



HAPPINET CORPORATION

Stock Listing :Tokyo Stock Exchange

Code Number :7552

Fiscal Year 2011 Results Briefing

May 21, 2012



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FY2011 Results Summary

Kazuhiko Note
President and COO

FY2011 Results Summary

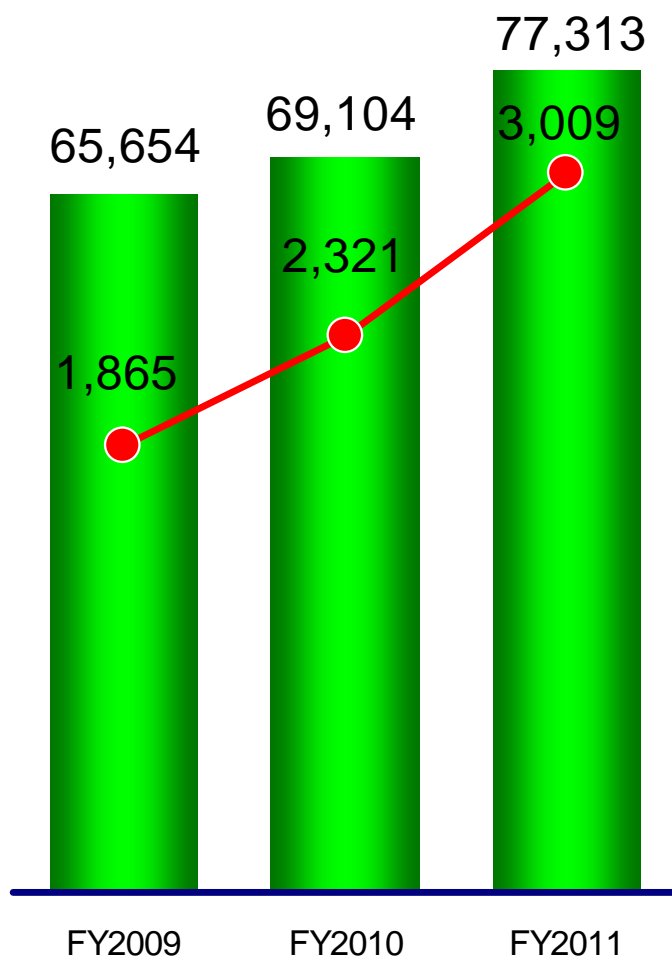


(¥ millions; rounded down, %)

	FY2010	FY2011	YOY
Net sales	190,891	198,021	3.7%
Operating income	2,855	4,855	70.0%
Ordinary income	3,013	5,032	67.0%
Net income	1,376	2,458	78.6%

Toy Business

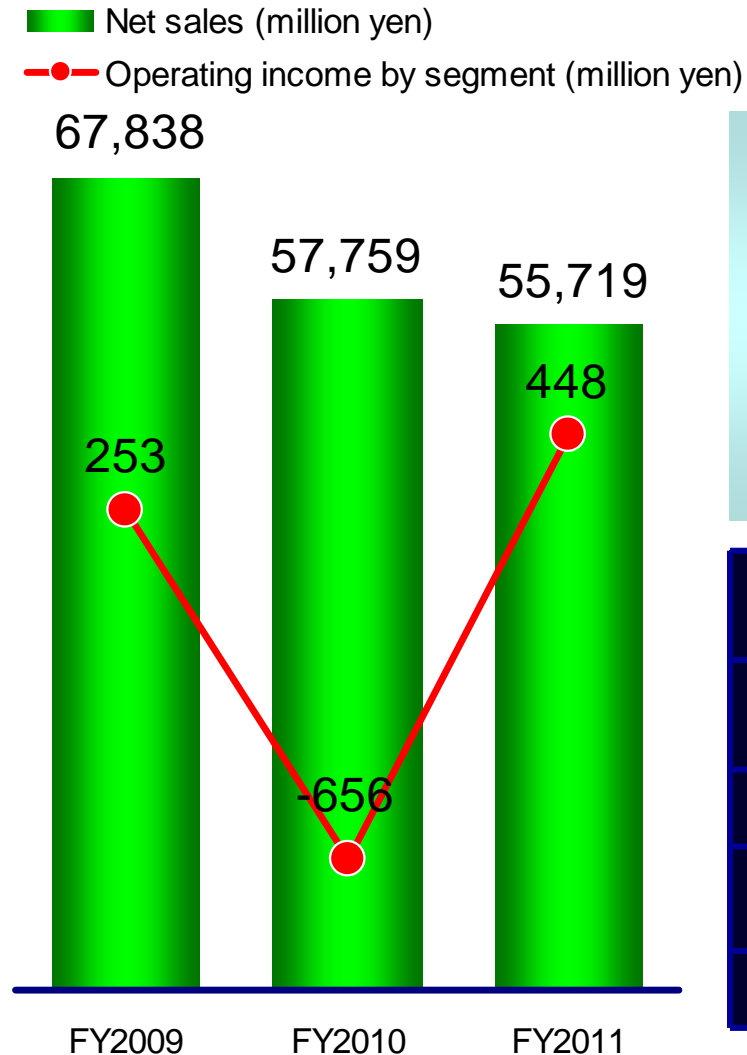
■ Net sales (million yen)
● Operating income by segment (million yen)



The market drivers were character products for both boys and girls, including toys featuring *Kamen Rider Fourze*, *Kaizoku Sentai Gokaiger* and *Tamagotchi*. Both net sales and operating income by segment remained healthy.

