

Fiscal Year 2006 first-half results briefing document

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November 9, 2006

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

Business results

| | Fiscal period | 1H FY 2003 | 1H FY 2004 | 1H FY 2005 | 1H FY 2006 | FY 2002 | FY 2003 | FY 2004 | FY 2005 | Remarks |
|------------------|--|----------------------------|------------|------------|------------|------------------|------------------|------------------|------------------|---------|
| Consolidated | Net Sales | (¥ thousand) 52,484,708 | 59,211,025 | 64,566,137 | 68,140,929 | 122,515,841 | 122,722,894 | 140,461,595 | 155,703,391 | |
| | Recurring profit | (¥ thousand) 458,454 | 877,306 | 1,463,328 | 1,064,325 | 1,380,129 | 1,326,321 | 3,030,557 | 3,786,648 | |
| | Net profit/loss | (¥ thousand) 1,089,168 | 453,227 | 852,370 | 685,707 | 766,689 | -686,818 | 1,580,783 | 2,270,747 | |
| | Net assets | (¥ thousand) 15,770,631 | 16,047,120 | 17,799,513 | 19,718,852 | 16,512,301 | 16,057,601 | 16,992,262 | 19,109,787 | |
| | Total assets | (¥ thousand) 39,069,727 | 37,830,355 | 41,118,944 | 43,063,276 | 39,975,413 | 37,034,100 | 39,829,631 | 45,719,978 | |
| | Net assets per share | (¥) 1,312.08 | 1,335.24 | 1,481.29 | 1,641.15 | 1,408.83 | 1,336.02 | 1,413.96 | 1,590.44 | |
| | Earnings per share | (¥) -91.32 | 37.71 | 70.93 | 57.07 | 64.4 | -57.36 | 131.53 | 188.97 | |
| | No. of employees | People 503 | 560 | 597 | 761 | 510 | 505 | 566 | 607 | |
| Non-consolidated | Net Sales | (¥ thousand) 11,238,047 | 58,272,970 | 63,913,938 | 58,194,442 | 39,441,524 | 31,287,698 | 138,647,374 | 154,255,488 | |
| | Recurring profit | (¥ thousand) 45,269 | 843,848 | 1,528,001 | 970,498 | 362,764 | 483,873 | 3,005,602 | 3,868,638 | |
| | Net profit/loss | (¥ thousand) 848,963 | 487,847 | 912,773 | 574,488 | 306,920 | -723,007 | 1,570,526 | 2,188,704 | |
| | Net assets per share | (¥) 1,206.42 | 1,364.89 | 1,511.56 | 1,650.61 | 1,292.89 | 1,206.39 | 1,439.88 | 1,608.85 | |
| | Dividends per share (Interim dividends) | (¥) (12.50) | (10.00) | (12.50) | (15.00) | 25.00 (12.50) | 25.00 (12.50) | 22.50 (10.00) | 27.50 (12.50) | |
| | Earnings per share | (¥) -71.18 | 40.59 | 75.96 | 47.81 | 25.78 | -60.39 | 130.68 | 182.14 | |
| | Payout ratio | (%) □ | — | — | — | 96.43 | — | 17.22 | 15.10 | |
| | No. of employees | People 137 | 488 | 517 | 560 | 174 | 146 | 493 | 528 | |

Notes: 1. Consolidated and non-consolidated sales figures do not include consumption tax.

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

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

4. e-Shopping! Toys Corporation, Scitron Digital Contents Inc., and Happinet AM Service West Corporation were included as consolidated subsidiaries from fiscal 2004 in

5. The business of Scitron Digital Contents Inc. was transferred to Happinet Corporation on April 1, 2006 and liquidation of the company was completed on September 20, 2006.

6. Happinet AM Service West Corporation changed its name to Happinet AM Service Corporation on April 1, 2006.

7. Happinet Corporation acquired an interest in Mori Toys Co., Ltd. on June 19, 2006, making it a subsidiary.

8. e-Shopping! Toys Corporation changed its name to Happinet Online Corporation on July 1, 2006.

