



Consolidated Financial Results

for the Fiscal Year Ended March 31, 2017

May 12, 2017

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This document contains forward-looking statements that are based on management’s estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectation.

Consolidated Financial Results
for the Fiscal Year Ended March 31, 2017 [Japanese GAAP]

Company name HAPPINET CORPORATION
 Stock listing Tokyo Stock Exchange
 Code No. 7552 URL: <http://www.happinet.co.jp/>
 Representative Seiichi Enomoto, Representative Director, President and COO
 Contact Toru Shibata, Executive Officer, Head of the Corporate Management Division
 Date of general meeting of stockholders: June 22, 2017
 Scheduled filing date of the annual security report: June 23, 2017
 Scheduled starting date for dividend payments: June 23, 2017
 The additional materials of the financial results: Yes
 The information session of the financial results: Yes (For Analyst)

(Figures are in millions of yen, rounded down)

I . Consolidated Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 - March 31, 2017)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Fiscal Year Ended March 31, 2017	174,059	△ 7.1	3,698	7.2	3,479	△ 0.5	2,040	△ 13.5
Fiscal Year Ended March 31, 2016	187,274	△ 13.8	3,450	△ 31.8	3,497	△ 31.8	2,359	△ 41.7

Note: Comprehensive income: As of March 31, 2017 2,559million yen [9.9%]
 As of March 31, 2016 2,328million yen [△46.5%]

	Earnings per share	Earnings per share (diluted)
	¥	¥
Fiscal Year Ended March 31, 2017	92.32	90.42
Fiscal Year Ended March 31, 2016	104.06	102.15

(Reference)

Equity in earning of affiliates As of March 31, 2017 △283million yen
 As of March 31, 2016 △22million yen

	Return on Equity (ROE)	Return on Asset (ROA)	Operating income margin
	%	%	%
Fiscal Year Ended March 31, 2017	6.5	5.9	2.1
Fiscal Year Ended March 31, 2016	7.8	6.0	1.8

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	¥ million	¥ million	%	¥
Fiscal Year Ended March 31, 2017	61,337	32,311	51.8	1,464.82
Fiscal Year Ended March 31, 2016	56,793	31,355	54.5	1,364.82

(Reference)

Equity: As of March 31, 2017 31,760million yen
 As of March 31, 2016 30,956million yen

(3) Consolidated Statement of Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at year-end
	¥ million	¥ million	¥ million	¥ million
Fiscal Year Ended March 31, 2017	3,055	△1,107	△1,754	11,605
Fiscal Year Ended March 31, 2016	978	△4,752	△677	11,412

II. Dividend

Dividend record dates	Dividend per share					Total dividend payment (Full Year) ¥ million	Payout Ratio (Consolidated) %	Dividend / Net Assets (Consolidated) %
	End of 1Q	End of 2Q	End of 3Q	Fiscal Year-end	Total			
	¥	¥	¥	¥	¥			
Fiscal Year Ended March 31, 2016	—	15.00	—	15.00	30.00	680	28.8	2.3
Fiscal Year Ended March 31, 2017	—	15.00	—	20.00	35.00	758	37.9	2.5
(Projection) Fiscal Year Ending March 31, 2018	—	15.00	—	15.00	30.00		26.5	

Note: Year-end dividends of FY2017 Ordinary dividends: 15.00yen
Commemorative dividends: 5.00yen

III. Consolidated Projections for the Fiscal Year ending March 31, 2018 (April 1, 2017 - March 31, 2018)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Interim Year	77,000	6.3	1,200	42.1	1,100	48.3	700	112.4	31.67
Full Year	180,000	3.4	4,200	13.6	4,000	14.9	2,500	22.5	113.12

※ Other Information

- (1) Significant changes in consolidated subsidiaries during the period: No
- (2) Changes in accounting principles, accounting estimation change and error correction.
- Changes in accounting principles due to revisions to accounting standards and other regulations: Yes
 - Changes in accounting principles due to revisions to other reasons: No
 - Changes in accounting estimation: No
 - Error correction: No
- (3) Number of shares issued (common shares)
- Number of shares issued at the end of the period (including treasury shares)