	FY2009	FY2010	FY2011
Operating income by segment	1.8 billion yen	2.3 billion yen	3.0 billion yen
Clearance amounts	1.1 billion yen	1.1 billion yen	1.3 billion yen
Inventory amounts	2.1 billion yen	2.2 billion yen	2.3 billion yen
Inventory turnover rate	22.7	31.3	33.6

Visual and Music Business

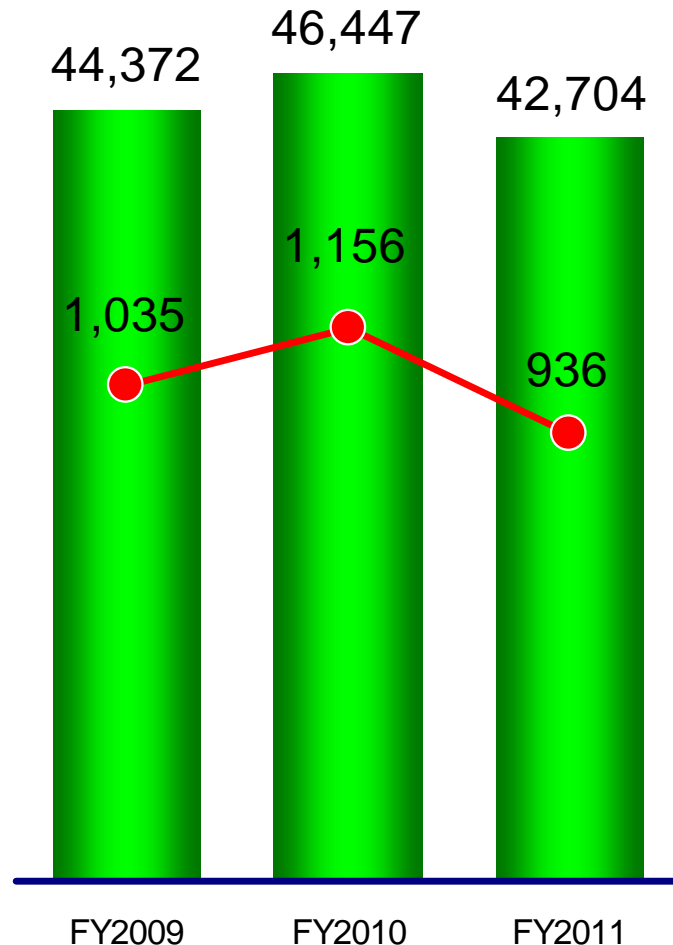


The segment achieved brisk income as a result of promoting Business Structural Reform, although the Group is struggling due to the stagnating package market amid growth in online content distribution.

	1st half of FY2011	FY2011
Operating income by segment	0.3 billion yen	0.4 billion yen
Rejection rate	6.8%	6.2%
Inventory amounts	2.1 billion yen	1.8 billion yen
Inventory turnover rate	22.3	24.6

Video-Game Business

■ Net sales (million yen)
●— Operating income by segment (million yen)



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

Nintendo 3DS



Released on Feb. 26, 2011
Price lowered on Aug. 11, 2011 (¥25,000 → ¥15,000)

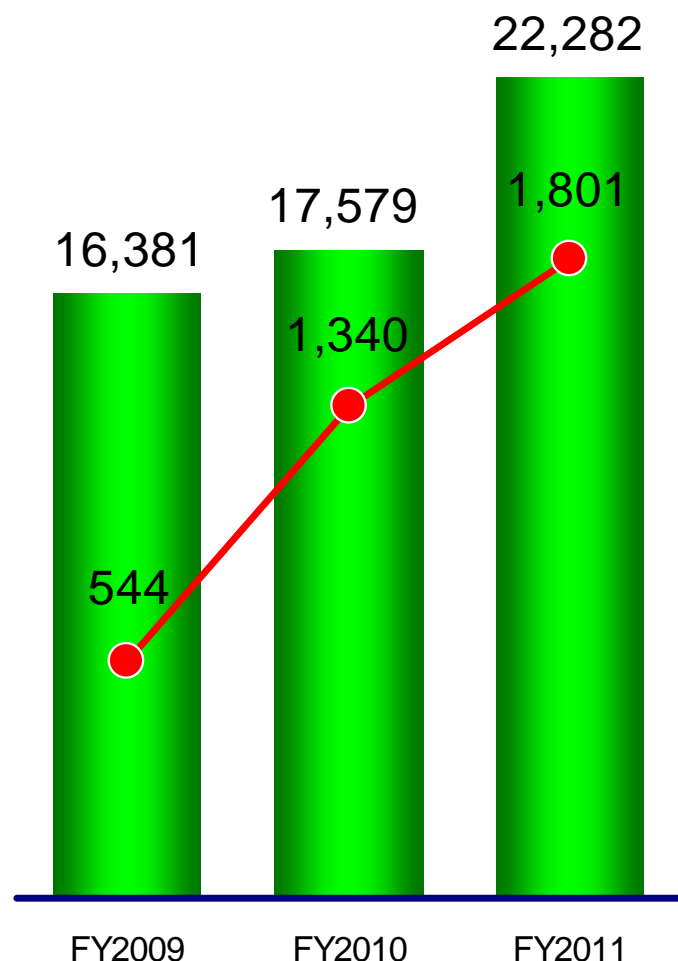
PlayStation Vita



Released on Dec. 17, 2011

Amusement Business

■ Net sales (million yen)
—●— Operating income by segment (million yen)



Both net sales and operating income by segment were solid due to hit character products for boys, namely capsule toys from vending machines, including those featuring *Kamen Rider Fourze*, *One Piece* and *Kaizoku Sentai Gokaiger*, in addition to effects of Business Structural Reform.

