



Consolidated Financial Results

for the 2nd Quarter of the Fiscal Year Ending March 31, 2018

November 10, 2017

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DISCLAIMER

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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.

2. Dividend

Dividend record dates	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Fiscal Year-end	Total
	¥	¥	¥	¥	¥
Fiscal Year Ended March 31, 2017	—	15.00	—	20.00	35.00
Fiscal Year Ending March 31, 2018	—	15.00			
(Projection) Fiscal Year Ending March 31, 2018			—	15.00	30.00

(Note) Revision to the projections: No
Year-end dividends of FY2016 Ordinary dividends:15.00yen Commemorative dividends:5.00yen

3. 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		Quarterly Profit attributable to owners of parent		Earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full Year	180,000	3.4	4,200	13.6	4,000	14.9	2,500	22.5	113.12

(Note) Revision to the projections: No

※ Other Information

- (1) Significant changes in consolidated subsidiaries during the period: No
- (2) Application of special accounting methods for quarterly consolidated financial statements: No
- (3) Changes in accounting principles, accounting estimation change and error correction.
 - a) Changes in accounting principles due to revisions to accounting standards and other regulations: No
 - b) Changes in accounting principles due to revisions to other reasons: No
 - c) Changes in accounting estimation: No
 - d) Error correction: No
- (4) Number of shares issued (common shares)
 - a) Number of shares issued at the end of the period (including treasury shares)

2nd quarter of the fiscal year ending March 31, 2018	24,050,000shares
Fiscal year ended March 31, 2017	24,050,000shares
 - b) Number of treasury shares at the end of the period

2nd quarter of the fiscal year ending March 31, 2018	2,272,950shares
Fiscal year ended March 31, 2017	2,368,110shares
 - c) Average number of shares during the period

For the 2nd quarter of the fiscal year ending March 31, 2018	21,733,840shares
For the 2nd quarter of the fiscal year ended March 31, 2017	22,515,761shares

II. Consolidated Quarterly Financial Statements
(i) Consolidated Quarterly Balance Sheets

(¥ million)

	Prior Fiscal Year (As of Mar. 31, 2017)	Current 2nd Quarter (As of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	11,605	12,350
Notes and accounts receivable - trade	28,258	28,884
Inventories	6,300	7,885
Other	2,813	2,830
Allowance for doubtful accounts	△1	△2
Total current assets	48,975	51,949
Non-current assets		
Property, plant and equipment	777	765
Intangible assets	1,005	1,291
Investments and other assets		
Investment securities	7,105	8,151
Other	3,483	2,982
Allowance for doubtful accounts	△9	△3
Total investments and other assets	10,579	11,130
Total non-current assets	12,361	13,188
Total assets	61,337	65,137
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,550	23,646
Income taxes payable	624	350
Provision for bonuses	242	201
Other provision	12	11
Other	2,758	3,119
Total current liabilities	25,188	27,329
Non-current liabilities		
Net defined benefit liability	2,906	2,981
Other	931	987
Total non-current liabilities	3,837	3,969
Total liabilities	29,026	31,299
Net assets		
Shareholders' equity		
Capital stock	2,751	2,751
Capital surplus	2,784	2,795
Retained earnings	27,054	27,665
Treasury shares	△1,997	△1,917
Total shareholders' equity	30,592	31,294
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,167	2,079
Deferred gains or losses on hedges	△0	4
Total accumulated other comprehensive income	1,167	2,084
Subscription rights to shares	551	459
Total net assets	32,311	33,838
Total liabilities and net assets	61,337	65,137

(ii) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income (Consolidated Quarterly Statements of Income)

(¥ million)

	Prior Fiscal Year (Apr. 1, 2016 - Sept. 30, 2016)	Current Fiscal Year (Apr. 1, 2017 - Sept. 30, 2017)
Net sales	72,448	84,827
Cost of sales	62,911	74,561
Gross profit	9,537	10,266
Selling, general and administrative expenses	8,693	8,504
Operating profit	844	1,761
Non-operating income		
Interest income	0	0
Dividend income	28	47
Other	15	17
Total non-operating income	43	65
Non-operating expenses		
Interest expenses	0	0
Share of loss of entities accounted for using equity method	142	186
Other	4	0
Total non-operating expenses	146	186
Ordinary profit	741	1,640
Extraordinary income		
Gain on sales of non-current assets	0	—
Gain on sales of investment securities	—	27
Total extraordinary income	0	27
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	30	0
Litigation expenses	50	—
Total extraordinary losses	80	0
Profit before income taxes	661	1,667
Income taxes - current	183	369
Income taxes - deferred	148	253
Total income taxes	331	623
Profit	329	1,044
Profit attributable to owners of parent	329	1,044

