

Fiscal Year 2005 Full-Year Results Briefing Document

1. Fiscal Year 2005 Full-Year Consolidated Results
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3. Group Companies

May 11, 2006

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 final results may vary.

Business Results

	2001	2002	2003	2004	2005	Comments	
Consolidated	Sales	thousand yen 140,888,629	122,515,841	122,722,894	140,461,595	155,703,391	
	Recurring profit	thousand yen 1,518,069	1,380,129	1,326,321	3,030,557	3,786,648	
	Net profit/loss	thousand yen 735,100	766,689	-686,818	1,580,783	2,270,747	
	Net assets	thousand yen 16,432,387	16,512,301	16,057,601	16,992,262	19,109,787	
	Total assets	thousand yen 53,698,026	39,975,413	37,034,100	39,829,631	45,719,978	
	Net assets per share	yen 1,366.61	1,408.83	1,336.02	1,413.96	1,590.44	
	EPS	yen 61.13	64.40	-57.36	131.53	188.97	
	No. of employees	people 556	510	505	566	607	
Non-consolidated	Sales	thousand yen 89,867,180	39,441,524	31,287,698	138,647,374	154,255,488	
	Recurring profit	thousand yen 1,360,000	362,764	483,873	3,005,602	3,868,638	
	Net profit/loss	thousand yen 722,884	306,920	-723,007	1,570,526	2,188,704	
	Net assets per share	yen 1,280.52	1,292.89	1,206.39	1,439.88	1,608.85	
	Dividend per share (Interim dividend)	yen 25.0 (12.50)	25.0 (12.50)	25.0 (12.50)	22.5 (10.00)	27.5 (12.50)	
	EPS	yen 60.12	25.78	-60.39	130.68	182.14	
	Payout ratio	% 41.59	96.43	-	17.22	15.10	
	No. of employees	people 174	174	146	493	528	

Notes: 1. Sales tax is not included in either the consolidated or non-consolidated sales figures.

2. On March 12, 2004, Happinet Corporation acquired an interest in e-Shopping! Toys Corp., making it a subsidiary.

3. On April 1, 2004, Happinet Corporation merged with Happinet JP Corporation, Happinet Pictures Corporation, and Happinet Robin Corporation.

4. In light of their relative importance, e-Shopping! Toys CORP., Scitron Digital Contents Inc. and Happinet AM Service West Corporation were included as consolidated subsidiaries from the previous fiscal year.

5. On April 1, 2006, Happinet AM Service West Corporation changed its name to Happinet AM Service Corporation.

1. Fiscal Year 2005 Full-Year Consolidated Results (Profit and Loss Statements)

(Units: million yen, %, persons, yen; rounded down)

	2004		2005		Comments		
	Of total (%)	YoY (%)	Of total (%)	YoY (%)			
Sales	140,461	100.0	14.5	155,703	100.0	10.9	
Cost of sales	123,431	87.9	14.3	137,279	88.2	11.2	Includes inventory disposal loss: current 1,953, previous: 3,054
Gross profit	17,030	12.1	15.6	18,423	11.8	8.2	
SG&A expenses	14,063	10.0	3.5	14,953	9.6	6.3	
Personnel costs	4,278	3.0	11.3	4,819	3.1	12.7	
Subcontracted personnel costs	928	0.7	19.6	1,060	0.7	14.1	
Depreciation	515	0.4	-0.6	408	0.3	-20.8	
Operating income	2,966	2.1	159.9	3,470	2.2	17.0	
Non-operating income	100	0.1	-52.5	321	0.2	219.5	
Interest and dividends received	10	0.0	-24.6	17	0.0	63.4	
Others	89	0.1	-54.6	303	0.2	238.3	
Non-operating expenses	36	0.0	36.7	5	0.0	-86.3	
Interest paid	1	0.0	316.3	0	0.0	-63.9	
Others	35	0.0	32.0	4	0.0	-87.5	
Recurring profit	3,030	2.2	128.5	3,786	2.4	24.9	
Extraordinary profit	59	0.0	52.7	73	0.0	23.4	
Extraordinary loss	169	0.1	-93.1	60	0.0	-64.0	
Pretax profit	2,921	2.1	-	3,799	2.4	30.1	
Enterprise, corporate, and residence taxes	1,311	0.9	-	1,528	1.0	16.6	
Minority interests	28	0.0	-	-	-	-	
Net profit	1,580	1.1	-	2,270	1.5	43.6	
Surplus, opening	10,278	-	-8.9	11,263	-	9.6	
Surplus, increase	1,580	-	-	2,270	-	43.6	
Surplus, decrease	595	-	89.7	300	-	-49.6	
Surplus, closing	11,263	-	9.6	13,233	-	17.5	
EPS (yen)	131.53	-	329.3	188.97	-	43.7	
Average no. of shares (shares)	12,018,284			12,016,468			
No. of employees at period end	566	-	12.1	607	-	7.2	

Note: The number of employees includes employees seconded from other companies and contracted staff members, but excludes employees seconded to other companies and temporary staff members.