1. Fiscal 2006 first-half consolidated profit & loss statement

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

| | Fiscal 2005 First Half | | | Fiscal 2006 First Half | | | Remarks | (Reference) Revised 10/31 |
|---------------------------------|------------------------|------------|---------|------------------------|------------|---------|--|------------------------------|
| | | % of total | YoY | | % of total | YoY | | |
| Net sales | 64,566 | 100.0 | 9.0 | 68,140 | 100.0 | 5.5 | | 68,000 |
| Cost of sales | 56,252 | 87.1 | 9.0 | 59,414 | 87.2 | 5.6 | Includes inventory disposal loss of ¥ 587m | |
| Gross profit | 8,313 | 12.9 | 9.5 | 8,725 | 12.8 | 5.0 | | |
| SG&A expenses | 6,943 | 10.8 | 3.0 | 7,848 | 11.5 | 13.0 | | |
| Personnel | 2,123 | 3.3 | 7.3 | 2,642 | 3.9 | 24.4 | | |
| Contract personnel costs | 479 | 0.7 | 6.0 | 646 | 0.9 | 34.8 | | |
| Depreciation and amortization | 200 | 0.3 | -25.2 | 171 | 0.3 | -14.1 | | |
| Operating profit | 1,369 | 2.1 | 60.7 | 877 | 1.3 | -35.9 | | |
| Non-operating income | 97 | 0.2 | 102.3 | 232 | 0.3 | 138.0 | | |
| Interest and dividends received | 11 | 0.0 | 79.4 | 14 | 0.0 | 25.4 | | |
| Other | 86 | 0.1 | 105.8 | 218 | 0.3 | 153.2 | | |
| Non-operating expenses | 3 | 0.0 | -83.3 | 45 | 0.1 | 1,088.0 | | |
| Interest paid | 0 | 0.0 | -42.9 | 35 | 0.1 | 5,883.0 | | |
| Other | 3 | 0.0 | -85.2 | 10 | 0.0 | 214.1 | | |
| Recurring profit | 1,463 | 2.3 | 66.8 | 1,064 | 1.6 | -27.3 | | 1,000 |
| Extraordinary gains | 57 | 0.1 | 1,412.6 | 8 | 0.0 | -85.9 | | |
| Extraordinary losses | 55 | 0.1 | 510.5 | 7 | 0.0 | -86.5 | | |
| Net profit before income taxes | 1,465 | 2.3 | 68.0 | 1,064 | 1.6 | -27.3 | | |
| Income taxes | 612 | 0.9 | 57.2 | 378 | 0.6 | -38.2 | | |
| Minority interests | — | — | — | 0 | 0.0 | — | | |
| Net profit | 852 | 1.3 | 88.1 | 685 | 1.0 | -19.6 | | 680 |

| | | | | | | | |
|--|------------|---|------|------------|---|-------|--|
| Earnings per share (¥) | 70.93 | — | 88.1 | 57.07 | — | -19.5 | |
| Average number of shares during period | 12,016,944 | | | 12,015,292 | | | |

| | | | | | | | |
|-----------------------------------|-----|---|-------|-----|---|-------|-----------------------------|
| No. of employees at end of period | 597 | — | 6.6 | 761 | — | 27.6 | Mori Toys has 126 employees |
| Capital expenditures | 176 | — | 162.5 | 452 | — | 156.0 | |

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.

