

Fiscal Year 2002

Six Month Business Performance and

Second Half Outlook

November 11, 2002

Happinet Corporation



Estimates of future performance are provided as a reference for investors. They are based on projections and estimates and should not be construed as an assurance or guarantee of future performance. When using this information, please keep in mind that the final results may vary.

■ Direct any inquiries to the Public Relations Team – e-mail: msaito@HSN.happinet.co.jp

1. First Half FY2002 Environment, Strategy and Results

<Domestic Economy>

Conditions remain severe due to:

- High unemployment rates
- Stagnant personal consumption
- Decrease in capital investment

First Half FY2002 Results

(Million yen)

	Period Ending	9/2001	9/2002	Year-over-Year
Consolidated	Sales	57,051	55,783	97.8%
	Recurring Profit	651	657	100.9%
	net income(half year)	264	421	159.5%
Non-consolidated	Sales	45,234	17,257	38.2%
	Recurring Profit	498	120	24.1%
	net income(half year)	273	205	75.1%

1. First Half FY2002 Environment, Strategy and Results

[First Half FY2002 sales by product \(consolidated\)](#) (100 million yen, %)

Product	Period Ending	September 2002 (interim)		
		Component Ratio	Year-over-Year	
Toys		225	40.3	137.9
Childcare products		15	2.6	98.3
Video games		151	27.0	60.3
Amusement		28	5.0	100.4
Videos		126	22.6	123.4
Others		14	2.4	113.5
Total		558	100.0	97.9

1. First Half FY2002 Industry, Strategy and Results

Toy Business

<Industry>

- Toys for boys : Sales of action toys have slowed, while sales of Bandai character products were favorable.
- Toys for girls : Sales of character products were soft, but hobby products became popular.

<Strategy>

- To strive for enhanced partnerships with major enterprises and area dealers through full line-up of product offering.
- To promote integration of information flow from manufacturer/dealer to establish a basis for the Supply Chain Management.

<First Half FY2002 Results>

Sales of 22.5 billion yen; Year-over-year comparison 137.9%

- Favorable conditions for Bandai's character products for boys and hobby products for girls.
- Expanded handling of products by manufacturers such as TOMY.
- Sales of capsule toys are strong as a result of the alliance with leading convenience store.

1. First Half FY2002 Industry, Strategy and Results

Video Game Business

<Industry>

- Isolated hits with Sony Computer Entertainment's PlayStation 2 software, while PlayStation 2 consoles were already widespread.
- Sales of Microsoft's Xbox were soft due to the lack of available software, despite the price reduction.

<Strategy>

- Strengthening communications/relationships with dealers.

<First Half FY2002 Results>

Sales of 15.1 billion yen; Year-over-year comparison 60.3%

- PlayStation 2 was not accompanied by leading titles, and as a result, sales through company's sales channels fell short of initial estimates.
- Sales of Xbox were soft due to the lack of accompanying software.

1. First Half FY2002 Industry, Strategy and Results

Video Business

<Industry>

- Further market penetration of DVD players.
- Sales were good for popular titles such as *Harry Potter and the Sorcerer's Stone* and *Spirited Away*.

<Strategy>

- To increase sales per title by reducing the number of original titles.

<First Half FY2002 Results>

Sales of 12.6 billion yen; Year-over-year comparison 123.4%

- Positive sales resulted from popular titles such as *Harry Potter and the Sorcerer's Stone* and *Spirited Away*.
- Anime TV series, *Full Metal Panic*, became a hit.

1. First Half FY2002 Environment, Strategy and Results

Toy Vendors/Amusements Business

<Industry>

- Although sales were favorable to some popular video game titles and photo sticker machines for amusement facilities, overall industry conditions were challenging.

<Strategy>

- To establish a nationwide operations network through organization of the Happinet Group and vendor operators.

<First Half FY2002 Results>

Sales of 2.8 billion yen; Year-over-year comparison 100.4%

- Of the leading products, sales of toys for vending machine were soft.
- Favorable sales of the “Masked Rider Ryuki” resulted from the introduction of Bandai’s character card games such as “Jumbo Card Dasu” for toy vending machines
- Sales were favorable for the “Soreike! Anpanman” capsule toy series.

1. First Half FY2002 Profit and Loss

Profit and Loss: Business Group and Major Subsidiaries

(Million yen)

	Multimedia Business Group		Digital Entertainment Business Group		Amusement Business Group	
		Year-over-Year		Year-over-Year		Year-over-Year
Sales	11,140	61.6%	3,305	107.3%	2,812	100.7%
Recurring Profit	169	256.2%	△ 262	92.3%	100	187.9%

(million yen)

	Happinet JP Corporation		Happinet Pictures Corporation		Happinet Logistics Service Corporation		Happinet Robin Corporation	
		Year-over-Year		Year-over-Year		Year-over-Year		Year-over-Year
Sales	27,902	1128.3%	12,402	108.9%	2,605	163.1%	1,315	108.4%
Recurring Profit	437	—	222	61.0%	△ 17	-29.3%	30	45.7%

Note 1: Figures for the Digital Entertainment Business represents a year-over-year comparison with the Wonder Swan Business Group.

Note 2: On October 1, 2001, Happinet's toy business group was merged into a wholly-owned subsidiary of Happinet JP Corporation. On March 1, 2002, Toyokuni Corporation, a wholly-owned subsidiary which joined the Happinet Group as of October 1, 2001, was merged into Happinet JP Corporation. On March 1, 2002, operations of Matsui Sakae Toys Co., Ltd. were transferred to Happinet JP Corporation.

2. Business Development and FY Forecasts Toy Business

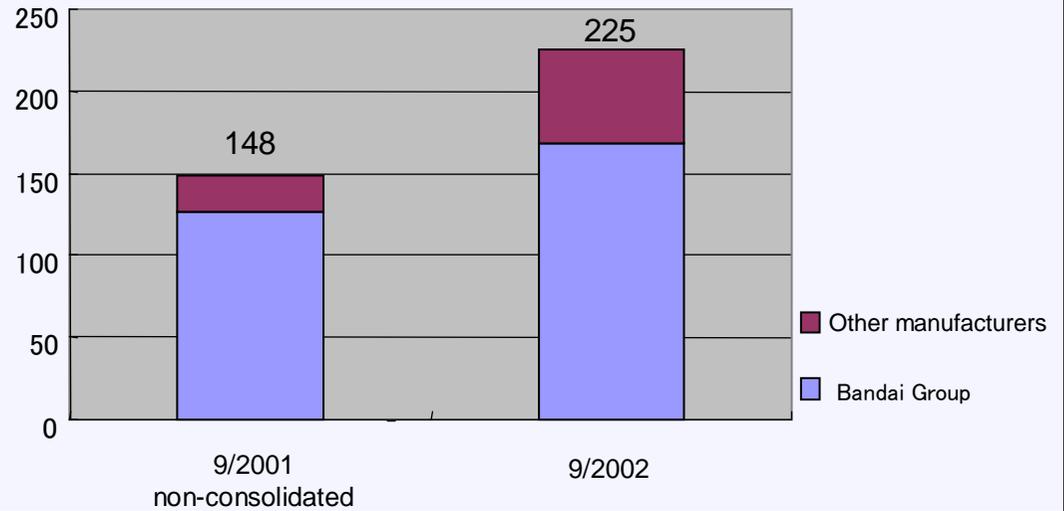
Distribution of products by manufacturers other than the Bandai Group expanded through Happinet JP Corporation's complete product offering strategy.