Fiscal year ended March 31, 2017	24,050,000shares
Fiscal year ended March 31, 2016	24,050,000shares
 - Number of treasury shares at the end of the period

Fiscal year ended March 31, 2017	2,368,110shares
Fiscal year ended March 31, 2016	1,367,870shares
 - Average number of shares during the period

For the fiscal year ended March 31, 2017	22,100,030shares
For the fiscal year ended March 31, 2016	22,672,204shares

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥million)

	Prior Fiscal Year (As of Mar. 31, 2016)	Current Fiscal Year (As of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	11,412	11,605
Notes and accounts receivable - trade	22,899	28,258
Inventories	6,043	6,300
Deferred tax assets	841	736
Other	3,708	2,077
Allowance for doubtful accounts	△0	△1
Total current assets	44,905	48,975
Non-current assets		
Property, plant and equipment		
Buildings and structures	755	802
Accumulated depreciation	△393	△370
Buildings and structures, net	362	432
Machinery, equipment and vehicles	963	955
Accumulated depreciation	△893	△898
Machinery, equipment and vehicles, net	70	57
Tools, furniture and fixtures	1,254	1,136
Accumulated depreciation	△1,000	△914
Tools, furniture and fixtures, net	254	222
Land	65	65
Other	0	-
Total property, plant and equipment	753	777
Intangible assets	1,086	1,005
Investments and other assets		
Investment securities	6,387	7,105
Deferred tax assets	1,220	947
Other	2,474	2,535
Allowance for doubtful accounts	△34	△9
Total investments and other assets	10,047	10,579
Total non-current assets	11,887	12,361
Total assets	56,793	61,337
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,282	21,550
Accounts payable - other	2,461	2,184
Income taxes payable	380	624
Provision for bonuses	304	242
Provision for point card certificates	2	1
Provision for sales returns	11	10
Other	373	574
Total current liabilities	21,817	25,188
Non-current liabilities		
Net defined benefit liability	2,763	2,906
Asset retirement obligations	143	169
Other	713	762
Total non-current liabilities	3,621	3,837
Total liabilities	25,438	29,026
Net assets		
Shareholders' equity		
Capital stock	2,751	2,751
Capital surplus	2,784	2,784
Retained earnings	25,679	27,054
Treasury shares	△906	△1,997
Total shareholders' equity	30,308	30,592
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	657	1,167
Deferred gains or losses on hedges	△9	△0
Total accumulated other comprehensive income	648	1,167
Subscription rights to shares	398	551
Total net assets	31,355	32,311
Total liabilities and net assets	56,793	61,337

2. Consolidated Financial Statements

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

	(¥ million)	
	Prior Fiscal Year (April 1, 2015 - March 31, 2016)	Current Fiscal Year (April 1, 2016 - March 31, 2017)
Net sales	187,274	174,059
Cost of sales	165,276	152,087
Gross profit	21,997	21,971
Selling, general and administrative expenses		
Warehouse deposit expenses	1,256	1,219
Freightage expenses	2,392	2,322
Promotion expenses	833	815
Directors' compensations, salaries and allowances	7,240	7,019
Provision for bonuses	300	237
Retirement benefit expenses	646	428
Supplies expenses	769	886
Rents	1,521	1,639
Depreciation	341	386
Provision for point card certificates	2	1
Other	3,241	3,316
Total selling, general and administrative expenses	18,547	18,273
Operating profit	3,450	3,698
Non-operating income		
Interest income	3	0
Dividend income	42	38
Other	27	31
Total non-operating income	73	70
Non-operating expenses		
Interest expenses	1	0
Share of loss of entities accounted for using equity method	22	283
Other	2	4
Total non-operating expenses	26	288
Ordinary profit	3,497	3,479
Extraordinary income		
Gain on sales of non-current assets	-	0
Gain on sales of investment securities	-	0
Gain on change of leasehold contracts	56	-
Total extraordinary income	56	0
Extraordinary losses		
Loss on sales of non-current assets	4	0
Loss on retirement of non-current assets	11	276
Loss on valuation of shares of subsidiaries and associates	-	57
Impairment loss	-	18
Warehouse transfer expenses	-	28
Litigation expenses	-	51
Total extraordinary losses	15	433
Profit before income taxes	3,538	3,047
Income taxes - current	626	856
Income taxes - deferred	552	150
Total income taxes	1,178	1,006
Profit	2,359	2,040
Profit attributable to owners of parent	2,359	2,040