1. Fiscal 2006 first-half consolidated results

1. Sales by business segment

(¥ millions, %; rounded down)

| Segment | Period | Fiscal 2005 first half | | Fiscal 2006 first half | | | Fiscal 2005 | | | (Ref) Sales at Mori Toys in 1H FY 2006 | Remarks | |
|------------------------|--------|------------------------|-------|------------------------|--------|------------|-------------|------------|-------|--|---------|--|
| | | % of total | YoY | % of total | YoY | % of total | YoY | % of total | YoY | | | |
| Toy business | | 25,246 | 39.1 | 5.0 | 25,581 | 37.5 | 1.3 | 58,724 | 37.7 | 12.8 | 2,935 | |
| Video-related business | | 24,983 | 38.7 | 26.2 | 21,765 | 31.9 | -12.9 | 52,266 | 33.6 | 15.0 | - | |
| Video game business | | 8,314 | 12.9 | -3.3 | 14,463 | 21.2 | 73.9 | 32,469 | 20.8 | 13.1 | 6,561 | |
| Amusement business | | 2,876 | 4.4 | -9.1 | 3,362 | 4.9 | 16.9 | 5,904 | 3.8 | -6.6 | 70 | |
| Other businesses | | 3,144 | 4.9 | -13.0 | 2,967 | 4.4 | -5.6 | 6,337 | 4.1 | -20.0 | - | |
| Total | | 64,566 | 100.0 | 9.0 | 68,140 | 100.0 | 5.5 | 155,703 | 100.0 | 10.9 | 9,567 | |

2. Operating profit by business segment

(¥ million, %; rounded down)

| Segment | Period | Fiscal 2005 first half | | Fiscal 2006 first half | | Fiscal 2005 | | Remarks |
|----------------------------|--------|------------------------|-------|------------------------|-------|-------------|-------|---------|
| | | YoY | YoY | YoY | YoY | | | |
| Toy business | | 1,537 | 99.6 | 715 | -53.4 | 3,389 | 95.3 | |
| Video-related business | | 192 | -80.8 | 396 | 105.8 | 411 | -76.8 | |
| Video game business | | 93 | - | 194 | 108.4 | 731 | 141.0 | |
| Amusement business | | 88 | 2.1 | 143 | 62.0 | 134 | 1.1 | |
| Other businesses | | 81 | -27.6 | 80 | -0.7 | 111 | -63.2 | |
| Eliminations and corporate | | -623 | | -654 | | -1,307 | | |
| Total | | 1,369 | 60.7 | 877 | -35.9 | 3,470 | 17.0 | |

3. Sales by channel

(¥ million, %; rounded down)

| Channel | Period | Fiscal 2005 first half | | Fiscal 2006 first half | | | Fiscal 2005 | | | Remarks | |
|---------------------------|--------|------------------------|-------|------------------------|-----|------------|-------------|------------|-------|---------|---|
| | | % of total | YoY | % of total | YoY | % of total | YoY | % of total | YoY | | |
| General merchandise store | | 97 | 15.1 | 10.5 | 118 | 17.4 | 21.3 | 218 | 14.1 | -6.7 | |
| Convenience stores | | 58 | 9.0 | -14.8 | 51 | 7.6 | -11.0 | 135 | 8.7 | -10.4 | |
| Suburban stores | | 78 | 12.2 | 5.4 | 65 | 9.6 | -17.0 | 185 | 11.9 | 10.9 | |
| E-commerce | | 104 | 16.1 | - | 119 | 17.5 | 14.5 | 240 | 15.4 | 47.4 | |
| Specialty stores | | 150 | 23.3 | -3.8 | 176 | 25.8 | 17.1 | 448 | 28.8 | 24.7 | Includes consumer electronics and camera stores |
| Wholesalers | | 79 | 12.3 | 0.2 | 74 | 11.0 | -5.8 | 177 | 11.4 | 2.8 | |
| Department stores | | 6 | 1.0 | 15.9 | 16 | 2.5 | 163.5 | 22 | 1.4 | 60.6 | |
| Other | | 70 | 11.0 | - | 58 | 8.6 | -16.9 | 129 | 8.3 | -9.6 | |
| Total | | 645 | 100.0 | 9.0 | 681 | 100.0 | 5.5 | 1,557 | 100.0 | 10.9 | |