First Half FY2002 Toy Sales Results

(100 million yen)

	9/2001 (non-consolidated)	9/2002
Bandai Group	126	168
Other manufacturers	22	57
Total	148	225

(100 million yen)

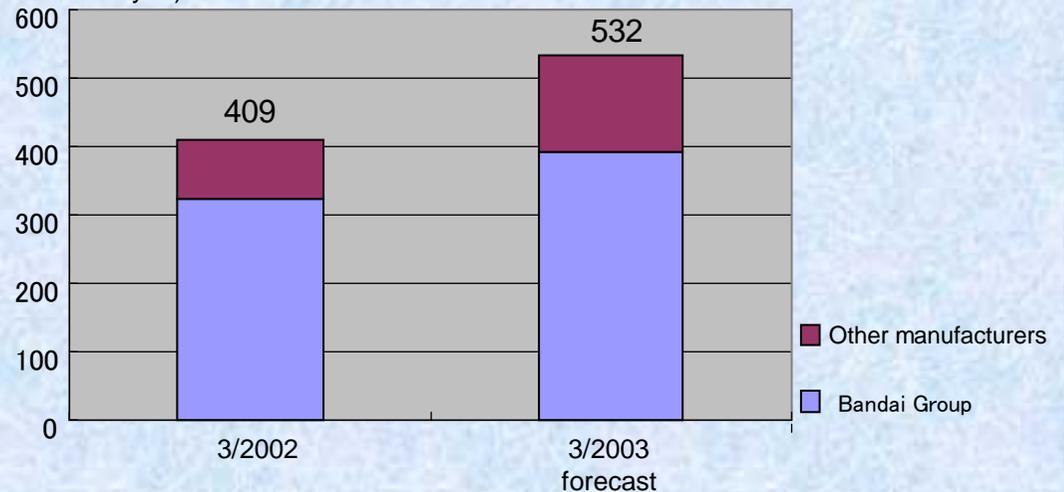


Toy Sales Results and Plan Throughout FY

(100 million yen)

	Fiscal 2002	FY 2003 (forecast)	Year-over-Year
Bandai Group	323	390	120.7%
Other manufacturers	86	141	164.0%
Total	409	532	130.1%

(100 million yen)



2. Business Development and Strategic Priorities

Toy Business

Happinet JP Original Products

- ◆ Distribution of products based on powerful characters from manufacturers such as Bandai, TOMY and TAKARA only through Happinet JP



© 1983 - 2002 TOMY © 1999 - 2001 SHO-PRO·MBS·JRK

- Zoids Battle Series (TOMY)
- Platinum Dream Jenny (TAKARA)
- Masked Rider Ryuki Soft Figure (Bandai)

30 products are ready for sale, including the above, and many more are in the planning stages.



© 1983 - 2002 TOMY © 1999 - 2001 SHO-PRO·MBS·JRK

- Introduce the products to approximately 500 specialty stores as a way to differentiate them from general merchandise stores.
- Direct consumers to stores through publicity in such outlets as hobby magazines and newspapers.
- Provide support in sales promotion and introduction of dealers through the Happinet JP website.

Original products for leading enterprises are being planned.

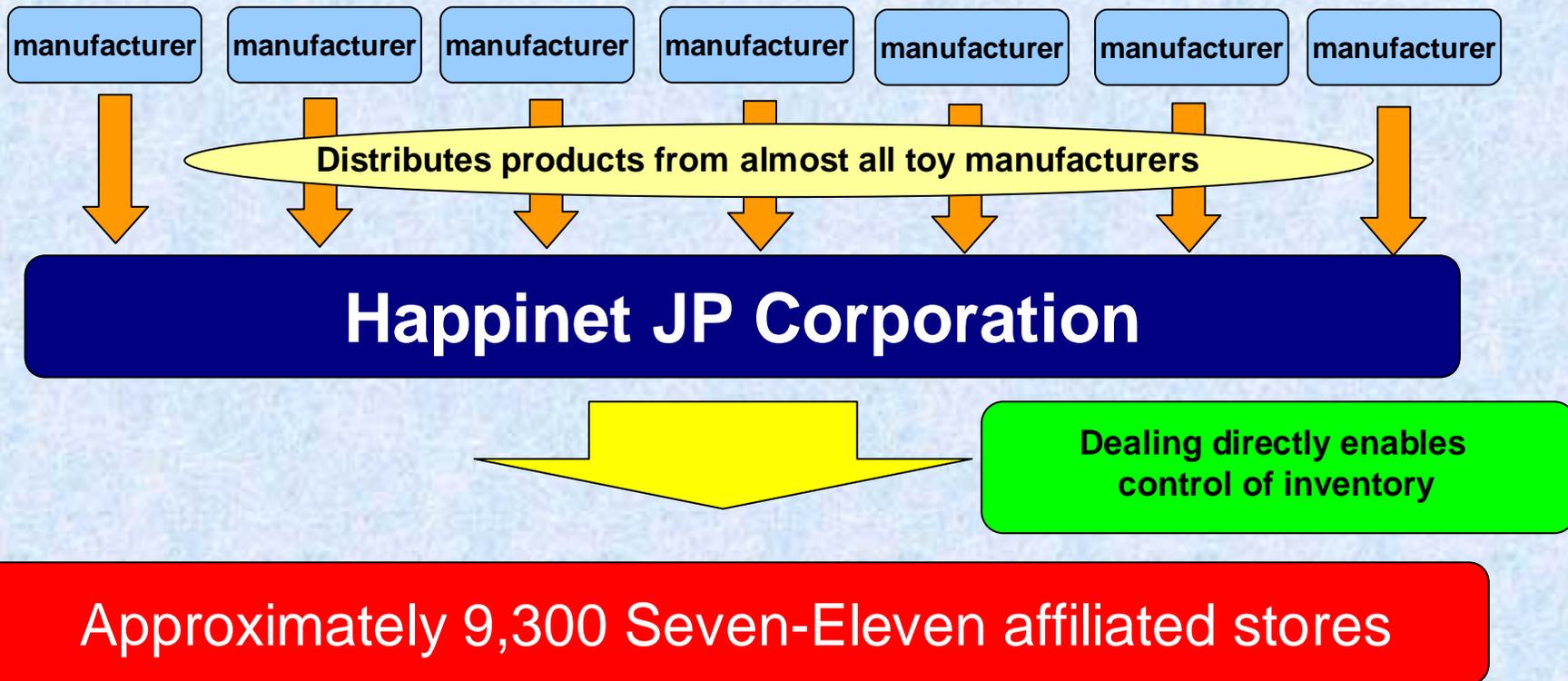
2. Business Development and Strategic Priorities