(Consolidated Quarterly Statements of Comprehensive Income)

(¥ million)

	Prior Fiscal Year (Apr. 1, 2016 - Sept. 30, 2016)	Current Fiscal Year (Apr. 1, 2017 - Sept. 30, 2017)
Profit	329	1,044
Other comprehensive income		
Valuation difference on available-for-sale securities	361	911
Deferred gains or losses on hedges	7	5
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	369	916
Comprehensive income	699	1,961
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	699	1,961
Comprehensive income attributable to non-controlling interests	—	—

(iii) Consolidated Quarterly Statements of Cash Flows

(¥ million)

	Prior Fiscal Year (Apr. 1, 2016 - Sept. 30, 2016)	Current Fiscal Year (Apr. 1, 2017 - Sept. 30, 2017)
Cash flows from operating activities		
Profit before income taxes	661	1,667
Depreciation	213	165
Increase (decrease) in allowance for doubtful accounts	△10	△5
Increase (decrease) in provision for bonuses	△90	△41
Increase (decrease) in net defined benefit liability	85	75
Interest and dividend income	△28	△48
Interest expenses	0	0
Loss (gain) on sales and retirement of non-current assets	30	0
Loss (gain) on sales of investment securities	—	△27
Foreign exchange losses (gains)	△2	0
Share of (profit) loss of entities accounted for using equity method	142	186
Decrease (increase) in notes and accounts receivable - trade	133	△625
Decrease (increase) in inventories	△1,964	△1,585
Increase (decrease) in notes and accounts payable - trade	2,772	2,095
Other, net	853	174
Subtotal	2,795	2,032
Interest and dividend income received	28	48
Proceeds from dividend income from entities accounted for using equity method	44	44
Interest expenses paid	△0	△0
Income taxes paid	△396	△624
Income taxes refund	—	2
Net cash provided by (used in) operating activities	2,470	1,502
Cash flows from investing activities		
Purchase of property, plant and equipment	△197	△63
Proceeds from sales of property, plant and equipment	0	0
Purchase of intangible assets	△215	△330
Purchase of investment securities	△5	△7
Proceeds from sales of investment securities	—	78
Other, net	0	—
Net cash provided by (used in) investing activities	△418	△322
Cash flows from financing activities		
Proceeds from disposal of treasury shares	—	0
Purchase of treasury shares	△1,090	△0
Cash dividends paid	△339	△433
Other, net	△0	—
Net cash provided by (used in) financing activities	△1,430	△434
Effect of exchange rate change on cash and cash equivalents	△13	△0
Net increase (decrease) in cash and cash equivalents	608	745
Cash and cash equivalents at beginning of period	11,412	11,605
Cash and cash equivalents at end of period	12,021	12,350

(iv) Notes to the Consolidated Financial Statements

(Notes regarding going concern assumptions)
Not applicable

(Notes regarding significant changes in shareholders' equity accounts)
Not applicable

(Segments Information)

(1) 2nd Quarter of the Fiscal Year Ended March 31, 2017 (April 1, 2016 - September 30, 2016)

Information on net sales and profits or losses by reported segment

(¥ million)

	Segments					Adjustment *1	Consolidate d Total *2
	Toy business	Visual and Music business	Video-game business	Amusement business	Total		
Net sales							
To external customers	31,585	16,516	14,302	10,045	72,448	—	72,448
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	31,585	16,516	14,302	10,045	72,448	—	72,448
Segment income(loss)	768	146	△ 36	642	1,520	△ 675	844

*1 The △675 million 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 Segment income(loss) is adjusted to be consistent with operating income shown on the consolidated quarterly statements of income.

(2) 2nd Quarter of the Fiscal Year Ending March 31, 2018 (April 1, 2017 - September 30, 2017)

Information on net sales and profits or losses by reported segment

(¥ million)

	Segments					Adjustment *1	Consolidate d Total *2
	Toy business	Visual and Music business	Video-game business	Amusement business	Total		
Net sales							
To external customers	31,206	18,930	24,856	9,833	84,827	—	84,827
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	31,206	18,930	24,856	9,833	84,827	—	84,827
Segment income	891	311	402	761	2,366	△ 604	1,761

*1 The △604 million 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 Segment income is adjusted to be consistent with operating income shown on the consolidated quarterly statements of income.