



Consolidated Financial Results

for the Fiscal Year Ended March 31, 2018

May 11, 2018

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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, 2018 [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 21, 2018		
Scheduled filing date of the annual security report:	June 22, 2018		
Scheduled starting date for dividend payments:	June 22, 2018		
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, 2018 (April 1, 2017 - March 31, 2018)**(1) Consolidated Operating Results**

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Fiscal Year Ended March 31, 2018	197,607	13.5	4,806	30.0	4,701	35.1	4,031	97.6
Fiscal Year Ended March 31, 2017	174,059	△ 7.1	3,698	7.2	3,479	△ 0.5	2,040	△ 13.5

Note: Comprehensive income: As of March 31, 2018 5,043million yen [97.1%]
As of March 31, 2017 2,559million yen [9.9%]

	Earnings per share	Earnings per share (diluted)
	¥	¥
Fiscal Year Ended March 31, 2018	185.31	181.12
Fiscal Year Ended March 31, 2017	92.32	90.42

(Reference)

Equity in earning of affiliates As of March 31, 2018 △302million yen
As of March 31, 2017 △283million yen

	Return on Equity (ROE)	Return on Asset (ROA)	Operating income margin
	%	%	%
Fiscal Year Ended March 31, 2018	11.9	6.9	2.4
Fiscal Year Ended March 31, 2017	6.5	5.9	2.1

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	¥ million	¥ million	%	¥
Fiscal Year Ended March 31, 2018	75,323	36,698	48.0	1,659.28
Fiscal Year Ended March 31, 2017	61,337	32,311	51.8	1,464.82

(Reference)

Equity: As of March 31, 2018 36,134million yen
As of March 31, 2017 31,760million 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, 2018	4,453	△ 3,837	△ 762	11,458
Fiscal Year Ended March 31, 2017	3,055	△ 1,107	△ 1,754	11,605

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, 2017	—	15.00	—	20.00	35.00	758	37.9	2.5
Fiscal Year Ended March 31, 2018	—	15.00	—	25.00	40.00	871	21.6	2.6
(Projection) Fiscal Year Ending March 31, 2019	—	20.00	—	20.00	40.00		27.2	

Note: Year-end dividends of FY2017 Ordinary dividends: 15.00yen Commemorative dividends: 5.00yen
 Note: Year-end dividends of FY2018 Ordinary dividends: 15.00yen Special dividends: 10.00yen

III. Consolidated Projections for the Fiscal Year ending March 31, 2019 (April 1, 2018 - March 31, 2019)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Interim Year	100,000	17.9	1,600	△ 9.2	1,500	△ 8.6	1,000	△ 4.3	45.97
Full Year	230,000	16.4	5,000	4.0	4,800	2.1	3,200	△ 20.6	147.09

※ Other Information

- (1) Significant changes in consolidated subsidiaries during the period: No
- (2) 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
- (3) Number of shares issued (common shares)
 - a) Number of shares issued at the end of the period (including treasury shares)

Fiscal year ended 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

Fiscal year ended March 31, 2018	2,273,050shares
Fiscal year ended March 31, 2017	2,368,110shares
 - c) Average number of shares during the period

For the fiscal year ended March 31, 2018	21,755,351shares
For the fiscal year ended March 31, 2017	22,100,030shares

*Financial Summary that is not covered by Certified Public Accountants and Audit Corporations.

*Proper use of earnings projections, and other special matters

The above projections are based on information available to the Company as of the date of the announcement of these materials. Actual business results may differ from the projections due to a number of factors in the future

*The way to access the Results Presentation material

We will post the presentation material in the site(http://www.happinet.co.jp/happinet_english/index.html) after results briefing(May 16, 2018) .