Toy Business

Initiatives with Seven-Eleven Japan Co., Ltd.

Barrier to toys

Large number of manufacturers / Quickly evolving trends / Specific business customs



2. Business Development and Strategic Initiatives

Toy Business

Initiative with Seven-Eleven Japan

Two-pronged Approach

Creating New Demand

Driving customer demand by creating new products and optimizing the selling floors

Enhancing Logistics

Vendorization
(Implemented March 2002)

Comprehensive arrangement of the toy selling floor

- Differentiation by original products, entertainment projects, advance sales, etc.
- Introduction of new categories (Contributes to increased sales by introducing character bath agents into the toy corner, etc.)
- Efficient and rapid introduction of established national brands

- Improving inventory control through direct dealing
- Improving efficiency
- Accelerating information dissemination

2. Business Development and Strategic Initiatives

Toy Business

Initiative with Seven-Eleven Japan Co.,Ltd.

◆Suggestion for differentiation products

Introducing original merchandise through negotiations with each manufacturer (Bandai, Yujin, Movic, and Kaiyodo)

■Original Products “Gatcha Box”

- Released in April 2002
- Available in almost all Seven-Eleven Japan stores
- Simultaneous release of three items per month - already twenty items to date
Sold approximately 9.6 million items by October (191 yen per item)
- Standardizing the inner box to establish brand image



Gatcha Box drives the purchase of a capsule toy → Succeeded in meeting customer needs with the focus on women

2. Business Development and Strategic Initiatives

Toy Business

Initiative with Seven-Eleven Japan Co., Ltd.

- ◆ Suggestion for organizing events
Suggest and implement events using characters and seasonal themes

【Masked Rider Project】

- Started on June 19, 2002
- Developed the project using the Bottle Cap Campaign by the beverage manufacturer, regardless of manufacturer. Prizes included not only a toy but also a book, music, CD, or toy confection, etc.

Sales performance
Approx. 350 million yen

2. Business Development and Strategic Initiatives

Toy Business

Initiative with Seven-Eleven Japan

- ◆ Suggestion for organizing events

【Gundam Project】

- Started on October 30, 2002
- Further development of the selling floor using a tie-in with the beverage manufacturer's Bottle Cap Campaign
- Delivering a manufacturer collaboration following the Masked Rider
- Limited sale of 10 pre-market products to drive differentiation.

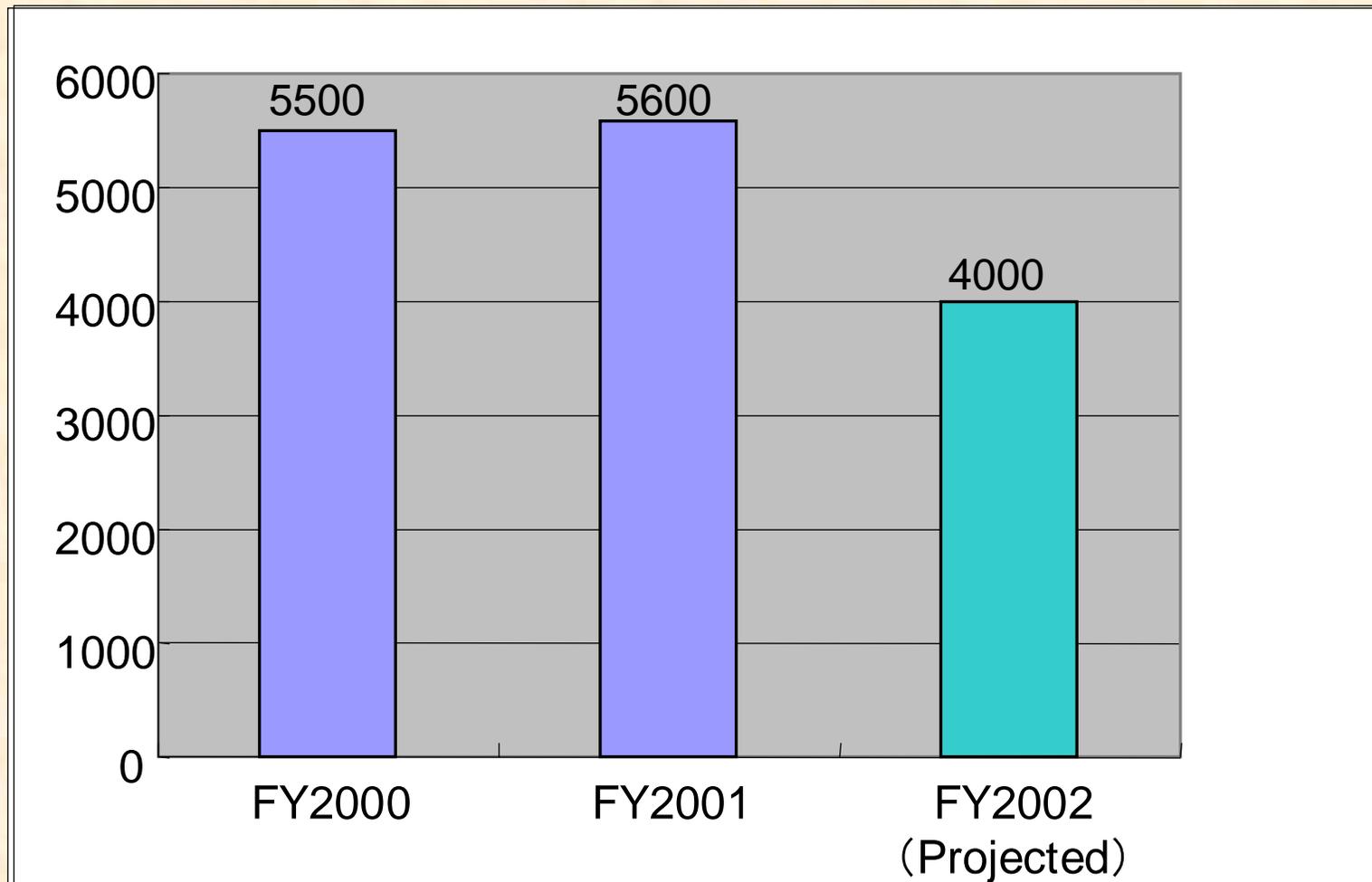
**Sales Potential
Approx. 390 million yen**