	FY2009	FY2010	FY2011
Operating income by segment	0.5 billion yen	1.3 billion yen	1.8 billion yen
Fixed cost productivity	116%	146%	152%
Inventory amounts	0.9 billion yen	1.1 billion yen	1.4 billion yen
Inventory turnover rate	12.6	16.6	17.3

FY2011 Financial Results

Hideo Asatsu
Board Director, CFO

Change of business results



Fiscal period		FY2007	FY2008	FY2009	FY2010	FY2011
Net sales	¥million	168,958	166,778	194,246	190,891	198,021
Operating income	¥million	1,451	2,137	2,327	2,855	4,855
Ordinary income	¥million	1,569	2,322	2,513	3,013	5,032
Net income	¥million	-1,490	1,135	1,179	1,376	2,458
Comprehensive income	¥million	—	—	—	1,179	2,402
Net assets	¥million	18,811	18,184	18,962	19,802	21,795
Total assets	¥million	48,486	54,661	49,050	48,507	54,323
Book Value per share	¥	1,566.17	1,599.08	1,692.76	1,767.34	972.13
Net income per share	¥	-124.11	97.64	104.60	122.56	109.73
Dividends per share (Interim dividends)	¥	40.00 (25.00)	30.00 (15.00)	30.00 (15.00)	30.00 (15.00)	38.75 (22.5)
No. of employees	people	890	1,008	945	923	916

FY2007: ¥10
FY2011: ¥5
Including
a memorial
dividend

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

2. Happinet Corporation acquired shares of Sunlink Co., Ltd. and The Apple Corporation on November 30, 2007, making it a subsidiary.

3. Happinet Corporation established Happinet Marketing Corporation as a wholly owned subsidiary effective February 1, 2008.

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

5. The visual and music business of Happinet Corporation are transferred to WINT CORPORATION, and which is renamed Happinet Pictures and Music Corporation on April 1, 2011.

6. 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 FY2011 (1) Profit & loss statement



(¥ millions; rounded down,%)

	FY2010			FY2011		
		% of total	YoY		% of total	YoY
Net sales	190,891	100.0	-1.7	198,021	100.0	3.7
Cost of sales*	168,564	88.3	-1.9	173,013	87.4	2.6
Gross profit	22,326	11.7	-0.6	25,007	12.6	12.0
SG&A expenses	19,471	10.2	-3.3	20,151	10.2	3.5
personnel	6,921	3.6	-1.3	7,001	3.5	1.1
Contract personnel costs	1,632	0.9	-2.2	1,526	0.8	-6.5
Depreciation & amortization	781	0.4	-5.3	688	0.3	-11.9
Depreciation & amortization of goodwill	445	0.2	-0.2	337	0.2	-24.3
Operating income	2,855	1.5	22.7	4,855	2.5	70.0
Non-operating income	190	0.1	-30.9	186	0.1	-2.2
interest and dividends income	43	0.0	-17.3	28	0.0	-34.5
Other	147	0.1	-33.8	157	0.1	7.2
Non-operating expenses	33	0.0	-62.9	9	0.0	-72.7
interest expenses	19	0.0	-65.5	5	0.0	-71.8
Other	13	0.0	-60.6	3	0.0	-74.0
Ordinary income	3,013	1.6	19.9	5,032	2.5	67.0
Extraordinary income	148	0.1	7.2	3	0.0	-97.5
Extraordinary loss	341	0.2	-40.8	724	0.4	112.5
Income before income taxes and minority interests	2,820	1.5	36.0	4,311	2.2	52.9
Income taxes	1,443	0.8	61.2	1,852	0.9	28.3
Income before minority interests	1,376	0.7	—	2,458	1.2	78.7
Minority interests in income (loss)	-0	-0.0	-1.7	0	0.0	0.0
Net income	1,376	0.7	16.7	2,458	1.2	78.6
*including stock clearances of ¥2,191m in FY2011, ¥2,532m in FY2010.						
Net income per share (¥)	122.56	—	—	109.73	—	79.1
NO. of employees at end of period (people)	923	—	-2.3	916	—	-0.8
*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.						
Capital expenditures	471	—	-27.4	174	—	-63.1

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; rounded down,%)

Segment	Period	FY2009		FY2010		FY2011				
			% of total	YoY		% of total	YoY	% of total	YoY	
Toy business		65,654	33.8	6.2	69,104	36.2	5.3	77,313	39.0	11.9
Visual and Music business		67,838	34.9	85.5	57,759	30.3	-14.9	55,719	28.1	-3.5
Video-game business		44,372	22.9	-12.1	46,447	24.3	4.7	42,704	21.6	-8.1
Amusement business		16,381	8.4	-8.6	17,579	9.2	7.3	22,282	11.3	26.8
Total		194,246	100.0	16.5	190,891	100.0	-1.7	198,021	100.0	3.7

■ Segment income

(¥ millions; rounded down,%)

Segment	Period	FY2009		FY2010		FY2011	
			YoY		YoY		YoY
Toy business		1,865	87.2	2,321	24.4	3,009	29.6
Visual and Music business		253	-81.0	-656	-359.0	448	—
Video-game business		1,035	-15.2	1,156	11.7	936	-19.0
Amusement business		544	—	1,340	146.4	1,801	34.3
Eliminations and corporate		-1,371	—	-1,307	—	-1,341	—
Total		2,327	8.9	2,855	22.7	4,855	70.0

② Change of sales by channel

(¥ billions; rounded down,%)

Segment	Period	FY2009			FY2010			FY2011		
			% of total	YoY		% of total	YoY		% of total	YoY
Specialty stores*		63.9	32.9	15.6	65.3	34.2	2.3	62.5	31.6	-4.2
General Merchandise store		35.6	18.4	32.1	36.7	19.3	3.1	40.3	20.4	9.7
Convenience stores		21.5	11.1	53.0	21.3	11.2	-1.2	26.3	13.3	23.4
E-commerce		22.2	11.5	-22.9	24.1	12.7	8.5	25.0	12.7	3.8
Suburban stores		19.3	9.9	112.9	18.5	9.7	-4.2	19.3	9.7	4.3
Wholesalers		21.5	11.1	26.6	15.4	8.1	-28.4	15.2	7.7	-1.6
Department stores		1.6	0.9	3.8	1.3	0.7	-18.3	1.2	0.6	-9.0
Other		8.2	4.2	-40.2	7.9	4.1	-3.9	7.9	4.0	-0.2
Total		194.2	100.0	16.5	190.8	100.0	-1.7	198.0	100.0	3.7

* Including consumer electronics and camera stores.

* We made some minor alterations to the figure of FY2009.

