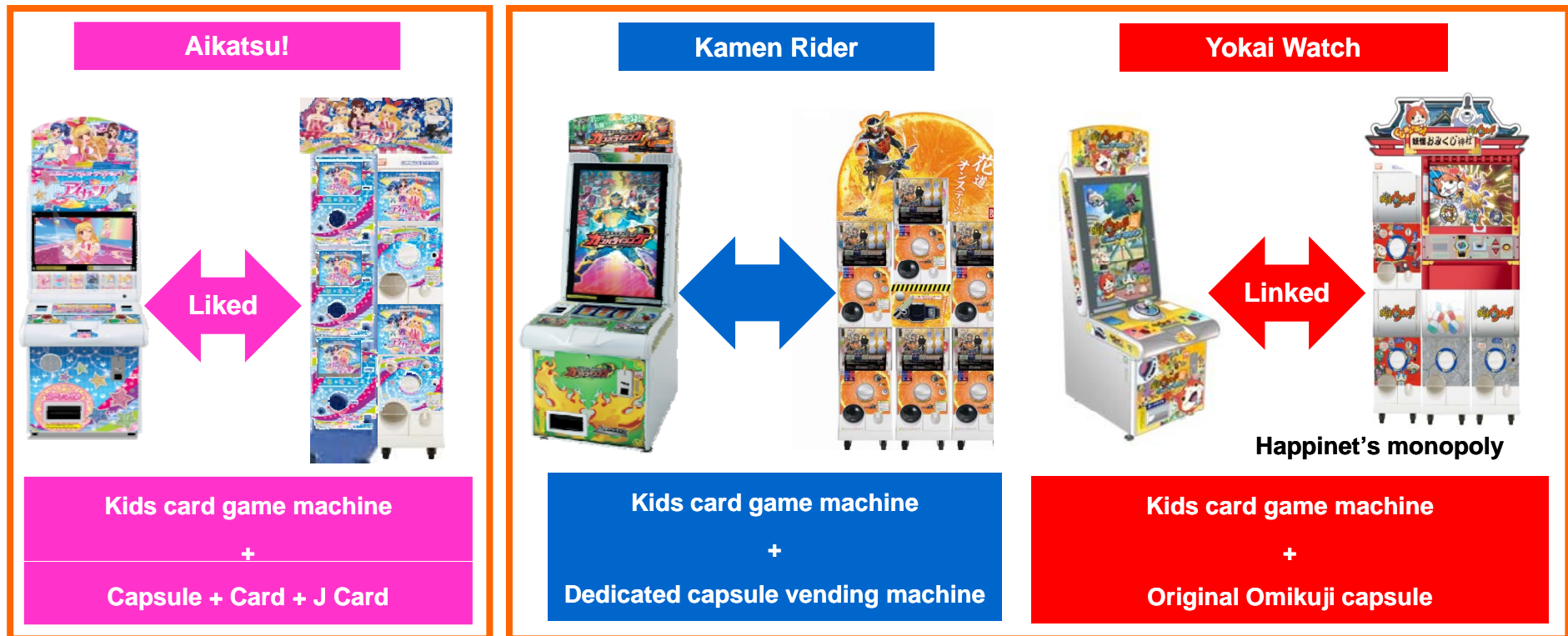


Both net sales and segment income increased significantly year on year as the performance of toy vending machine products remained firm, in addition to strong demand for Aikatsu! and Dragon Ball Heros in products for kids card game machines.

	1st half of FY2011	1st half of FY2012	1st half of FY2013
Segment income	0.98 billion yen	0.60 billion yen	1.19 billion yen
Clearance amounts	0.12 billion yen	0.35 billion yen	0.19 billion yen
Inventory amounts	1.3 billion yen	1.7 billion yen	1.5 billion yen
Inventory turnover rate	18.2	12.7	15.1

Amusement Business

Propose sales site with kids card game machine plus something extra

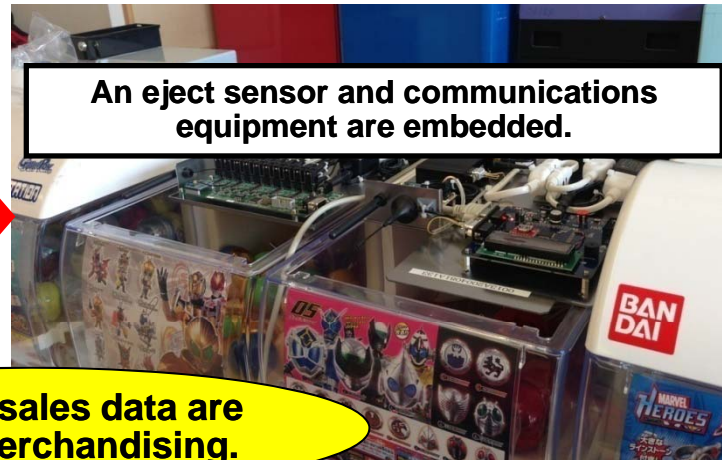
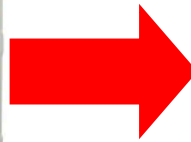


■ Staying time of customers increased, with high evaluation from the outlets ■

Aikatsu! is underway and showed strong results in the first half. Aim to increase sales further in the second half (Kamen Rider series, Youkai Watch, One Piece, etc.).

Amusement Business

Introduction of a POS system to capsule toy vending machines



An eject sensor and communications equipment are embedded.

Real-time sales data are used in merchandising.

POS system has been installed at 50 retail outlets.
We plan to bring in the system at 200 outlets in FY2013.

Comparison of income changes from FY2012

	Sep.	Oct.
Introduced	118%	153%
Not introduced	99%	106%

Income rose!



Map of installed retail outlets

FY2013 Full-Year Projection

Kazuhiko Note
President and COO

FY2013 Full-Year projection



(¥ millions)

	FY2012	FY2013 projection	YOY
Net sales	176,757	205,000	16.0%
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)

	FY2012			FY2013		
		% of total	YoY		% of total	YoY
Toy business	74,660	42.2	-3.4	75,000	36.6	0.5
Visual and Music business	44,810	25.4	-19.6	41,000	20.0	-8.5
Video-Game business	36,839	20.8	-13.7	68,000	33.2	84.6
Amusement business	20,447	11.6	-8.2	21,000	10.2	2.7
Total	176,757	100.0	-10.7	205,000	100.0	16.0

■ Income projection by business segment

(¥ millions)

	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	—	-1,300	-38.2	—
Total	2,973	100.0	-38.8	3,400	100.0	14.4

CAP14

(Change And Partnership)

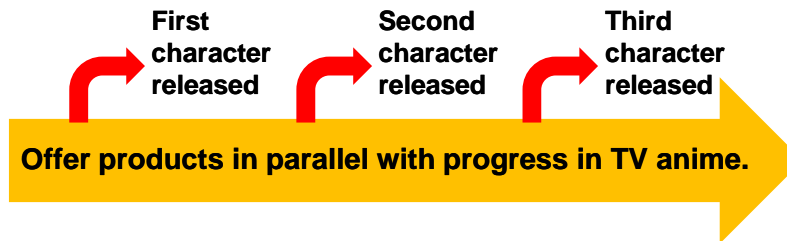
Grow as a comprehensive entertainment trading company
and venture into new business domains

▶ Sustainable growth of existing businesses

➔ Promote the strategy of gaining the No.1 market share in each business.
Fully consolidated Toys Union Co., Ltd. as a subsidiary.

▶ Venture into new business domains

➔ Merchandizing of characters linked with TV anime started.



▶ Strengthen and establish distributing functions

Happinet