2. Business Development and Strategic Initiatives

Video Game Business

Video Game Market Transition (Happinet Forecasts)

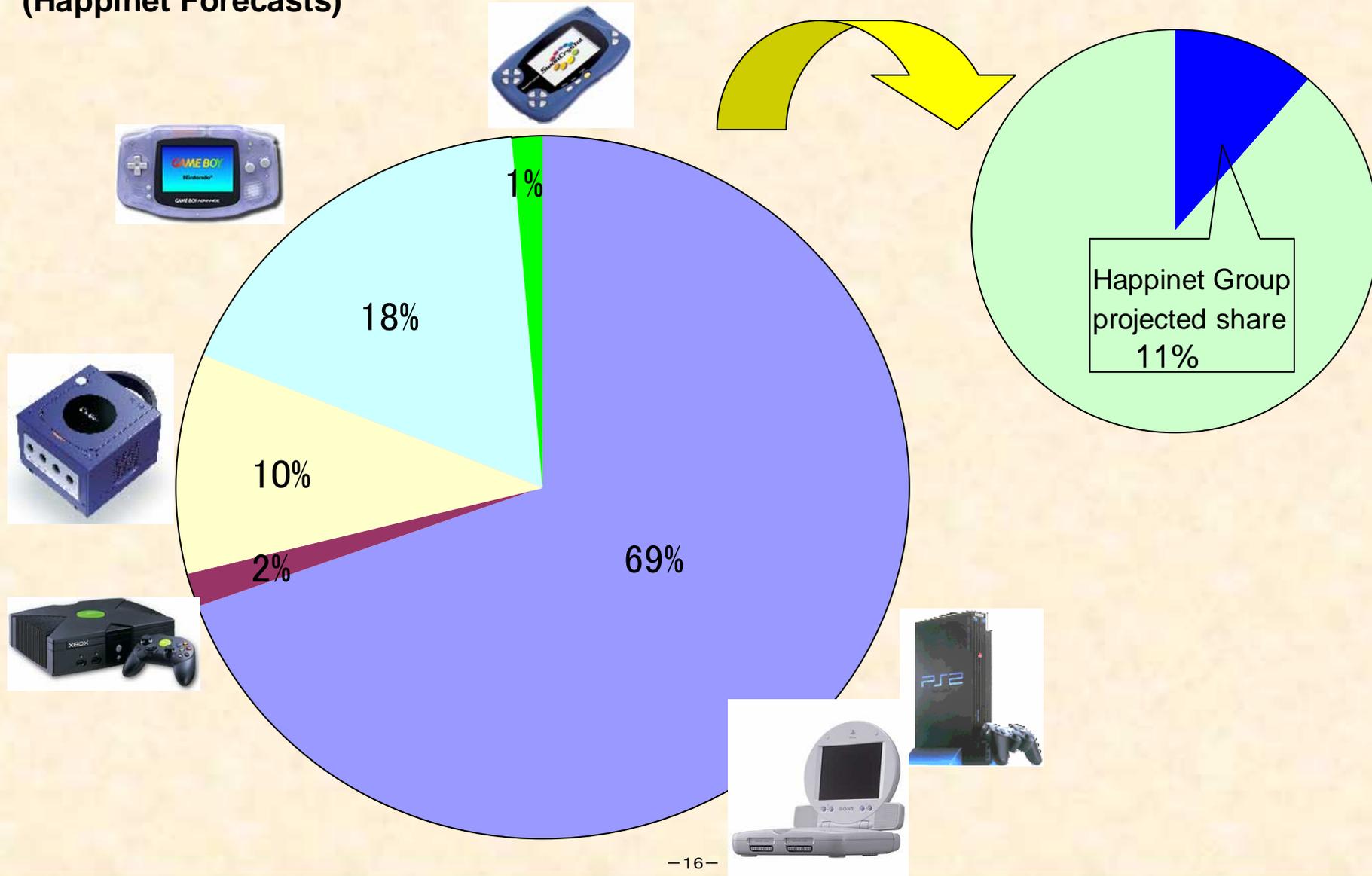
(100 million yen)



2. Business Development and Strategic Initiatives

Video Game Business

First Half FY 2002 Video Game Market Share by Sales - All Platforms (Happinet Forecasts)



2. Business Development and Strategic Initiatives

Video Game Business

· Xbox business conditions

■ Second half FY 2002 release schedule (estimated)

Release schedule title number	About 50
Main release, scheduled titles	"Blinx The Time Sweeper" (Microsoft)
	"Kakuto Chojin" (Microsoft)
	"DEAD OR ALIVE Xtreme Beach Volleyball" (Tecmo)
	"Dead to Rights" (Namco)
	"O·TO·GI" (FROM SOFTWARE)
	"Crimson Sea" (Koei)
	"Truth Goddess Transmigration NINE " (ATLUS)
	"PANZER DRAGON ORTA" (SEGA)
	"THE HOUSE OF THE DEAD 3" (SEGA)

※Including titles handling Xbox LIVE

Highly-popular products of major game manufacturers are expected to be launched consistently; genre also includes games such as RPG and gun shooting.

Future campaign

· "DVD Replay Kit" Bundle Campaign

Bundling DVD video replay kit with the Xbox console without price increase as an expanded sales strategy for the Xbox console at year end.