③ Main business summary

■ Toy business

(¥ billions; rounded down,%)

Manufacturer	Period	FY2009		FY2010		FY2011				
			% of total	YoY		% of total	YoY	% of total	YoY	
Bandai Co., Ltd		35.0	53.3	—	37.4	54.2	7.0	42.3	54.8	13.1
Tomy Co., Ltd		8.5	13.1	—	7.0	10.2	-18.2	6.3	8.1	-10.2
Happinet originals		1.4	2.2	—	1.4	2.1	1.5	2.2	2.9	53.7
Other manufacturers		20.6	31.4	—	23.1	33.5	12.3	26.4	34.2	14.1
Total		65.6	100.0	—	69.1	100.0	5.3	77.3	100.0	11.9

We omit YoY rate ,because We reviewed a segment from FY 2009 period.

■ Visual and Music business

(¥ billions; rounded down,%)

Division	Period	FY2009		FY2010		FY2011				
			% of total	YoY		% of total	YoY	% of total	YoY	
Wholesale		36.8	54.3	26.7	34.4	59.6	-6.6	33.6	60.4	-2.2
	Exclusive titles	5.7	8.5	-23.2	5.8	10.2	2.8	5.9	10.7	1.0
Visual		42.5	62.8	16.5	40.3	69.8	-5.3	39.6	71.1	-1.8
Music		25.2	37.2	—	17.4	30.2	-30.9	16.1	28.9	-7.6
Total		67.8	100.0	85.5	57.7	100.0	-14.9	55.7	100.0	-3.5

Consolidated results for FY2011 (1) Profit & loss statement



■ Sales of video game platform

(¥ billions; rounded down,%)

Platform	Period	FY2009		FY2010		FY2011				
		% of total	YoY	% of total	YoY	% of total	YoY			
PlayStation3 (PS3)		6.0	13.6	57.4	5.5	12.0	-7.8	6.7	15.9	22.3
PlayStation2 (PS2)		0.9	2.2	-67.1	0.4	1.0	-50.6	0.0	0.1	-89.1
PlayStation Portable (PSP)		8.0	18.2	-21.7	11.6	25.1	44.0	10.3	24.2	-11.2
PlayStation Vita (PSVita)		—	—	—	—	—	—	1.9	4.5	—
Wii		6.4	14.5	50.0	4.7	10.2	-26.6	3.2	7.7	-30.2
Nintendo 3DS		—	—	—	2.4	5.2	—	8.7	20.6	262.0
Nintendo DS		10.3	23.2	7.1	7.5	16.2	-26.9	1.6	3.9	-78.0
Other		12.5	28.3	-35.4	14.0	30.3	12.3	9.8	23.1	-30.0
Total		44.3	100.0	-12.1	46.4	100.0	4.7	42.7	100.0	-8.1

■ Breakdown of Play Station sales and sales volume

(¥ billions; rounded down,%)

Item	Period	FY2009		FY2010		FY2011				
		% of total	YoY	% of total	YoY	% of total	YoY			
PS3	console	2.9	21.2	74.6	2.4	14.4	-17.0	1.4	7.6	-41.4
	units (ten-thousand)	9			8			5		
	game	2.8	20.3	40.4	2.7	15.8	-5.1	5.1	27.0	89.5
	accessories	0.1	1.2	132.1	0.3	2.1	108.6	0.1	1.0	-49.2
PSP	console	3.1	22.6	-46.5	3.0	17.6	-5.0	2.8	15.1	-5.0
	units (ten-thousand)	18			18			18		
	game	4.7	33.4	16.5	8.4	48.9	78.8	7.2	38.2	-13.3
	accessories	0.1	1.3	-42.0	0.2	1.2	5.8	0.1	0.9	-19.0
PSVita	console	—	—	—	—	—	—	1.3	6.8	—
	units (ten-thousand)	(—)			(—)			5		
	game	—	—	—	—	—	—	0.3	1.8	—
	accessories	—	—	—	—	—	—	0.2	1.6	—

Consolidated results for FY2011 (2)Balance sheet



(¥ millions; rounded down,%)

	FY2010	FY2011	
			Change
(Assets)			
Cash and deposits	8,220	12,359	4,138
Notes and accounts receivable-trade	23,206	26,755	3,548
Merchandise	6,436	6,168	-267
Advance payments-trade	1,016	634	-381
Deferred tax assets	939	926	-13
Other	1,296	1,493	197
Allowance for doubtful accounts	-76	-69	7
Current assets	41,039	48,269	7,230
Property, plant and equipment	1,555	1,392	-162
Buildings and structures	463	408	-54
Land	633	617	-16
Other	458	365	-92
Intangible assets	3,132	1,715	-1,417
Goodwill	876	539	-337
Other	2,255	1,176	-1,079
Investments and other assets	2,780	2,946	165
Investment securities	1,548	1,419	-128
Long-term prepaid expenses	5	5	0
Guarantee deposits	663	678	14
Deferred tax assets	416	711	294
Other	321	304	-17
Allowance for doubtful accounts	-175	-173	1
Noncurrent assets	7,468	6,054	-1,414
Total assets	48,507	54,323	5,815

Consolidated results for FY2011 (2)Balance sheet



(¥ millions; rounded down,%)

	FY2010	FY2011	Change
(Liabilities)			
Notes and accounts payable-trade	20,204	23,042	2,838
Accounts payable-other	3,225	3,351	125
Income taxes payable	1,038	1,605	567
Provision for bonuses	314	472	158
Other	1,054	1,145	90
Current liabilities	25,837	29,617	3,780
Provision for retirement benefits	1,630	1,780	149
Long-term guarantee deposited	1,034	1,008	-25
Deferred tax liabilities	5	3	-2
Negative goodwill	51	19	-32
Other	144	96	-48
Noncurrent liabilities	2,867	2,909	42
Total liabilities	28,704	32,527	3,822
(Net assets)			
Capital stock	2,751	2,751	—
Capital surplus	2,775	2,775	—
Retained earnings	15,175	17,213	2,038
Treasury share	-1,091	-1,091	-0
Total shareholder's equity	19,611	21,649	2,037
Valuation difference on available-for-sale securities	185	128	-56
Deferred gains or losses on hedges	0	0	-0
Total accumulated other comprehensive income	185	128	-56
Subscription rights to shares	5	17	11
Minority interests	0	1	0
Total Net assets	19,802	21,795	1,993
total liabilities and Net assets	48,507	54,323	5,815
Net assets per share (¥)	1,767.34	972.13	—