1. Fiscal Year 2005 Full-Year Consolidated Results

1. Sales by segment

(Units: million yen, %; rounded down)

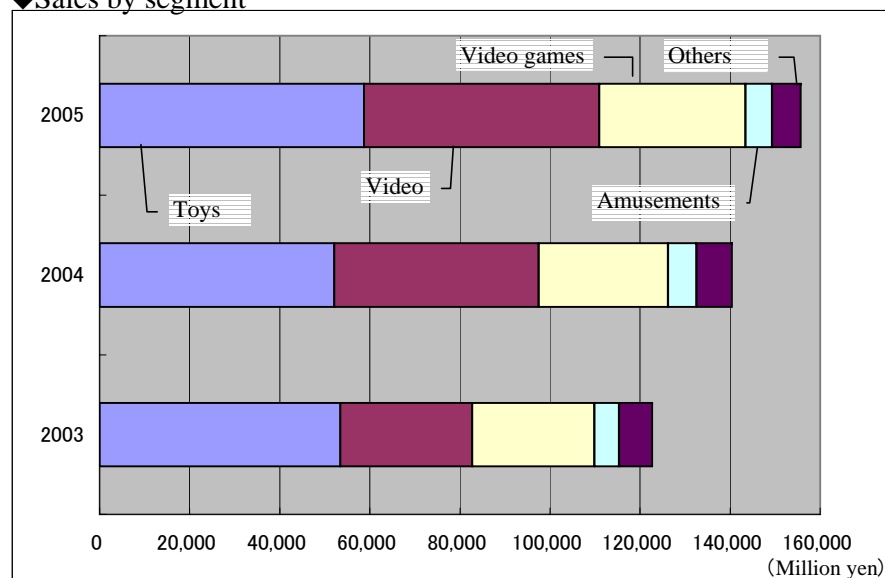
Segment	Term	2003		2004		2005		Comments			
		Of total (%)	YoY (%)	Of total (%)	YoY (%)	Of total (%)	YoY (%)				
Toy business		53,468	43.6	2.8	52,066	37.1	-2.6	58,724	37.7	12.8	
Video-related business		29,261	23.8	12.7	45,457	32.4	55.3	52,266	33.6	15.0	
Video game business		27,185	22.2	-20.8	28,696	20.4	5.6	32,469	20.8	13.1	
Amusement business		5,437	4.4	-1.5	6,318	4.5	16.2	5,904	3.8	-6.6	
Other business		7,370	6.0	183.8	7,921	5.6	7.5	6,337	4.1	-20.0	
Total		122,722	100.0	0.2	140,461	100.0	14.5	155,703	100.0	10.9	

2. Operating income by segment

(Units: million yen, %; rounded down)

Segment	Term	2003		2004		2005		Comments
		YoY (%)	YoY (%)	YoY (%)	YoY (%)			
Toy business		175		1,735	891.4	3,389	95.3	
Video-related business		1,349	61.5	1,775	31.6	411	-76.8	
Video game business		280		303	8.2	731	141.0	
Amusement business		133		132	-0.1	134	1.1	
Other business		375		302	-19.5	111	-63.2	
Eliminations and corporate losses		-1,172		-1,282		-1,307		
Total		1,141	-3.2	2,966	159.9	3,470	17.0	