It is estimated that the level of inventory of Xbox will diminish by year's end, judging from orders received to date for year-end

2. Business Development and Strategic Initiatives

Video Game Business

▪ Xbox business conditions

◆ 『Xbox LIVE』

■ Service Begins

January 16, 2003

■ Features

- For exclusive broadband use
- Voice chat capability
- All titles can be played “stand-alone”
- Secure network environment exclusive to Xbox
- Compatible with any provider
- Starter kit release

★ “Xbox LIVE starter kit” release

■ Estimated retail price 6,800 yen (one Xbox game included)

■ Online gaming is ready to be enjoyed with the “broadband connection environment” and the Xbox starter kit

~ Lowering the barriers to online gaming wherever possible ~

Content

- ① Special ID (free for 12 months, service charge applies thereafter)
- ② Xbox voice communicator
- ③ Network game “Zunou Taisen Live” (table game⇒mahjong, go, Japanese chess, and reversi)
- ④ **Bundling the popular software, “Phantasy Star Online”**

2. Business Development and Strategic Initiatives

Video Game Business

- Xbox business conditions

◆ 『Xbox LIVE』

47 titles from 39 companies are being developed for “Xbox LIVE”

■ Titles scheduled for simultaneous release with “Xbox LIVE”

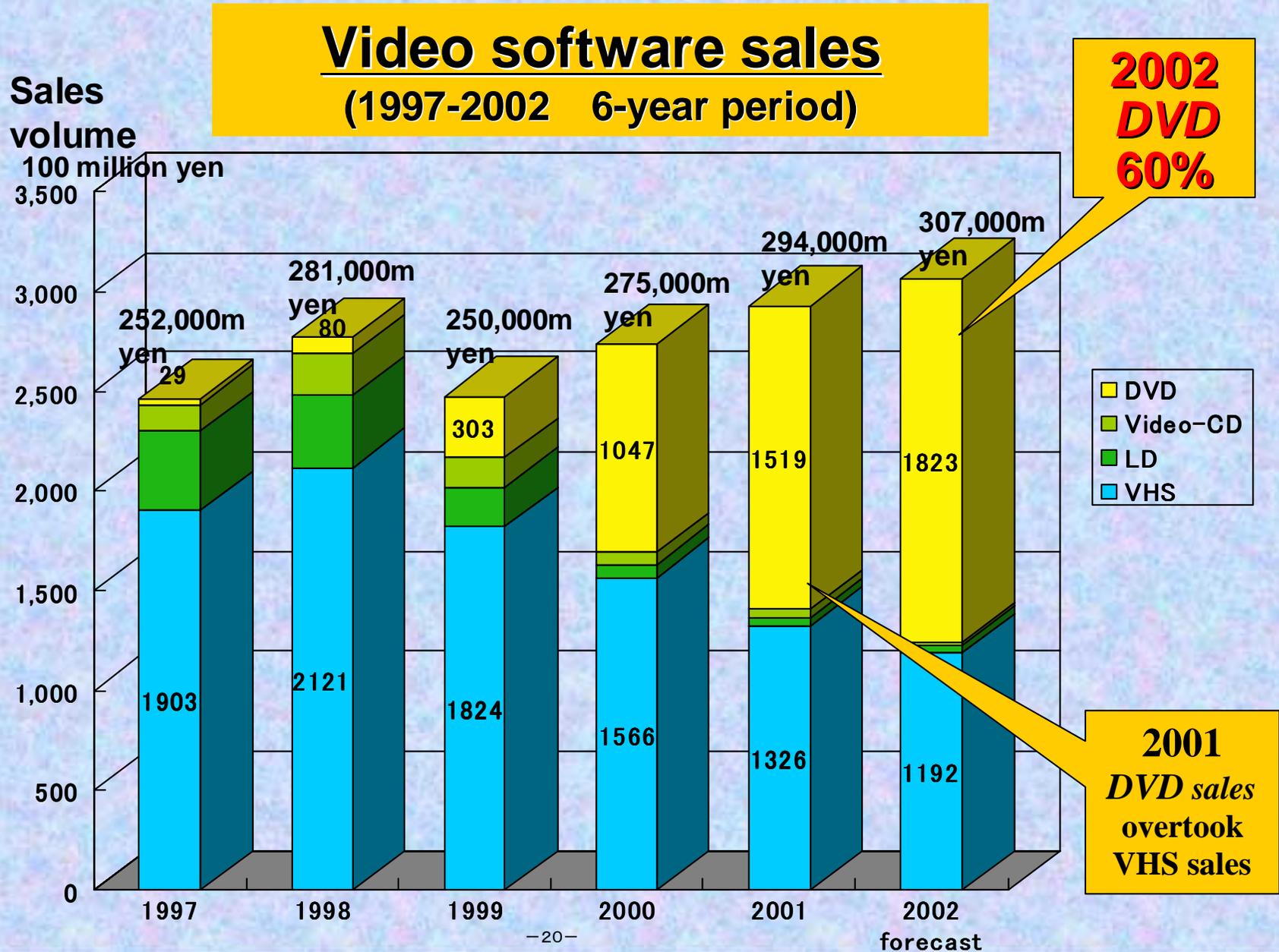
- ”Phantasy Star Online” (SEGA) ※Bundled with starter kit
- ”Muzzle Flash” (Victor Interactive Software)
- ”Thousand Land” (FROM SOFTWARE)
- “Whacked ! ” (Microsoft)
- 『Capcom vs. SNK2 EO』(Capcom)

◆ Negotiating to review the profit profile of the Xbox business, including:

- logistics fees
- marketing costs (clarification concept for each mission)