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

Consolidated results for FY2011 (3) Cash-flow statement



(¥ millions; rounded down,%)

	FY2010	FY2011	
			Change
Net cash provided by (used in) operating activities	5,083	4,609	-473
Income before income taxes and minority interests	2,820	4,311	1,491
Depreciation and amortization	781	688	-92
Impairment loss	9	669	660
Decrease (increase) in notes and accounts receivable-trade	-296	-3,551	-3,254
Decrease (increase) in inventories	314	267	-46
Increase (decrease) in notes and accounts payable-trade	371	2,838	2,466
Decrease (increase) in accounts receivable-other	-69	-174	-104
Increase (decrease) in accounts payable-other	586	86	-499
Other	1,141	973	-168
Income taxes paid	-574	-1,499	-924
Net cash provided by (used in) investing activities	-315	-50	265
Purchase of property, plant and equipment and intangible assets	-440	-119	320
Proceeds from sales of property, plant and equipment	8	30	21
Purchase of investment securities	-195	-8	187
Proceeds from sales of investment securities	341	3	-337
Other	-29	43	73
Net cash provided by (used in) financing activities	-2,852	-421	2,430
Cash dividends paid	-338	-419	-81
Proceeds from sales of treasury stock	102	—	-102
Purchase of treasury stock	-109	-0	109
Other	-2,506	-1	2,504
Effect of exchange rate change on cash and cash equivalents	-7	1	8
Net increase (decrease) in cash and cash equivalents	1,907	4,138	2,230
Cash and cash equivalents at beginning of period	6,312	8,220	1,907
Cash and cash equivalents at end of period	8,220	12,359	4,138

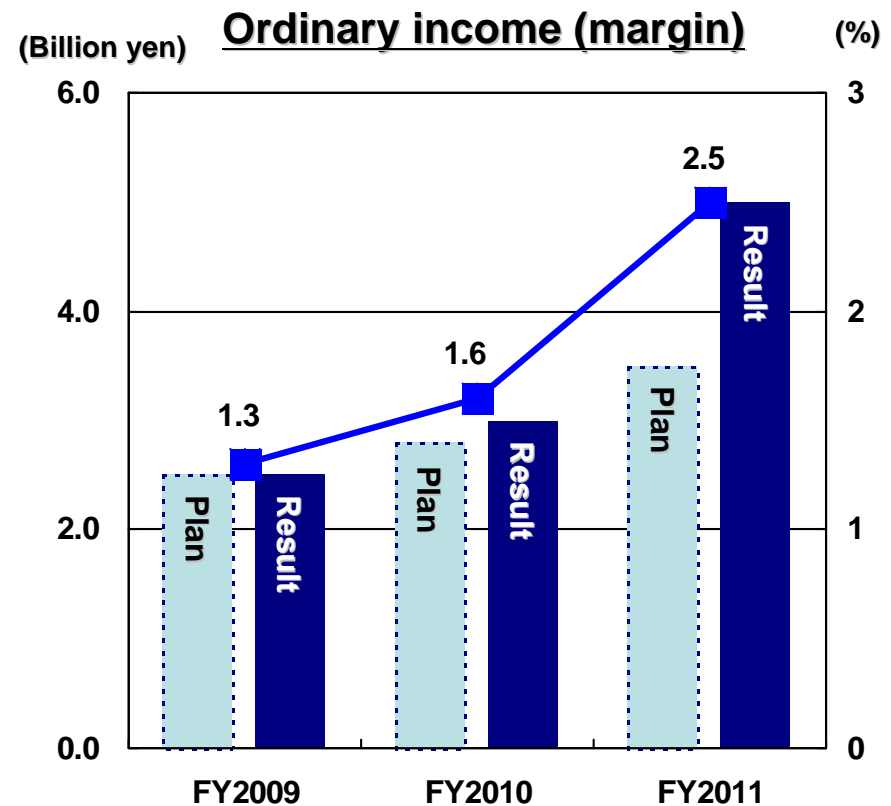
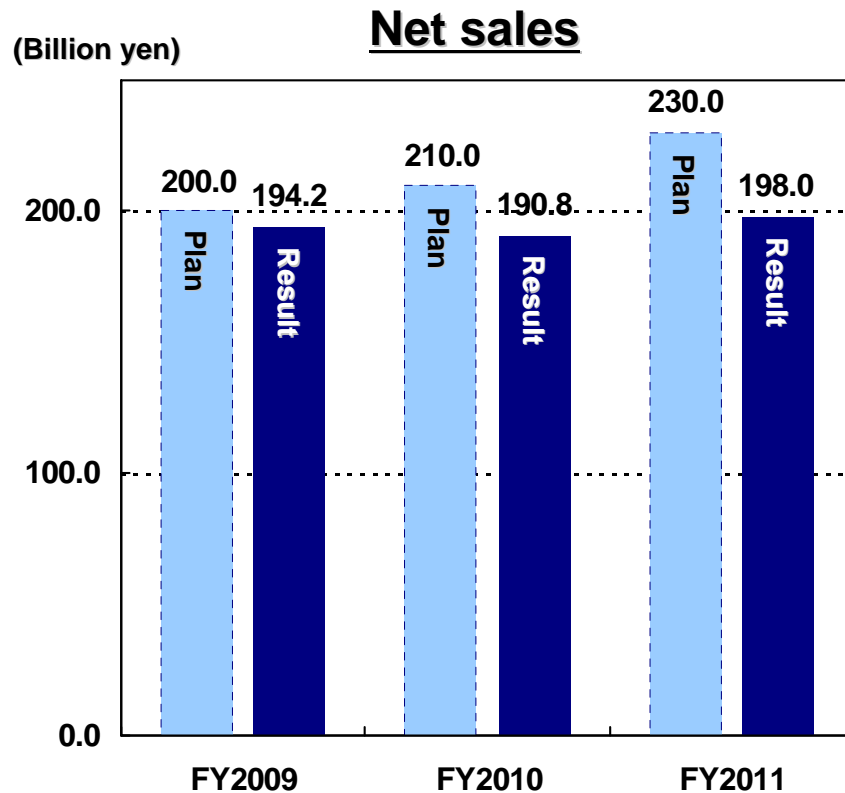
Review of the Fifth Medium-Term Management Plan