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of Mar. 31, 2017)	Current Fiscal Year (As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	11,605	11,458
Notes and accounts receivable - trade	28,258	36,979
Inventories	6,300	8,028
Deferred tax assets	736	1,010
Other	2,077	3,011
Allowance for doubtful accounts	△1	△3
Total current assets	48,975	60,484
Non-current assets		
Property, plant and equipment		
Buildings and structures	802	841
Accumulated depreciation	△370	△416
Buildings and structures, net	432	424
Machinery, equipment and vehicles	955	954
Accumulated depreciation	△898	△895
Machinery, equipment and vehicles, net	57	59
Tools, furniture and fixtures	1,136	1,175
Accumulated depreciation	△914	△977
Tools, furniture and fixtures, net	222	197
Land	65	65
Other	-	11
Total property, plant and equipment	777	758
Intangible assets		
Goodwill	-	658
Other	1,005	1,807
Total intangible assets	1,005	2,465
Investments and other assets		
Investment securities	7,105	8,323
Deferred tax assets	947	556
Other	2,535	2,738
Allowance for doubtful accounts	△9	△3
Total investments and other assets	10,579	11,614
Total non-current assets	12,361	14,838
Total assets	61,337	75,323
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,550	27,785
Accounts payable - other	2,184	3,447
Income taxes payable	624	1,476
Provision for bonuses	242	505
Provision for directors' bonuses	-	75
Provision for point card certificates	1	1
Provision for sales returns	10	59
Other	574	1,004
Total current liabilities	25,188	34,354
Non-current liabilities		
Net defined benefit liability	2,906	2,993
Deferred tax liabilities	-	101
Asset retirement obligations	169	185
Other	762	990
Total non-current liabilities	3,837	4,269
Total liabilities	29,026	38,624
Net assets		
Shareholders' equity		
Capital stock	2,751	2,751
Capital surplus	2,784	2,795
Retained earnings	27,054	30,325
Treasury shares	△1,997	△1,917
Total shareholders' equity	30,592	33,954
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,167	2,181
Deferred gains or losses on hedges	△0	△2
Total accumulated other comprehensive income	1,167	2,179
Share acquisition rights	551	564
Total net assets	32,311	36,698
Total liabilities and net assets	61,337	75,323

2. Consolidated Financial Statements

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

	(¥ million)	
	Prior Fiscal Year (April 1, 2016 - March 31, 2017)	Current Fiscal Year (April 1, 2017 - March 31, 2018)
Net sales	174,059	197,607
Cost of sales	152,087	174,726
Gross profit	<u>21,971</u>	<u>22,880</u>
Selling, general and administrative expenses		
Warehouse deposit expenses	1,219	1,263
Freightage expenses	2,322	2,370
Promotion expenses	815	879
Directors' compensations, salaries and allowances	7,019	6,846
Provision for bonuses	237	504
Provision for directors' bonuses	-	75
Retirement benefit expenses	428	464
Supplies expenses	886	770
Rents	1,639	1,443
Depreciation	386	302
Amortization of goodwill	-	11
Provision for point card certificates	1	1
Other	3,316	3,140
Total selling, general and administrative expenses	<u>18,273</u>	<u>18,074</u>
Operating profit	<u>3,698</u>	<u>4,806</u>
Non-operating income		
Interest income	0	0
Dividend income	38	63
Compensation income	-	107
Other	31	31
Total non-operating income	<u>70</u>	<u>202</u>
Non-operating expenses		
Interest expenses	0	0
Share of loss of entities accounted for using equity method	283	302
Other	4	5
Total non-operating expenses	<u>288</u>	<u>308</u>
Ordinary profit	<u>3,479</u>	<u>4,701</u>
Extraordinary income		
Gain on sales of non-current assets	0	1
Gain on sales of investment securities	0	27
Income on compensation	-	1,198
Total extraordinary income	<u>0</u>	<u>1,226</u>
Extraordinary losses		
Loss on sales of non-current assets	0	1
Loss on retirement of non-current assets	276	12
Loss on valuation of shares of subsidiaries and associates	57	17
Impairment loss	18	-
Warehouse transfer expenses	28	-
Litigation expenses	51	73
Total extraordinary losses	<u>433</u>	<u>104</u>
Profit before income taxes	<u>3,047</u>	<u>5,823</u>
Income taxes - current	856	1,682
Income taxes - deferred	150	110
Total income taxes	<u>1,006</u>	<u>1,792</u>
Profit	<u>2,040</u>	<u>4,031</u>
Profit attributable to owners of parent	<u>2,040</u>	<u>4,031</u>