2. Business Development and Strategic Initiatives

Visual products business activities



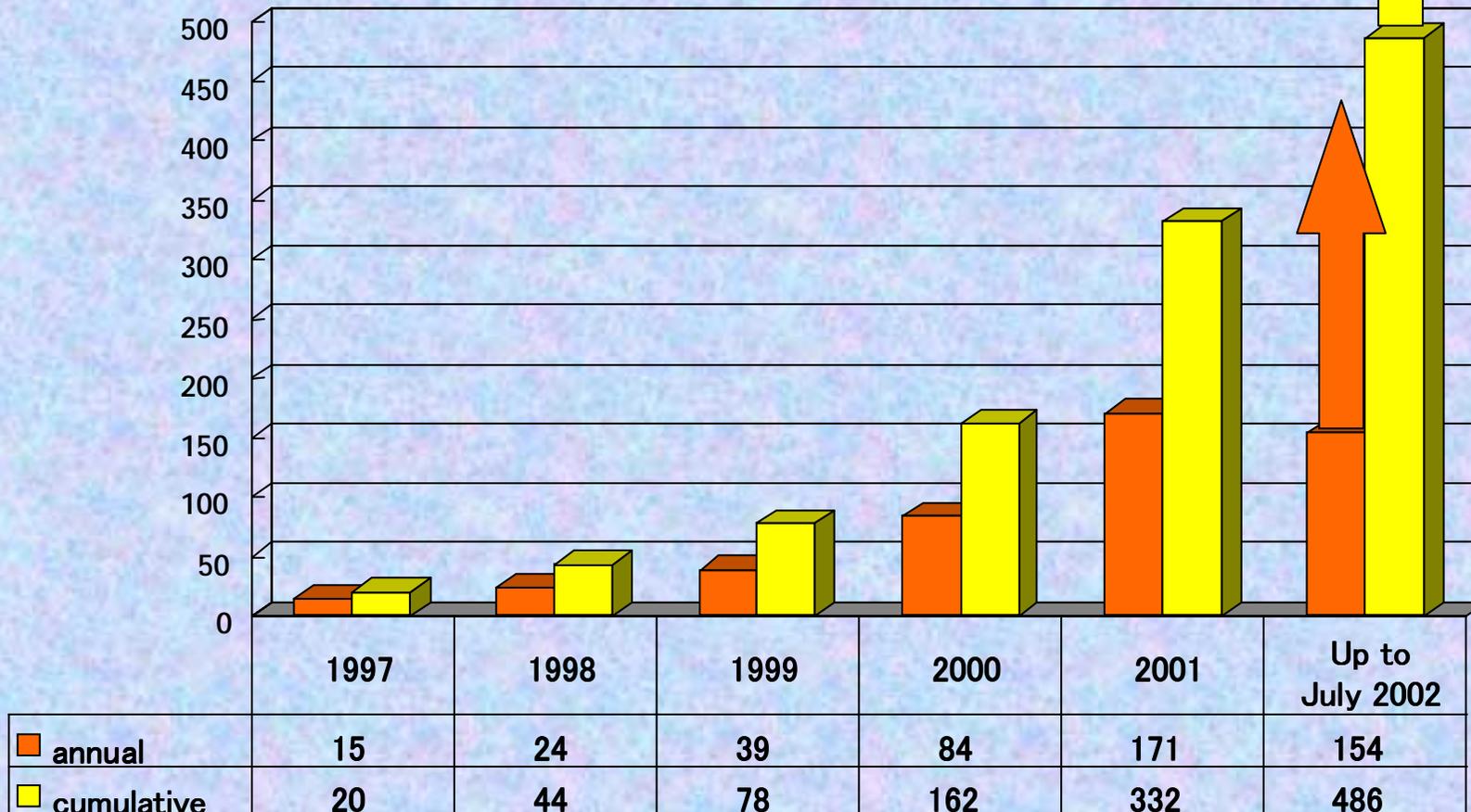
2. Business Development and Strategic Initiatives

Visual product business activities

DVD Video Hardware Shipments

(10 thousands)

2002 Forecast
7.2 million
Household distribution
rate: 15%



2. Business Development and Strategic Initiatives

Visual product business activities

Acquire major video content for original titles and sole distributor titles

Increase in average sales per title

Aim to increase the sales per title by reducing the number of titles and increasing major hits

	Number of titles	Sales (million yen)	=	Sales per title (million yen)	Percentage of sales
FY 2001	759	3443	=	4.5	14.7%



	Number of titles	Sales (million yen)	=	Sales per title (million yen)	Percentage of sales
1st half FY 2002	225	1875	=	8.3	15.1%
2nd half FY 2002	259	3702	=	14.3	25.8%
FY 2002 total	484	5577	=	11.5	20.8%

2. Business Development and Strategic Initiatives

Visual product business activities

◆ Investment in original titles

- ① Data for similar titles in the past
- ② Strength of box office performance
- ③ Quality (Director, casts, overseas success if foreign title, etc.)

Investment decided by taking into account the above criteria and the amount of investment

◆ Investment

▪ Nationwide release	5 titles	Average investment	160 million yen
▪ Mini theatre exhibition	8 titles	Average investment	22 million yen
▪ Animation	3 titles	Average investment	88 million yen

■ Our shares of the major titles released in the second half of this year include:

“Star Wars Episode II: Attack of the Clones”	approx. 20%
“Ice Age”	approx. 20%
“I am Sam”	approx. 30%



DVD
11/8 On Sale!

*Rental DVD available on 12/3!

A big hit from Miramax production!

A new romantic classic! A miraculous love story set in two different eras in New York City, with 125 years in between. **The latest Meg Ryan feature film.**

Directed by James Mangold of *Girl, Interrupted* and *Copland*

The theme song "Until" by Sting won the Best Original Song at the Golden Globes.

メグ・ライアン ヒュー・ジャクマン

ニューヨークの恋人
~ KATE & LEOPOLD ~

Box office revenue: ¥800 million

Videogram 1st shipment: 65,000 units
(initially expected 60,000)

1994 Cannes film Festival

The winner of the Jury Grand Prize and Best Male Actor awards

活 着 着 着

チャン・イーモウ

「活着」

主演 葛 优 / 姜 文 / 李 保 田



This year's No.1 theater-released Chinese film!

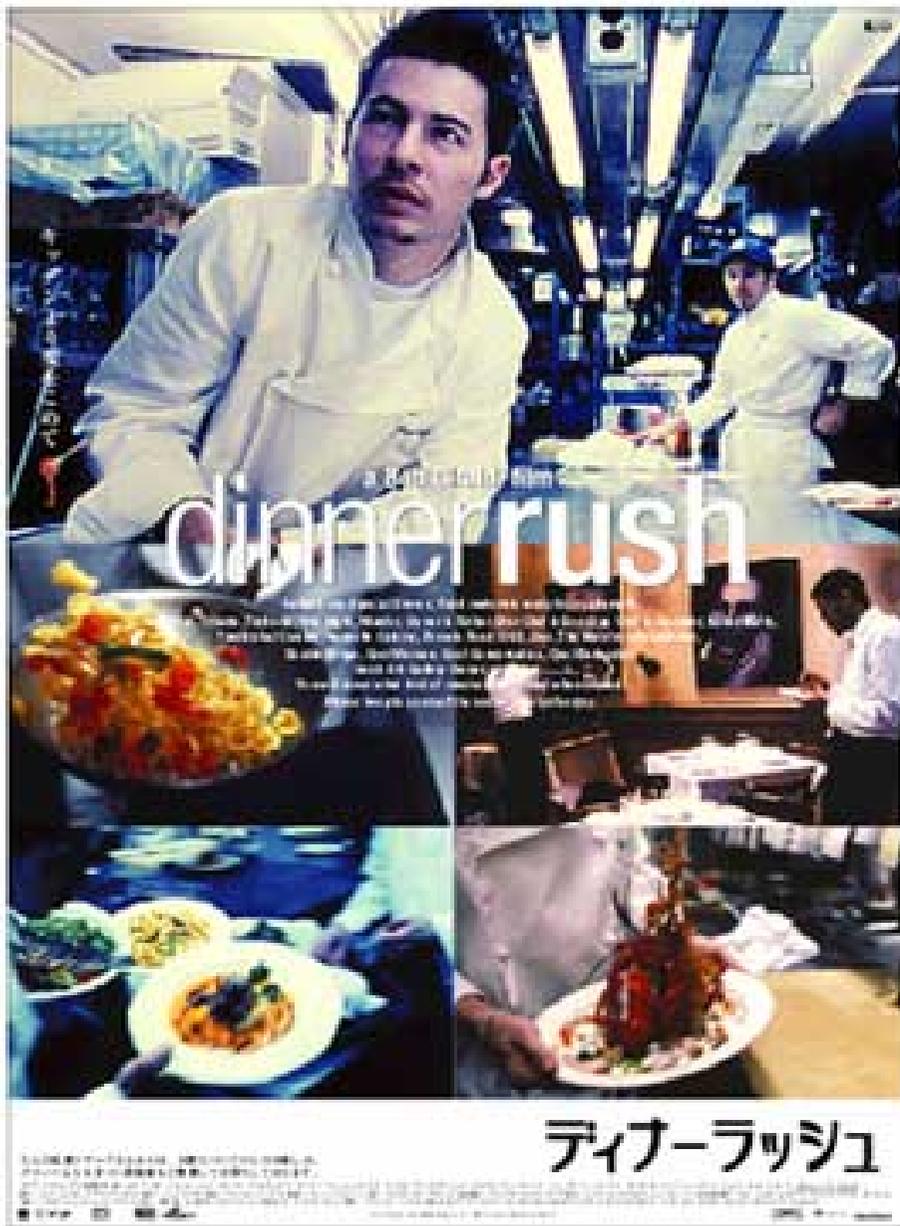
To Live (Huoze)