1. Fiscal 2006 first-half consolidated results

4. Sales in main business segments

● Toy sales by manufacturer

(¥ billions, %; rounded down)

| Manufacturer | Fiscal 2005 first half | | Fiscal 2006 first half | | | Fiscal 2005 | | | Remarks | |
|---------------------|------------------------|------------|------------------------|------|------------|-------------|------|-------|---------|--|
| | Period | % of total | % of total | YoY | % of total | YoY | | | | |
| Bandai Co., Ltd. | | 16.3 | 64.9 | 14.6 | 57.3 | -10.6 | 37.9 | 64.6 | 21.9 | |
| Tomy Co., Ltd. | | 1.7 | 6.8 | 2.3 | 9.2 | 36.0 | 4.3 | 7.4 | -1.2 | |
| Happinet originals | | 1.4 | 5.7 | 1.1 | 4.6 | -17.6 | 2.8 | 4.8 | 8.6 | |
| Other manufacturers | | 5.6 | 22.5 | 7.3 | 28.9 | 29.9 | 13.5 | 23.2 | -2.3 | |
| Total | | 25.2 | 100.0 | 25.5 | 100.0 | 1.3 | 58.7 | 100.0 | 12.8 | |

● Video-related business sales composition

(¥ billion, %; rounded down)

| Division | Fiscal 2005 first half | | Fiscal 2006 first half | | | Fiscal 2005 | | | Remarks | | |
|------------------|------------------------|------------|------------------------|------------|------|-------------|-------|------|---------|------|--|
| | Period | % of total | YoY | % of total | YoY | % of total | YoY | | | | |
| Wholesale | | 19.8 | 79.4 | 43.6 | 16.4 | 75.7 | -17.3 | 40.4 | 77.4 | 18.2 | |
| Exclusive titles | | 5.1 | 20.6 | -14.0 | 5.2 | 24.3 | 4.5 | 11.8 | 22.6 | 5.3 | |
| Total | | 24.9 | 100.0 | 26.2 | 21.7 | 100.0 | -12.9 | 52.2 | 100.0 | 15.0 | |

1. Fiscal 2006 first-half consolidated results

3. Sales in main business segments

● Sales by video game machine

(¥ billions, %; rounded down)

| Machine | Period | Fiscal 2005 first half | | | Fiscal 2006 first half | | | Fiscal 2005 | | | Remarks |
|----------------------|--------|------------------------|-------|-------|------------------------|-------|--------|-------------|-------|--------|---------|
| | | % of total | YoY | | % of total | YoY | | % of total | YoY | | |
| PlayStation 2 | | 4.8 | 58.4 | -18.5 | 3.3 | 23.4 | -30.3 | 14.6 | 45.1 | -24.3 | |
| PlayStation Portable | | 1.6 | 19.5 | — | 2.1 | 14.7 | 30.6 | 4.5 | 14.1 | 64.3 | |
| PlayStation | | 0.0 | 0.1 | -81.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Nintendo DS | | 0.2 | 3.2 | — | 7.6 | 52.7 | 2763.2 | 2.3 | 7.1 | 3013.5 | |
| Game Boy Advance | | 1.1 | 14.2 | -34.4 | 0.0 | 0.1 | -98.6 | 1.3 | 4.1 | -60.7 | |
| GameCube | | 0.0 | 0.7 | -61.7 | 0.0 | 0.0 | -83.1 | 0.1 | 0.3 | -66.6 | |
| Other | | 0.3 | 3.9 | -51.0 | 1.3 | 9.1 | 306.5 | 9.5 | 29.3 | 246.6 | |
| Total | | 8.3 | 100.0 | -3.3 | 14.4 | 100.0 | 73.9 | 32.4 | 100.0 | 13.1 | |