◆ Sales by segment

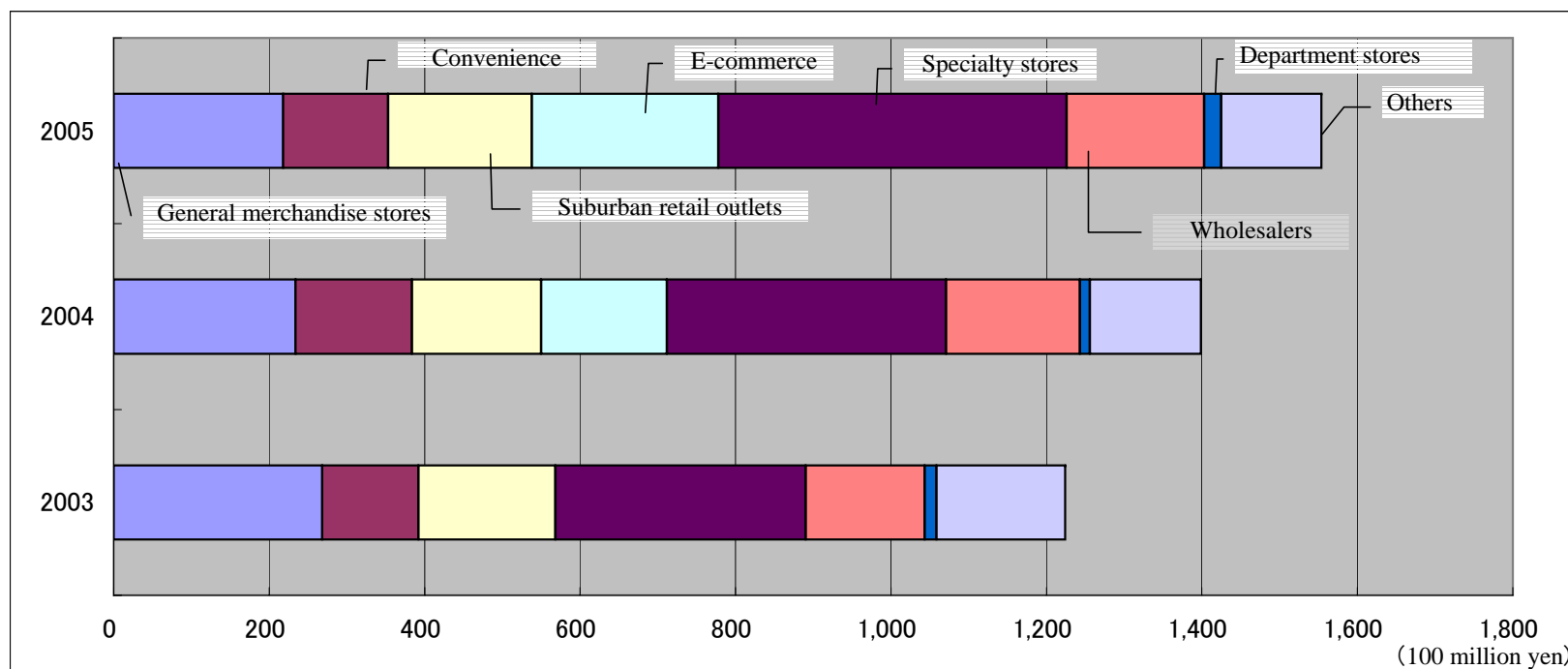


1. Fiscal Year 2005 Full-Year Consolidated Results

3. Sales by sales channel

(Units: 100 million yen, %; rounded down)

Channel	Term	2003		2004		2005			Comments		
		Of total (%)	YoY (%)	Of total (%)	YoY (%)	Of total (%)	YoY (%)	YoY (%)			
General merchandise stores		268	21.9	-11.2	234	16.7	-12.6	218	14.1	-6.7	Included within "Others" in FY 2003 Including consumer electronics and camera mass merchandise stores
Convenience stores		124	10.1	47.0	150	10.7	21.4	135	8.7	-10.4	
Suburban retail outlets		176	14.4	-6.3	166	11.9	-5.4	185	11.9	10.9	
E-commerce		-			162	11.6	-	240	15.4	47.4	
Specialty stores		322	26.3	-1.6	359	25.6	11.5	448	28.8	24.7	
Wholesalers		153	12.5	20.8	172	12.3	12.4	177	11.4	2.8	
Department stores		15	1.3	-23.6	13	1.0	-11.1	22	1.4	60.6	
Others		166	13.6	-4.8	143	10.2	-13.9	129	8.3	-9.6	
Total		1,227	100.0	0.2	1,404	100.0	14.5	1,557	100.0	10.9	