The world cried. Another heartrending film from China's premier film director, **Zhang Yimou**, known for his masterpieces *The Road Home* and *Not one less* featuring *The Emperor and the Assassin* star **Gong Li**. This is the saga of a family who survived the turbulent times in China from the 1940s to the 1960s. A spellbinding combination of **overwhelming cinematographic beauty** and excellent humor. The winner of the Jury Grand Prize and Best Male Actor awards at the 1994 Cannes Film Festival.

With a 13 week long run from March 2002 at the Shibuya Tokyu Bunkamura in Tokyo, the hit was later shown in 67 theatres nationwide, attracting much media and public attention.

11/25 On Sale!
DVD/VHS

*Rental DVD available on the same day



2003.2.21 On Sale!

DVD

A suspense drama depicting a one night farce and intricate human relationships at a real Italian restaurant in New York. Rhythmical plot, realistic conversations, vivacious characters, and thorough accuracy of the details. A magnificent treat with a hint of spice. Five stars guaranteed!

◆ Starring Danny Aiello (*Leon*), Edoardo Gero (*Romeo Must Die*), Kirk Acevedo

◆ Staff Director: Bob Giraldi; Script: Rick Shaughnessy, Brian Kalata

Dinner Rush

Reserve a table at an Italian restaurant before you see it

★ **Shown at Cineswitch Ginza since 9/14 !**

Expanded from a one theater show to 6 theaters nationwide. Can be seen at more theatres from the end of the year.

Kogarashi Monjiro

A legendary costume drama. Despite its late night slot, it outperformed prime time programs with amazing ratings, becoming a social phenomenon. It has finally returned!



DVD/DVD-BOX

12/21 On Sale!

*Rental DVD available on the same day!

Starring Atsuo Nakamura as Monjiro

Directed by Kon Ichikawa

Originally written by Saho Sasazawa



Long Music film
Ayumi Hamasaki "Sunken in the moon"

- Director: Isao Yukisada ("GO")
- Starring Ayumi Hamasaki, Yusuke Isetani, Shigesato Itoi

Based on Hamasaki's new release "Voyage," the story extends its theme from eternal love to a grander level, reincarnation.

★ Exclusive late shows at Shibuya Cinequint (Shibuya Parco Part3) from Oct. 26 (Sat) for 10 days.

Long Music film
Ayumi Hamasaki "Sunken in the moon"

Trapped in a sense of loss, Minamo (Ayumi Hamasaki) sits in a mental hospital in a forest.

The doctor (Shigesato Itoi) offers treatment to retrieve past life memories and attempts to find her soul mate Shogo (Yusuke Isetani). Minamo tells the doctor about her nightmares. The doctor works a memory machine on Minamo to reflect her past life onto a mirror. When it was permissible for a man to kill another, Minamo's former incarnation Kagari (Ayumi Hamasaki, double part) was captured for a ceremony called "Tsukigaeshi (Moon returning)". A shaman Utsusemi (Kumi Nakamura) convinced people that they could be saved only by sacrificing Kagari. When Kagari was on the verge of being sunken into the moon, a young man Takeomi (Yusuke Isetani, double part) appeared to rescue her. They managed to escape with help from Sako (Teruyuki Kagawa), the chief of the people. Through the moonlit night, Takeomi and Kagari rode on a white horse at full speed. "Under the moonlight, you are eternal" said Takeomi to Kagari.

★ Inspired by Ayumi Hamasaki's new song "Voyage," this film is a completely new type of musical with a storyline based on the lyrics! The director is Isao Yukisada, who won 8 prizes at the Japan Academy Awards with his masterpiece "GO." The film will be shown at Shibuya Cinequint from Oct. 26 to Nov. 4. Based on Hamasaki's new release "Voyage," the story extends its theme from eternal love to a grander level, reincarnation. Souls find one another. It depicts how so-called "soul mates" come to be united. Not to be missed by Ayumi fans!

Nov. 7 Rental VHS available!

Color/40mins. Stereo HiFi/Standard size/¥5,000 (exc.tax)

Released by Avex Inc. Distributed by Happinet Pictures Corporation

Video rental shops Client shops

Beginning of the year: 1,450; 1st half of the year: 1,800; End of the year: 2,000 (estimated)

2. Business Development and Important Measures in Logistics Business

Outsourcing business logistics to U-ACE COMPANY LTD.

- Happinet Logistic Services signed an outsourcing agreement with U-ACE COMPANY LTD., (TOMY Company, Ltd's sales subsidiary), effective October 1, 2002.
 - Out of all U-ACE COMPANY LTD's distribution services, mass merchandise store distribution will be outsourced to Happinet Logistics Service.
- Happinet Logistics Service will manage the order process including receiving and administrating EOS orders and overall logistical control of shipping instructions, storing, distribution processing, and delivery of a certain portion of general toys (mainly TOMY Groups' toys) that U-ACE COMPANY LTD sells to some mass merchandise stores.
- The outsourced logistical operations started shipping on October 7, 2002. Approximately 1.5 – 2 billion yen in merchandise is expected to be shipped each year.
- We intend to develop a shared product delivery system.
Further efficiency gains will be achieved after the shared delivery system is established.