● Breakdown of PlayStation sales and sales volume

(¥ billion, %; rounded down)

| Item | Period | Fiscal 2005 first half | | | Fiscal 2006 first half | | | Fiscal 2005 | | | Remarks |
|-----------------|--------|------------------------|-------|-------|------------------------|-------|-------|-----------------|-------|-------|---------|
| | | % of total | YoY | | % of total | YoY | | % of total | YoY | | |
| PS2 hardware | | 0.8 | 13.8 | -23.7 | 0.3 | 7.1 | -56.5 | 2.1 | 10.9 | -56.7 | |
| | | (47,000 units) | | | (22,000 units) | | | (110,000 units) | | | |
| PS2 software | | 3.7 | 57.9 | -16.1 | 2.8 | 52.3 | -23.1 | 12.1 | 63.1 | -11.8 | |
| PS2 accessories | | 0.2 | 3.2 | -32.3 | 0.1 | 2.0 | -46.2 | 0.4 | 2.2 | -43.6 | |
| PSP hardware | | 1.0 | 16.9 | — | 0.9 | 17.8 | -10.2 | 3.0 | 15.6 | 42.5 | |
| | | (46,000 units) | | | (44,000 units) | | | (120,000 units) | | | |
| PSP software | | 0.5 | 7.8 | — | 1.1 | 20.1 | 118.8 | 1.4 | 7.8 | 145.1 | |
| PSP accessories | | 0.0 | 0.4 | — | 0.0 | 0.7 | 28.6 | 0.0 | 0.4 | 9.8 | |
| Total | | 6.4 | 100.0 | 8.9 | 5.5 | 100.0 | -15.0 | 19.2 | 100.0 | -13.1 | |

1. Fiscal 2006 first-half consolidated balance sheet (1)

(¥ millions; rounded down)

| | Fiscal 2005 first half | Fiscal 2005 | Fiscal 2006 first half | | Remarks |
|------------------------------------|---------------------------|---------------|------------------------|---------------|---------|
| | | | | YoY | |
| Assets | | | | | |
| (1) Current assets | 37,303 | 41,569 | 37,443 | -4,126 | |
| 1. Cash and deposits | 8,075 | 9,480 | 4,151 | -5,328 | |
| 2. Accounts and notes receivable | 19,345 | 21,721 | 20,339 | -1,382 | |
| 3. Inventories | 6,048 | 5,163 | 7,367 | 2,203 | |
| 4. Advances | 2,269 | 3,414 | 4,199 | 784 | |
| 5. Deferred tax assets | 728 | 798 | 579 | -218 | |
| 6. Other | 881 | 1,030 | 839 | -191 | |
| 7. Allowance for doubtful accounts | -46 | -39 | -32 | 6 | |
| (2) Fixed assets | 3,815 | 4,150 | 5,620 | 1,469 | |
| 1. Tangible fixed assets | 1,172 | 1,170 | 1,641 | 470 | |
| Buildings and structures | 365 | 347 | 491 | 144 | |
| Land | 233 | 233 | 547 | 313 | |
| Other | 573 | 589 | 602 | 12 | |
| 2. Intangible fixed assets | 581 | 776 | 1,454 | 677 | |
| Goodwill | 206 | 164 | 621 | 456 | |
| Other | 374 | 612 | 833 | 220 | |
| 3. Investments and other assets | 2,062 | 2,203 | 2,524 | 321 | |
| Investment securities | 1,262 | 1,393 | 1,580 | 186 | |
| Long-term prepaid expenses | 6 | 5 | 6 | 1 | |
| Guarantees paid | 469 | 469 | 521 | 51 | |
| Deferred tax assets | 248 | 257 | 218 | -39 | |
| Other | 166 | 159 | 381 | 221 | |
| Allowance for doubtful accounts | -91 | -83 | -183 | -100 | |
| Total assets | 41,118 | 45,719 | 43,063 | -2,656 | |