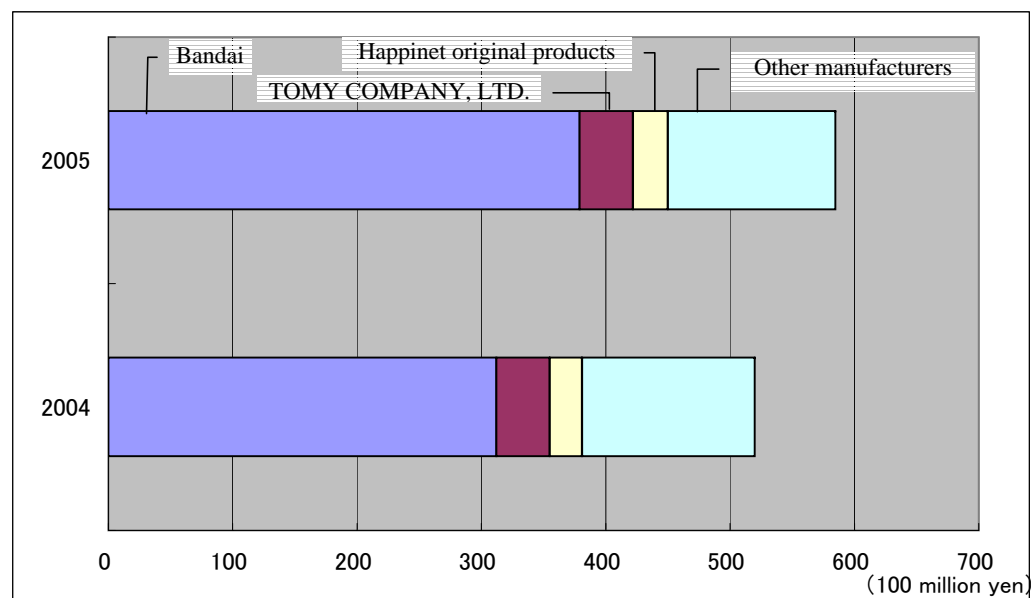
1. Fiscal Year 2005 Full-Year Consolidated Results

4. Sales by product line

Toys

(Units: 100 million yen, %; rounded down)

Item	Term	2004		2005		Comments		
		Of total (%)	YoY (%)	Of total (%)	YoY (%)			
BANDAI Co., Ltd.		312	60.0	2.4	379	64.6	21.9	
TOMY Company, Ltd.		43	8.2		43	7.4	-1.2	Sum of the former TOMY Co., Ltd. and Takara Co., Ltd.
Happinet original products		26	5.1		28	4.8	8.6	
Other manufacturers		139	26.7	-9.4	135	23.2	-2.3	SEGA TOYS CO., LTD. and others
Total		520	100.0		587	100.0	12.8	



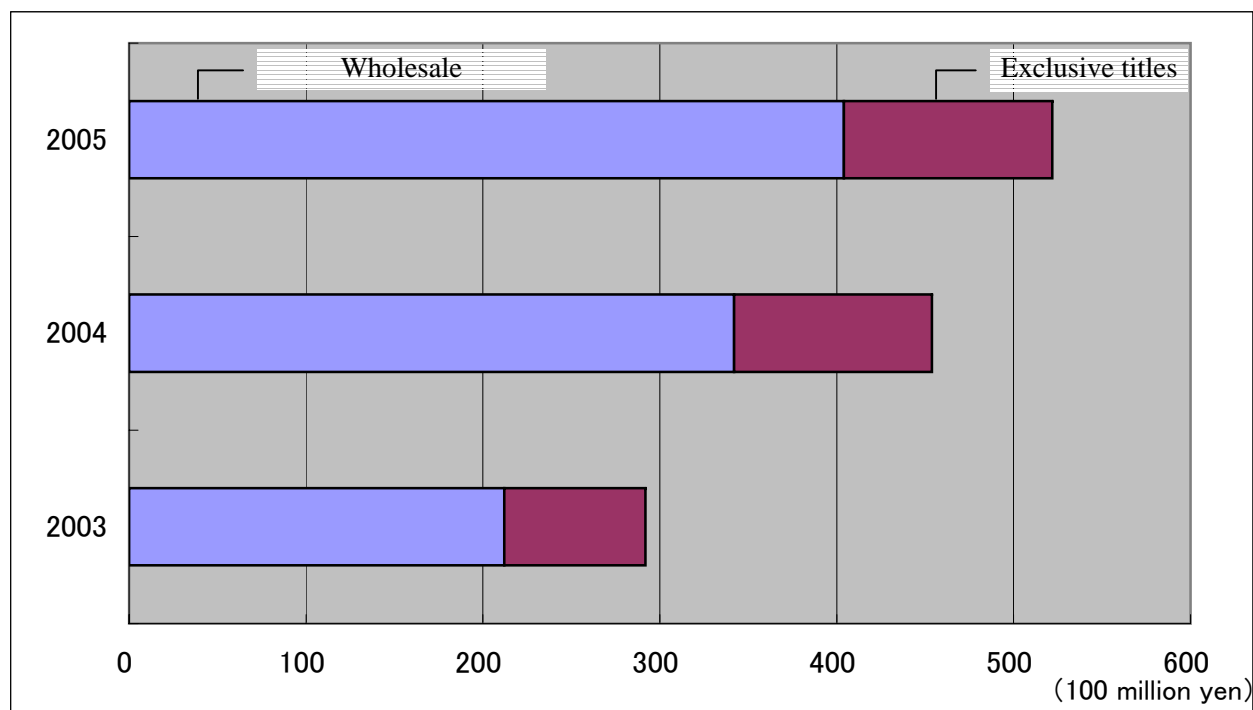
1. Fiscal Year 2005 Full-Year Consolidated Results