2. Consolidated Financial Statements

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

	(¥ million)	
	Prior Fiscal Year (Apr. 1, 2015 - Mar. 31, 2016)	Current Fiscal Year (Apr. 1, 2016 - Mar. 31, 2017)
Profit	2,359	2,040
Other comprehensive income		
Valuation difference on available-for-sale securities	Δ21	510
Deferred gains or losses on hedges	Δ9	8
Share of other comprehensive income of entities accounted for using equity method	Δ0	0
Total other comprehensive income	Δ30	519
Comprehensive income	2,328	2,559
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,328	2,559
Comprehensive income attributable to non-controlling interests	-	-

2. Consolidated Financial Statements

(3) Consolidated statements of changes in net assets

Prior Fiscal Year(April 1, 2015 - March 31, 2016)						(¥ million)
	shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	
Balance at beginning of current period	2,751	2,775	23,999	△936	28,590	
Changes of items during period						
Dividends of surplus			△679		△679	
Profit attribute to owners of parent			2,359		2,359	
Purchase of treasury shares				△0	△0	
Disposal of treasury shares		8		30	38	
Net changes of items other than shareholders' equity						
Total changes of items during period	-	8	1,679	30	1,718	
Balance at end of current period	2,751	2,784	25,679	△906	30,308	

	accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of current period	678	0	678	310	29,580
Changes of items during period					
Dividends of surplus					△679
Profit attribute to owners of parent					2,359
Purchase of treasury shares					△0
Disposal of treasury shares					38
Net changes of items other than shareholders' equity	△21	△9	△30	87	56
Total changes of items during period	△21	△9	△30	87	1,774
Balance at end of current period	657	△9	648	398	31,355

2. Consolidated Financial Statements

(3) Consolidated statements of changes in net assets

Current Fiscal Year(April 1, 2016- March 31, 2017)

(¥ million)

	shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,751	2,784	25,679	△906	30,308
Changes of items during period					
Dividends of surplus			△665		△665
Profit attribute to owners of parent			2,040		2,040
Purchase of treasury shares				△1,090	△1,090
Disposal of treasury shares					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,374	△1,090	283
Balance at end of current period	2,751	2,784	27,054	△1,997	30,592

	accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of current period	657	△9	648	398	31,355
Changes of items during period					
Dividends of surplus					△665
Profit attribute to owners of parent					2,040
Purchase of treasury shares					△1,090
Disposal of treasury shares					-
Net changes of items other than shareholders' equity	510	8	519	152	671
Total changes of items during period	510	8	519	152	955
Balance at end of current period	1,167	△0	1,167	551	32,311

2. Consolidated Financial Statements

(4) Consolidated Statements of Cash Flows

(¥ million)