2. Business Development and Important Measures

Current situation and issues in logistics

SG&A expenses

Logistics costs

	Period ending September 2002 (Million yen)	Period ending March 2002 (Million yen)	Period ending March 2001 (Million yen)
Warehouse deposit	1,126	1,738	1,037
Freight	977	1,793	1,755
Total	2,103	3,531	2,792
% of profit	3.7%	2.5%	2.2%

2. Business Development and Important Measures

Current situation and issues in logistics

◆ Increase in logistical costs

<Factors contributing to 1.2% increase in logistical costs from last year>



<Actions to reduce the increase in distribution cost >

① Customer service operations

- Impact of small and frequent deliveries
- Impact of a drop in average product price (Decrease in video game sales percentage)
- 0.63% increase in cost against profit

② Building of Happinet Logistics Center East

- Normalizing the management of Happinet Logistics Center East
- Service level achievement is prioritized (Currently delivery error rate 2/100,000)
- 0.35% increase in cost against profit

③ Others

- Cost increase in operations related to returned items
- Cost increase in distribution of sales promotion items
- 0.28% increase in cost against profit

① Implementation of comprehensive cost-cutting measures

- Restructuring the logistical centers. (Relocating the centers and reviewing functions of each center)
- Implementing measures to decrease total transport cost.
- Reviewing efficiency of logistical services

② Adopting frequent and small deliveries

- Combining individual deliveries, building a shared delivery system

③ Improving management efficiency of Happinet Logistics Center East

- Management cost is expected to drop back to last year's level in July while the planned cost reductions are expected to be achieved in January 2003.

④ Controlling the increase in Happinet Logistics Center East equipments' operation rate

- 1.5 – 2 billion yen worth of merchandise outsourced to U-ACE COMPANY LTD. (TOMY's sales subsidiary)

3. Business Performance Plans for FY 2002

(million yen)

	Closing date	3/2003 Plan
Consolidated	Sales	130,000
	Recurring profit	1,500
	Net profit for this term	860
Non-Consolidated	Sales	43,000
	Recurring profit	300
	Net profit for this term	260

▪ Itemized sales plans (consolidated)

(100 million yen, %)

Items	Period Ending	3/2003 Plan	
		Percentage	Comparison over 1st half
Toys	532	40.9	130.1
Childcare goods	28	2.2	96.6
Video games	390	30.0	58.0
Amusement	58	4.5	105.5
Videos	270	20.8	120.0
Others	22	1.7	122.2
Total	1,300	100.0	92.3

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4. Reference Material

Other Business Development

e-menu system case

▪ e-menu system

This is a table order terminal for the catering industry, provided by ASKA T3. It implements a new profit structure for places where people enjoy lunch, dinner and leisure time.

- Barbeque House Sakai has introduced the system into their shops and will be expanding into more shops in the second half of the fiscal year.
- Digital crane game “Toru toru catcher” development launched.
- This system offers an even wider range of digital content

■ **As a business partner, our group companies will provide prizes for the digital crane game (off-line version of Banpresto’s “Big Entertainment”) as well as content such as fortune telling and short game, etc.**

4. Reference Material

Other Business Development

Ochaken 12 Constellations Fortune-teller Screensaver

--Greeting Card Function Enabled -- On Sale

- **As part of distributing digital content, we commercialized a screen saver (retail price: 1,000 yen / tax excluded) that uses horoscope content featuring Ochaken(©SEGA TOYS / HORIPRO 2002). It arrived on the market in early August.**
- **This screen saver automatically displays daily horoscopes, which are popular online and in magazines.**
- **Ochaken has been popular since its debut in March. Ochaken on this screen saver will give you a bit of comfort as well as tell your future according to the stars.**
- **You can create Ochaken horoscope greeting cards to attach to your e-mails. Application software is included.**

Specifications

- **8cm CD-ROM**
- **Windows 98/2000/Me/XP, Mac OS 8.6-9.2 - compliant**
- **Retail price: 1,000 yen (tax excluded)**

4. Reference Material

Other Business Development

Results for e-Shopping! Toys (1)

Sales	Annual turnover ¥1200 million (Specialty toy section : ¥600 million)
Visits	23,000-25,000/day
Page views	250,000-260,000/day
Items	12,000 items (Specialty DVD section: 4,000 items)

- **Creating attractive online shops to increase customer visits and sales Specialty toy section.**

Future changes include a strategy to increase demand for existing characters and introducing new characters, and the development of attractive original designs to grab new customers and retain regular customers. Strategic use of magazines and other media will increase our customer base and explore new target markets.

4. Reference Material

Other Business Development

Results for e-Shopping! Toys (2)

Re-opening of the Yahoo! e-shopping Toys store

We are working on re-opening an outlet in Yahoo! Shopping. We will differentiate ourselves from competing sites by coordinating the character strategy with the main site and taking pre-release orders for products.

Specialty DVD section

We will strengthen our pipeline with manufacturers so they can obtain timely information. This site will enhance our market response by providing information on target markets.

Today, the Internet shopping environment is growing, and we are actively seeking new markets and products as we expand our sales and customer base.

4. Reference Material

Other Business Development

PlayStation.com

- We handle all back office operations for PlayStation.com Japan's Internet shopping site.
- With few big PS2 titles, our shipping volume has dropped from peak levels. We expect to expand our shipping volume by distributing new products, such as DVD products, etc., besides those related to PS2. We are also cutting costs by compressing our warehouse space.
- Following the customer-specified delivery time service that started in July, we started a "cash on delivery" service on November 1. We are aiming to expand our sales and customer base by improving this service.

LaLaBit Market

- We handle all back office operations for the Bandai Networks Co. Ltd. shopping site.
- We plan to expand our customer base by increasing new products, such as Gundam and Barbie related products and apparel, etc., as well as featuring limited editions and original products.
- Receiving many advance orders allows us to ship products as soon as we receive them, so there is no running stock.
- Back office operations share office space, facilities and personnel to reduce our costs, which means maintaining profitability while reducing costs for our customers.

4. Reference Material

Other Business Development

BigE project (BigEntertainment)

- **This is a Game Center site run by Banpresto Co., Ltd., and it oversees inventory control for the prizes, distribution processing, physical distribution, and other back office operations.**
- **We have expanded our user base by providing crane games for each website by independently using rental programs. Our shipping volume has doubled since this summer and we expect this will continue in the future.**
- **Back office operations share office space, facilities and personnel to maintain profitability and help customers reduce costs.**