(April 1, 2009 - March 31, 2012)

Kazuhiko Note
President and COO

Strengthen the foundations as a comprehensive entertainment trading company

- Highest priority issue ■ Promote profit structural reform
- While the ordinary income margin target was 1.5%,
achieved 2.5%, far exceeding the target.



Succeeded in making a great change to the profitability structure

Sixth Medium-Term Management Plan

(April 1,2012 – March 31,2015)

Kazuhiko Note
President and COO

CAP14

Change And Partnership

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

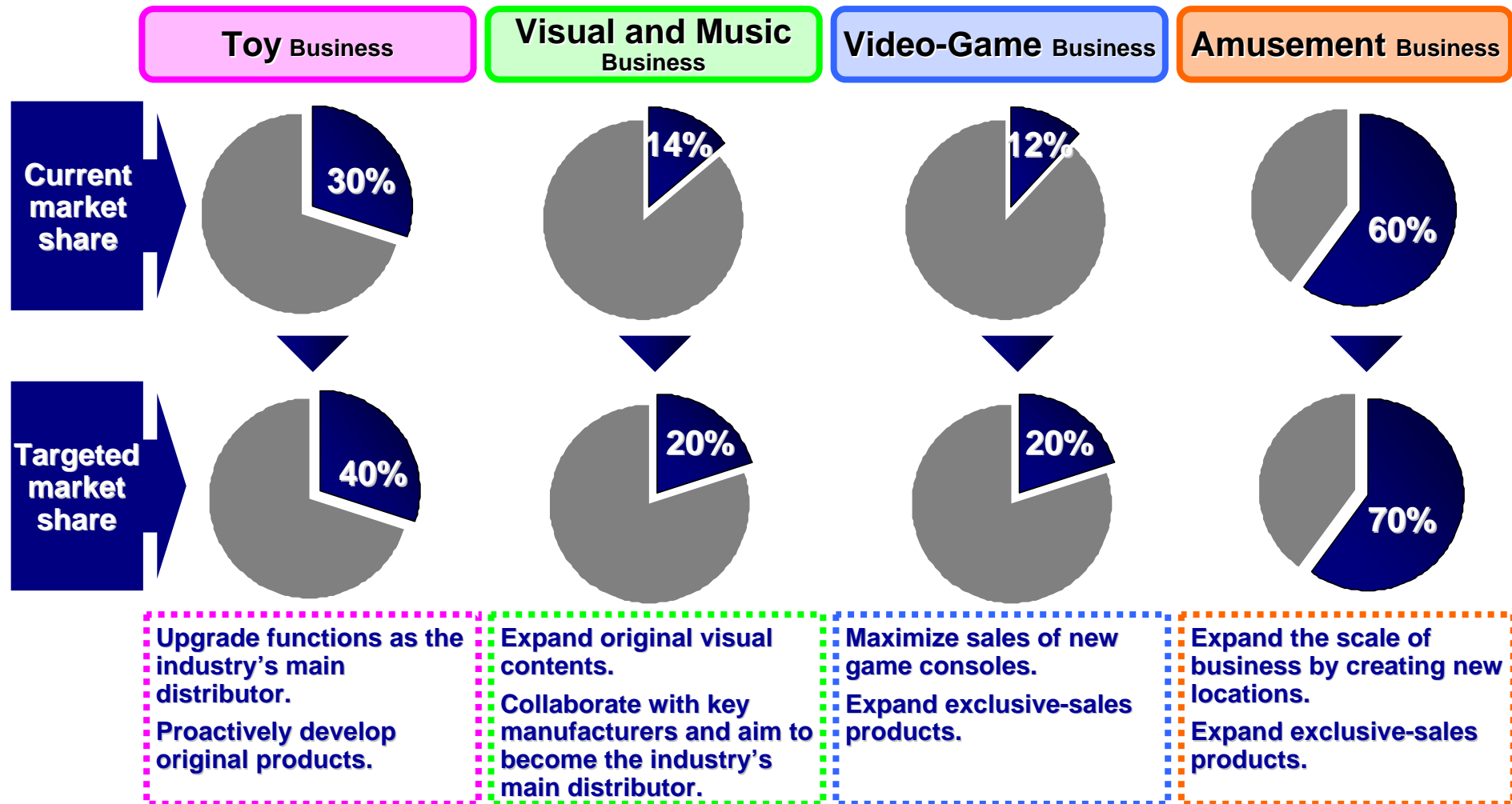
- ▶ **Sustainable growth of existing businesses**
- ▶ **Venture into new business domains**
- ▶ **Strengthen and establish distributing functions**

Sixth Medium-Term Management Plan

► Sustainable growth of existing businesses

* Market share data are from the Company's own research

Further growth in existing businesses as an intermediate distributor



▶ Venture into new business domains

Grow further by aiming to enter new business domains

– Specific measures –

- Expanding “Happinet originals”
- Proactively enter new business fields, including the digital entertainment field (e.g., social game market)

Social games: We plan to release five games by the end of the first half of FY2012