4. Sales by product line

Composition of sales in the audiovideo software business

(Units: 100 million yen, %; rounded down)

Item	Term	2003		2004		2005		Comments			
		Of total (%)	YoY (%)	Of total (%)	YoY (%)	Of total (%)	YoY (%)				
Wholesale		212	72.6	2.8	342	75.3	61.2	404	77.4	18.2	
Exclusive titles		80	27.4	51.1	112	24.7	39.8	118	22.6	5.3	
Total		292	100.0	12.7	454	100.0	55.3	522	100.0	15.0	



1. Fiscal Year 2005 Full-Year Consolidated Results

4. Sales by product line

Video games (sales by product)

(Units: 100 million yen, %; rounded down)

Item \ Term	2003			2004			2005			Comments
	Of total (%)	YoY (%)		Of total (%)	YoY (%)		Of total (%)	YoY (%)		
PlayStation 2	191	70.3	-8.1	193	67.4	1.1	146	45.1	-24.3	
PlayStation Portable (PSP)	-	-	-	27	9.7	-	45	14.1	64.3	
PlayStation	4	1.8	-80.1	0	0.2	-90.3	0	0.0	0.0	
Nintendo DS	-	-	-	0	0.3	-	23	7.1	3013.5	
Game Boy Advance	32	12.0	106.0	33	11.7	3.0	13	4.1	-60.7	
GameCube	8	3.1	-9.2	3	1.2	-58.3	1	0.3	-66.6	
Others	34	12.8	-60.0	27	9.5	-13.2	95	29.3	246.6	
Total	271	100.0	-20.8	286	100.0	5.6	324	100.0	13.1	

PlayStation products (sales and number of units)

(Units: 100 million yen, %; rounded down)

Item \ Term	2003			2004			2005			Comments
	Of total (%)	YoY (%)		Of total (%)	YoY (%)		Of total (%)	YoY (%)		
PS2 hardware	72 (330,000 units)	37.8	-28.8	48 (260,000 units)	21.9	-32.9	21 (110,000 units)	10.9	-56.7	
PS2 software	106	55.8	14.3	137	62.1	28.6	121	63.1	-11.8	
PS2 accessories	12	6.4	-8.0	7	3.4	-38.5	4	2.2	-43.6	
PSP hardware	-			21 (90,000 units)	9.5	-	30 (120,000 units)	15.6	42.5	
PSP software	-			6	2.8	-	14	7.8	145.1	
PSP accessories	-			0	0.3	-	0	0.4	9.8	
Total	191	100.0		221	100.0	15.6	192	100.0	-13.1	

1. Fiscal Year 2005 Full-Year Results (Consolidated Balance Sheets [1])

(Unit: million yen; rounded down)

	2004	2005	Change	Main reason behind increase or decrease in assets
(Assets)				
(1) Current assets	36,135	41,569	5,434	
1. Cash and deposits	8,845	9,480	634	
2. Accounts and bills receivable	18,502	21,721	3,218	
3. Inventories	4,429	5,163	734	
4. Advances	2,403	3,414	1,010	
5. Deferred tax assets	863	798	-65	
6. Others	1,135	1,030	-105	
7. Reserves	-44	-39	5	
(2) Fixed assets	3,694	4,150	456	
1. Tangible assets	1,201	1,170	-30	
Buildings and structures	370	347	-23	
Land	233	233	-	
Others	596	589	-7	
2. Intangible assets	637	776	139	
Goodwill	181	115	-66	
Others	455	661	206	
3. Investments and other assets	1,855	2,203	347	
Long-term securities	1,043	1,393	350	
Prepaid long-term expenses	4	5	0	
Guarantees paid	471	469	-1	
Deferred tax assets	262	257	-4	
Others	166	159	-6	
Reserves	-92	-83	8	
Total assets	39,829	45,719	5,890	