1. Fiscal 2006 first-half consolidated balance sheet (2)

(¥ millions; rounded down)

| | Fiscal 2005 first half | Fiscal 2005 | Fiscal 2006 first half | | Remarks |
|---|---------------------------|-----------------|------------------------|---------------|---------|
| | | | | YoY | |
| Liabilities | | | | | |
| (1) Current liabilities | 21,741 | 24,978 | 21,681 | -3,297 | |
| 1. Accounts and notes payable | 18,742 | 20,077 | 18,539 | -1,538 | |
| 2. Deferred payments | 1,694 | 2,375 | 1,987 | -387 | |
| 3. Income tax payable | 587 | 1,095 | 215 | -879 | |
| 4. Bonus reserve | 312 | 653 | 372 | -280 | |
| 5. Other | 405 | 777 | 566 | -211 | |
| (2) Fixed liabilities | 1,577 | 1,631 | 1,662 | 31 | |
| 1. Reserve for retirement benefits | 859 | 917 | 952 | 34 | |
| 2. Guarantees received | 707 | 706 | 698 | -7 | |
| 2. Deferred tax liabilities | — | — | 7 | 7 | |
| 4. Negative goodwill | 10 | 8 | 5 | -2 | |
| 5. Other | — | — | — | — | |
| Total liabilities | 23,319 | 26,610 | 23,344 | -3,265 | |
| Shareholders' equity | | | | | |
| (1) Capital | 2,751 | 2,751 | 2,751 | — | |
| (2) Capital reserve | 2,776 | 2,776 | 2,776 | — | |
| (3) Retained earnings | 11,965 | 13,233 | 13,738 | 505 | |
| (4) Treasury stock | -10 | -12 | -13 | -0 | |
| (5) Net unrealized gain on securities | 316 | 361 | 465 | 104 | |
| (6) Minority interests | — | — | — | — | |
| Total shareholders' equity | 17,799 | 19,109 | 19,718 | 609 | |
| Total liabilities and shareholders' equity | 41,118 | 45,719 | 43,063 | -2,656 | |
| Net assets per share (¥) | 1,481.29 | 1,590.44 | 1,641.15 | 50.72 | |
| Shares outstanding at end of period | 12,016,260 | 12,015,435 | 12,015,245 | | |

1. Fiscal 2006 first-half consolidated cash-flow statement

(¥ millions; rounded down)

| | Fiscal 2005 first half | Fiscal 2006 first half | | Remarks |
|---|---------------------------|------------------------|--------|---------|
| | | | YoY | |
| (1) Cash flows from operating activities | | | | |
| Net profit before income taxes | 1,465 | 1,064 | -400 | |
| Depreciation and amortization | 200 | 171 | -28 | |
| Change in trade receivables | -842 | 3,487 | 4,330 | |
| Change in inventories | -1,619 | -1,481 | 137 | |
| Change in trade payables | 1,113 | -2,707 | -3,821 | |
| Change in other receivables | 268 | 273 | 4 | |
| Change in other payables | 147 | -539 | -687 | |
| Other | -208 | -1,287 | -1,078 | |
| Payment of income taxes | -896 | -1,081 | -184 | |
| Net cash provided by/used in operating activities | -371 | -2,099 | -1,728 | |
| (2) Cash flows from investing activities | | | | |
| Payments for purchase of tangible and intangible fixed assets | -159 | -397 | -237 | |
| Payments for purchase of investment securities | -104 | -9 | 95 | |
| Proceeds from sale of investment securities | 20 | 60 | 39 | |
| Payments for purchase of stock in subsidiaries with change in scope of consolidation | — | -804 | -804 | |
| Other | -0 | -9 | -8 | |
| Net cash provided by/used in investing activities | -245 | -1,160 | -915 | |
| (3) Cash flows from financing activities | | | | |
| Payments of dividends | -150 | -180 | -29 | |
| Proceeds from sale of treasury stock | 0 | — | -0 | |
| Other | -3 | -1,887 | -1,884 | |
| Net cash provided by/used in financing activities | -153 | -2,067 | -1,914 | |
| (4) Change in cash and equivalents | -770 | -5,328 | -4,558 | |
| (5) Cash and equivalents at beginning of period | 8,845 | 9,480 | 634 | |
| (6) Cash and equivalents at end of period | 8,075 | 4,151 | -3,923 | |