- Expand into surrounding business fields

Sales targets: Original products and exclusive-sales products

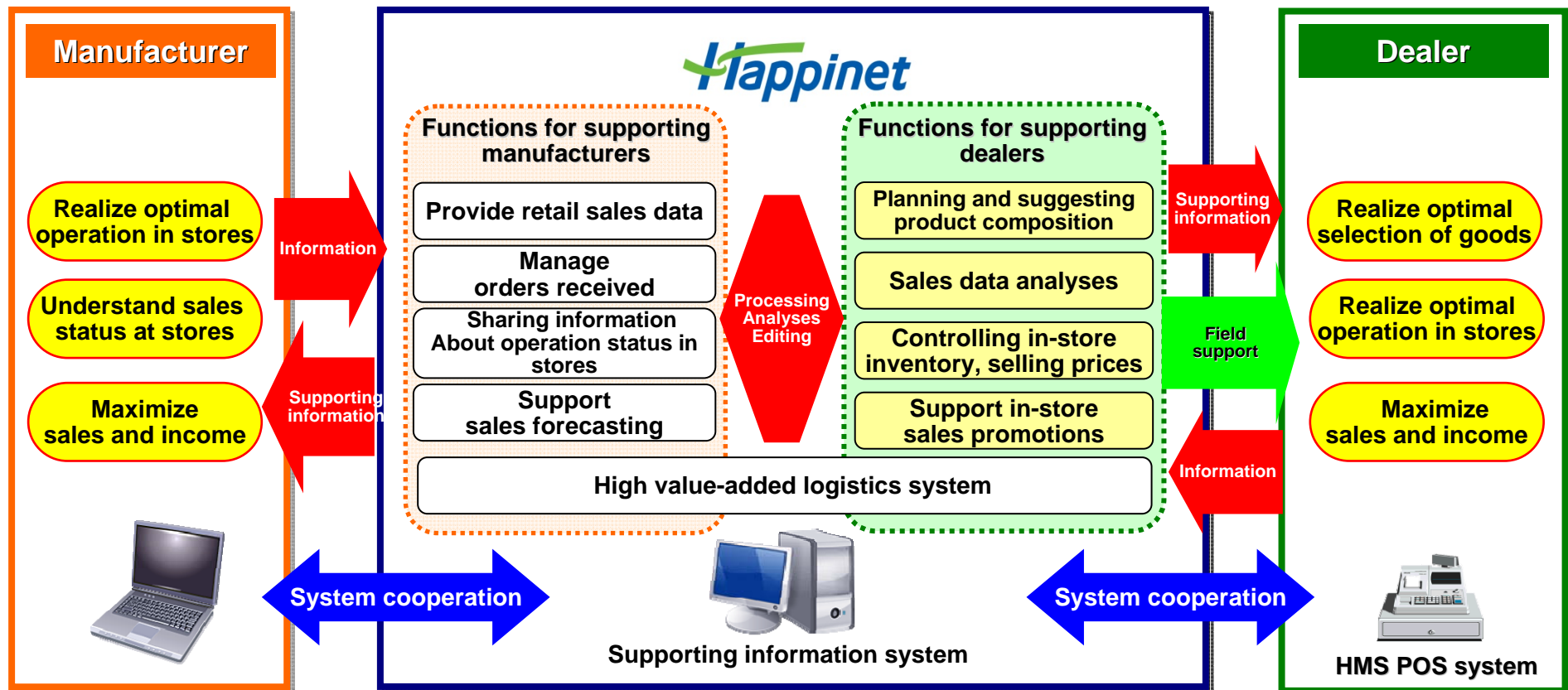
	Toy Business	Visual and Music Business	Video-Game Business	Amusement Business	Total
FY2011 results	¥3.0 billion	¥6.0 billion	¥3.0 billion	¥0.0 billion	¥12.0 billion
	▼	▼	▼	▼	▼
FY2014 targets	¥5.0 billion	¥14.0 billion	¥5.0 billion	¥1.0 billion	¥25.0 billion

Sixth Medium-Term Management Plan

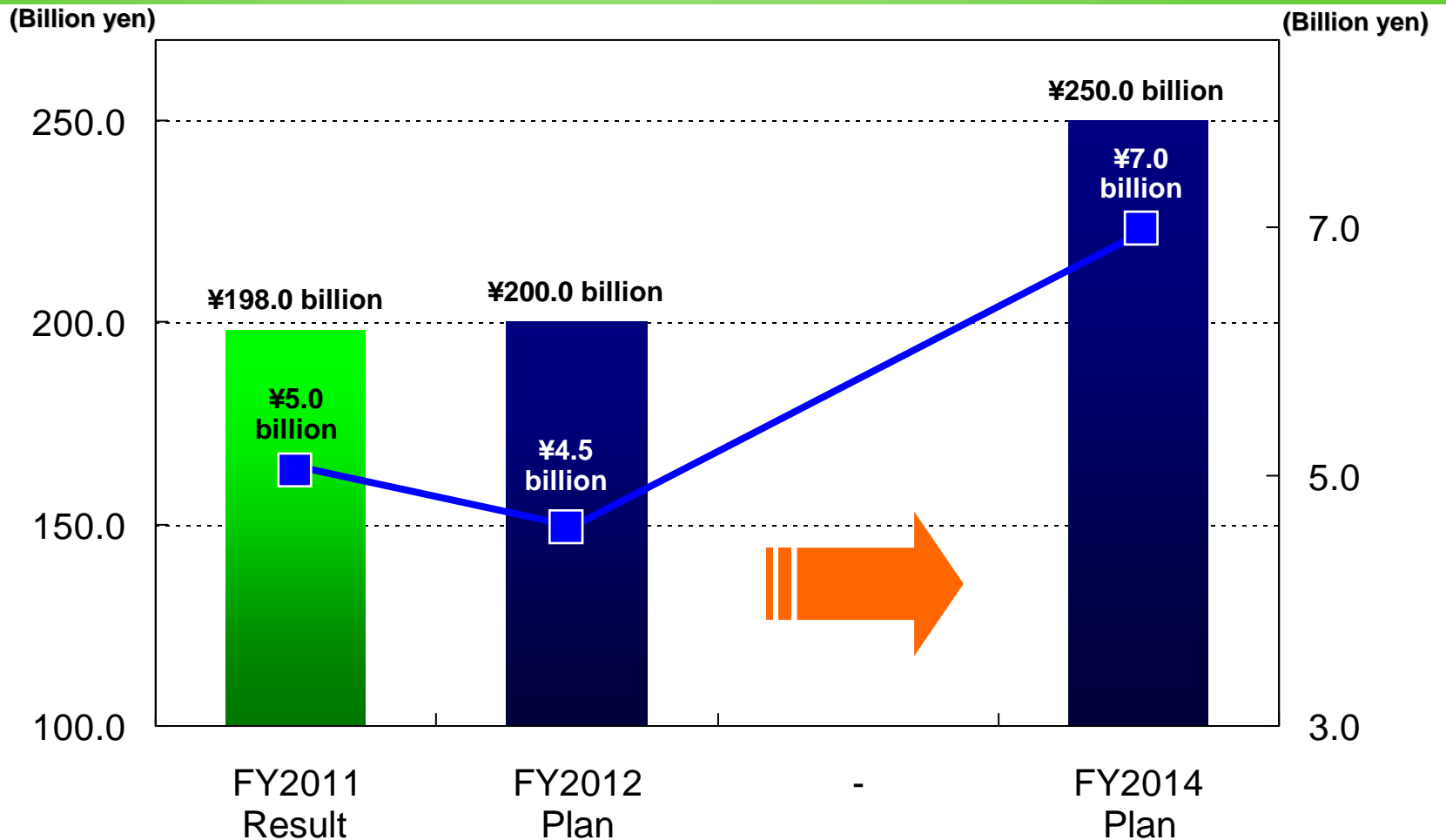
► Strengthen and establish distributing functions