	Prior Fiscal Year (April 1, 2015 - March 31, 2016)	Current Fiscal Year (April 1, 2016 - March 31, 2017)
Cash flows from operating activities		
Profit before income taxes	3,538	3,047
Depreciation	381	440
Impairment loss	-	18
Increase (decrease) in allowance for doubtful accounts	△24	△23
Share-based compensation expenses	123	152
Increase (decrease) in provision for bonuses	△470	△61
Increase (decrease) in provision for directors' bonuses	△121	-
Increase (decrease) in net defined benefit liability	234	142
Interest and dividend income	△46	△38
Interest expenses	1	0
Foreign exchange losses (gains)	1	0
Loss (gain) on sales and retirement of non-current assets	15	276
Loss (gain) on sales of investment securities	-	△0
Loss on valuation of shares of subsidiaries and associates	-	57
Share of (profit) loss of entities accounted for using equity method	22	283
Decrease (increase) in notes and accounts receivable - trade	2,783	△5,356
Decrease (increase) in inventories	702	△256
Increase (decrease) in notes and accounts payable - trade	△1,832	3,268
Increase (decrease) in accounts payable - other	△1,195	△215
Decrease (increase) in guarantee deposits	△107	11
Decrease (increase) in other assets	△880	758
Increase (decrease) in other liabilities	△909	307
Subtotal	2,216	2,812
Interest and dividend income received	46	38
Proceeds from dividend income from entities accounted for using equity method	-	44
Interest expenses paid	△1	△0
Income taxes paid	△1,282	△662
Income taxes refund	-	821
Net cash provided by (used in) operating activities	978	3,055
Cash flows from investing activities		
Purchase of property, plant and equipment	△172	△290
Proceeds from sales of property, plant and equipment	-	0
Purchase of intangible assets	△448	△411
Purchase of investment securities	△4,160	△370
Proceeds from sales of investment securities	-	0
Other, net	29	△35
Net cash provided by (used in) investing activities	△4,752	△1,107
Cash flows from financing activities		
Proceeds from disposal of treasury shares	2	-
Purchase of treasury shares	△0	△1,090
Cash dividends paid	△679	△663
Other, net	△0	△0
Net cash provided by (used in) financing activities	△677	△1,754
Effect of exchange rate change on cash and cash equivalents	△3	△0
Net increase (decrease) in cash and cash equivalents	△4,455	192
Cash and cash equivalents at beginning of period	15,867	11,412
Cash and cash equivalents at end of period	11,412	11,605

3. Consolidated Financial Results by Business Segments

(1) Fiscal Year Ended March 31, 2016 (April 1, 2015 - March 31, 2016)

(¥million)

	Segments					Adjustment *1	Consolidated Total *2
	Toy business	Visual and Music business	Video-game business	Amusement business	Total		
Net sales							
To external customers	76,874	38,367	50,009	22,023	187,274	—	187,274
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	76,874	38,367	50,009	22,023	187,274	—	187,274
Segment income(loss)	2,848	466	△ 43	1,652	4,923	△ 1,473	3,450
Segment assets	15,150	10,625	9,332	4,550	39,659	17,134	56,793
Others							
Depreciation	159	118	29	35	342	39	381
Increase in Property, plant and equipment and Intangible assets	306	147	65	51	570	192	763

*1 (1) The △1,473million yen adjustment to segment income(loss) includes unallocated operating expenses.

The expenses cannot be assigned to any particular segment and are mostly administrative expenses incurred by the administration sector of the HAPPINET CORPORATION.

(2) The 17,134million yen adjustment to segment assets includes unallocated operating assets.

The assets cannot be assigned to any particular segment and are mostly administrative assets incurred by the administration sector of the HAPPINET CORPORATION.

*2 Segment income(loss) is adjusted to be consistent with operating income shown on the consolidated statements of income.

(2) Fiscal Year Ended March 31, 2017 (April 1, 2016 - March 31, 2017)

(¥million)

	Segments					Adjustment *1	Consolidated Total *2
	Toy business	Visual and Music business	Video-game business	Amusement business	Total		
Net sales							
To external customers	73,725	34,890	44,793	20,649	174,059	—	174,059
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	73,725	34,890	44,793	20,649	174,059	—	174,059
Segment income	3,044	418	384	1,281	5,129	△ 1,430	3,698
Segment assets	15,061	9,512	13,995	4,855	43,425	17,912	61,337
Others							
Depreciation	199	125	30	35	390	50	440
Increase in Property, plant and equipment and Intangible assets	340	156	59	49	606	94	701

*1 (1) The △1,430million yen adjustment to segment income includes unallocated operating expenses.

The expenses cannot be assigned to any particular segment and are mostly administrative expenses incurred by the administration sector of the HAPPINET CORPORATION.

(2) The 17,912million yen adjustment to segment assets includes unallocated operating assets.

The assets cannot be assigned to any particular segment and are mostly administrative assets incurred by the administration sector of the HAPPINET CORPORATION.

*2 Segment income is adjusted to be consistent with operating income shown on the consolidated statements of income.