2. Fiscal 2006 forecasts—consolidated statements of income

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

| | Fiscal 2005 | | | Fiscal 2006 Forecasts | | | Remarks |
|--|-------------|------------|-------|-----------------------|------------|---------|---------|
| | | % of total | YoY | | % of total | YoY | |
| Net sales | 155,703 | 100.0 | 10.9 | 165,000 | 100.0 | 6.0 | |
| Cost of sales | 137,279 | 88.2 | 11.2 | 145,000 | 87.9 | 5.6 | |
| Gross profit | 18,423 | 11.8 | 8.2 | 20,000 | 12.1 | 8.6 | |
| SG&A expenses | 14,953 | 9.6 | 6.3 | 16,550 | 10.0 | 10.7 | |
| Personnel costs | 4,819 | 3.1 | 12.7 | 5,341 | 3.2 | 10.8 | |
| Contract personnel costs | 1,060 | 0.7 | 14.1 | 1,410 | 0.9 | 33.1 | |
| Depreciation and amortization | 408 | 0.3 | -20.8 | 475 | 0.3 | 16.6 | |
| Operating profit | 3,470 | 2.2 | 17.0 | 3,450 | 2.1 | -0.6 | |
| Non-operating income | 321 | 0.2 | 219.5 | 400 | 0.2 | 24.4 | |
| Interest and dividends received | 17 | 0.0 | 63.4 | 20 | 0.0 | 13.4 | |
| Other | 303 | 0.2 | 238.3 | 380 | 0.2 | 25.0 | |
| Non-operating expenses | 5 | 0.0 | -86.3 | 50 | 0.0 | 887.8 | |
| Interest paid | 0 | 0.0 | -63.9 | 36 | 0.0 | 5,278.6 | |
| Other | 4 | 0.0 | -87.5 | 14 | 0.0 | 218.7 | |
| Recurring profit | 3,786 | 2.4 | 24.9 | 3,800 | 2.3 | 0.4 | |
| Extraordinary gains | 73 | 0.0 | 23.4 | 10 | 0.0 | -86.4 | |
| Extraordinary losses | 60 | 0.0 | -64.0 | 10 | 0.0 | -83.6 | |
| Net profit before income taxes | 3,799 | 2.4 | 30.1 | 3,800 | 2.3 | 0.0 | |
| Income taxes | 1,528 | 1.0 | 16.6 | 1,399 | 0.8 | -8.4 | |
| Minority interests | — | — | — | 0 | 0.0 | — | |
| Net income | 2,270 | 1.5 | 43.6 | 2,400 | 1.5 | 5.7 | |
| Earnings per share (¥) | 188.97 | — | 43.7 | 199.75 | — | 5.7 | |
| Average number of shares during period | 12,016,468 | | | 12,015,245 | | | |
| Number of employees at end of period | 607 | — | 7.2 | 761 | — | 25.5 | |
| Capital expenditures | 590 | — | 175.0 | 800 | — | 35.4 | |

Note: The number of employees includes employees temporarily transferred from other companies and contract employees, but does not include employees transferred to other companies

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.

2. Fiscal 2006 consolidated forecasts

1. Sales forecasts by business segment

(¥ million, %; rounded down)