Upgrade system functions and create functions for sustainable long-term growth, such as by expanding existing businesses and entering new businesses

Start developing a advanced support system that links manufacturers and dealers



Sixth Medium-Term Management Plan



Ordinary income margin	FY2011 Result	FY2012 Plan	FY2014 Plan
	2.5%	2.3%	2.8%

FY2014 targets: Net sales at ¥250.0 billion
Ordinary income at ¥7.0 billion

FY2012 Full-Year Projection

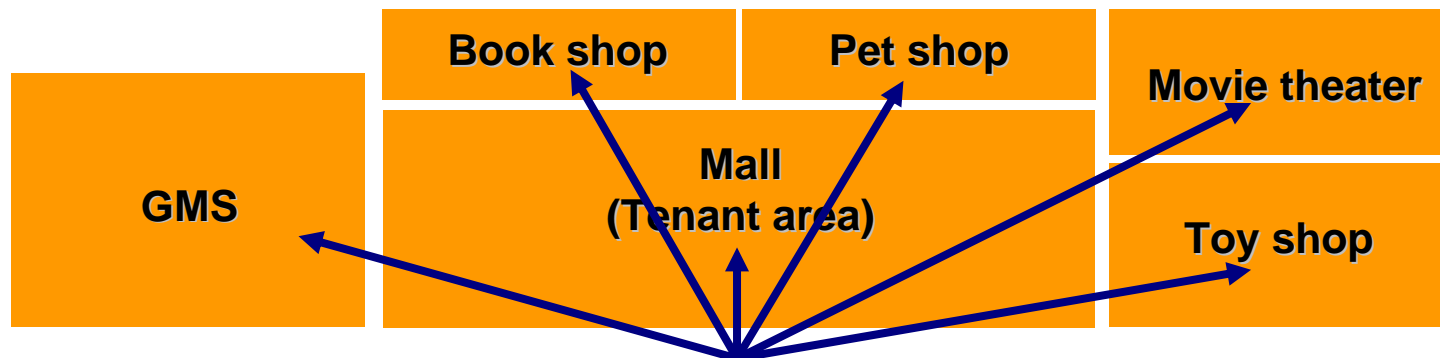
Kazuhiko Note
President and COO

Major business operation investments in FY2012 (including costs)

Amusement business <ul style="list-style-type: none"> • Cost of purchasing and installing toy vending machines and card game machines • Cost of upgrading card game machines 	¥1.4 billion (FY2011: ¥0.8 billion)
Development of new main system	¥0.37 billion

Amusement Business

An example of a one-stop operation at a large-scale shopping center



Install machines on sales floors that provide sales opportunities and conduct an efficient one-stop operation

Aim to increase market share through aggressive investments and business development

FY2012 Full-Year Projection



(¥ millions; rounded down,%)

	FY2011	FY2012 projection	YOY
Net sales	198,021	200,000	1.0%
Operating income	4,855	4,300	-11.4%
Ordinary income	5,032	4,500	-10.6%
Net income	2,458	2,500	1.7%

FY2012 Full-Year Projection



■ Sales projection by business segment

(¥ millions; rounded down,%)

Segment	Period	FY2011			FY2012		
			% of total	YoY		% of total	YoY
Toy business		77,313	39.0%	11.9%	78,000	39.0%	0.9%
Visual and Music business		55,719	28.1%	-3.5%	55,000	27.5%	-1.3%
Video-Game business		42,704	21.6%	-8.1%	43,000	21.5%	0.7%
Amusement business		22,282	11.3%	26.8%	24,000	12.0%	7.2%
Total		198,021	100.0%	3.7%	200,000	100.0%	1.0%

■ Income projection by business segment

(¥ millions; rounded down,%)

Segment	Period	FY2011			FY2012		
			% of total	YoY		% of total	YoY
Toy business		3,009	62.0%	29.6%	2,900	67.4%	-3.6%
Visual and Music business		448	9.2%	-	450	10.5%	0.4%
Video-Game business		936	19.3%	-19.0%	900	20.9%	-4.0%
Amusement business		1,801	37.1%	34.3%	1,400	32.6%	-22.3%
Eliminations and corporate		-1,341	-27.6%	-	-1,350	-31.4%	-
Total		4,855	100.0%	70.0%	4,300	100.0%	-11.4%