| Segment | Period | Fiscal 2006 First Half | | Fiscal 2005 | | Fiscal 2006 Forecasts | | | Remarks | | |
|------------------------|--------|------------------------|------------|-------------|---------|-----------------------|-------|---------|---------|------------|-----|
| | | | % of total | YoY | | % of total | YoY | | | % of total | YoY |
| Toy business | | 25,581 | 37.5 | 1.3 | 58,724 | 37.7 | 12.8 | 59,000 | 35.8 | 4.7 | |
| Video-related business | | 21,765 | 31.9 | -12.9 | 52,266 | 33.6 | 15.0 | 44,000 | 26.7 | -15.8 | |
| Video game business | | 14,463 | 21.2 | 73.9 | 32,469 | 20.8 | 13.1 | 48,000 | 29.1 | 47.8 | |
| Amusement business | | 3,362 | 4.9 | 16.9 | 5,904 | 3.8 | -6.6 | 7,000 | 4.2 | 18.6 | |
| Other business | | 2,967 | 4.4 | -5.6 | 6,337 | 4.1 | -20.0 | 7,000 | 4.2 | 10.5 | |
| Total | | 68,140 | 100.0 | 5.5 | 155,703 | 100.0 | 10.9 | 165,000 | 100.0 | 6.0 | |

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.

3. Main group companies (reference)

(¥ million, %)

| | Mori Toys Co., Ltd. | | | | | | | |
|------------------|---------------------------------------|-----|------------------------|------|-------------|-------|-----------------------|------|
| | Fiscal 2005 First Half (Reference) | | Fiscal 2006 First Half | | Fiscal 2005 | | Fiscal 2006 Forecasts | |
| | | YoY | | YoY | | YoY | | YoY |
| Net sales | 5,148 | | 9,567 | 85.8 | 14,565 | 9.0 | 24,000 | 64.8 |
| Recurring profit | -17 | | 106 | - | 292 | 119.2 | 350 | 19.8 |
| Net profit | -17 | | 99 | - | 303 | - | 340 | 12.2 |

Notes: 1. Happinet Corporation acquired an interest in Mori Toys Co., Ltd. on June 19, 2006, making it a subsidiary.

2. Financial results in Fiscal 2005 First Half were not audited.

(¥ million, %)

| | Happinet Logistics Service Corporation | | | | | | | |
|------------------|--|------|------------------------|-----|-------------|-----|-----------------------|------|
| | Fiscal 2005 First Half | | Fiscal 2006 First Half | | Fiscal 2005 | | Fiscal 2006 Forecasts | |
| | | YoY | | YoY | | YoY | | YoY |
| Net sales | 2,216 | -5.8 | 2,431 | 9.7 | 5,083 | 2.2 | 5,000 | -1.6 |
| Recurring profit | -13 | - | 16 | - | -23 | - | 40 | - |
| Net profit | -7 | - | 9 | - | -14 | - | 24 | - |

(¥ million, %)

| | Happinet Online Corporation | | | | | | | |
|------------------|-----------------------------|------|------------------------|------|-------------|------|-----------------------|------|
| | Fiscal 2005 First Half | | Fiscal 2006 First Half | | Fiscal 2005 | | Fiscal 2006 Forecasts | |
| | | YoY | | YoY | | YoY | | YoY |
| Net sales | 725 | 55.3 | 1,031 | 42.2 | 1,987 | 68.4 | 3,000 | 50.9 |
| Recurring profit | -51 | - | -44 | - | -71 | - | 30 | - |
| Net profit | -43 | - | -44 | - | -64 | - | 30 | - |

Note: e-Shopping! Toys Corporation changed its name to Happinet Online Corporation on July 1, 2006.

(¥ million, %)

| | Happinet AM Service Corporation | | | | | | | |
|------------------|---------------------------------|--------|------------------------|-------|-------------|----------|-----------------------|-------|
| | Fiscal 2005 First Half | | Fiscal 2006 First Half | | Fiscal 2005 | | Fiscal 2006 Forecasts | |
| | | YoY | | YoY | | YoY | | YoY |
| Net sales | 626 | 29.6 | 1,081 | 72.7 | 1,486 | 56.1 | 1,200 | -19.3 |
| Recurring profit | 29 | 898.3 | 83 | 179.9 | 53 | 15,290.0 | 100 | 86.1 |
| Net profit | 29 | 1286.5 | 66 | 123.9 | 53 | 5,838.0 | 70 | 31.2 |

Note: Happinet AM Service West Corporation changed its name to Happinet AM Service Corporation on April 1, 2006.

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