2. Consolidated Financial Statements

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

	(¥ million)	
	Prior Fiscal Year (Apr. 1, 2016 - Mar. 31, 2017)	Current Fiscal Year (Apr. 1, 2017 - Mar. 31, 2018)
Profit	2,040	4,031
Other comprehensive income		
Valuation difference on available-for-sale securities	510	1,013
Deferred gains or losses on hedges	8	△1
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	519	1,012
Comprehensive income	2,559	5,043
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,559	5,043
Comprehensive income attributable to non-controlling interests	-	-

2. Consolidated Financial Statements

(3) Consolidated statements of changes in net assets

Prior 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 attributable 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			Share acquisition rights	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

(3) Consolidated statements of changes in net assets

Current Fiscal Year(April 1, 2017- March 31, 2018)

(¥ million)

	shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,751	2,784	27,054	Δ1,997	30,592
Changes of items during period					
Dividends of surplus			Δ760		Δ760
Profit attribute to owners of parent			4,031		4,031
Purchase of treasury shares				Δ0	Δ0
Disposal of treasury shares		11		80	91
Net changes of items other than shareholders' equity					
Total changes of items during period	-	11	3,271	79	3,362
Balance at end of current period	2,751	2,795	30,325	Δ1,917	33,954

	accumulated other comprehensive income			Share acquisition rights	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	1,167	Δ0	1,167	551	32,311
Changes of items during period					
Dividends of surplus					Δ760
Profit attributable to owners of parent					4,031
Purchase of treasury shares					Δ0
Disposal of treasury shares					91
Net changes of items other than shareholders' equity	1,013	Δ1	1,012	13	1,025
Total changes of items during period	1,013	Δ1	1,012	13	4,387
Balance at end of current period	2,181	Δ2	2,179	564	36,698

2. Consolidated Financial Statements

(4) Consolidated Statements of Cash Flows

(¥ million)

	Prior Fiscal Year (April 1, 2016 - March 31, 2017)	Current Fiscal Year (April 1, 2017 - March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	3,047	5,823
Depreciation	440	350
Impairment loss	18	-
Amortization of goodwill	-	11
Increase (decrease) in allowance for doubtful accounts	△23	△4
Share-based compensation expenses	152	104
Increase (decrease) in provision for bonuses	△61	262
Increase (decrease) in provision for directors' bonuses	-	75
Increase (decrease) in net defined benefit liability	142	86
Interest and dividend income	△38	△64
Interest expenses	0	0
Foreign exchange losses (gains)	0	0
Loss (gain) on sales and retirement of non-current assets	276	12
Loss (gain) on sales of investment securities	△0	△27
Loss on valuation of shares of subsidiaries and associates	57	17
Share of loss (profit) of entities accounted for using equity method	283	302
Decrease (increase) in notes and accounts receivable - trade	△5,356	△8,719
Decrease (increase) in inventories	△256	△98
Increase (decrease) in notes and accounts payable - trade	3,268	6,234
Increase (decrease) in accounts payable - other	△215	1,235
Decrease (increase) in guarantee deposits	11	1
Decrease (increase) in other assets	758	△834
Increase (decrease) in other liabilities	307	412
Subtotal	2,812	5,182
Interest and dividend income received	38	64
Proceeds from dividend income from entities accounted for using equity method	44	44
Interest expenses paid	△0	△0
Income taxes paid	△662	△839
Income taxes refund	821	2
Net cash provided by (used in) operating activities	3,055	4,453
Cash flows from investing activities		
Purchase of property, plant and equipment	△290	△109
Proceeds from sales of property, plant and equipment	0	3
Purchase of intangible assets	△411	△646
Purchase of investment securities	△370	△163
Proceeds from sales of investment securities	0	78
Payments for transfer of business	-	△3,000
Other, net	△35	0
Net cash provided by (used in) investing activities	△1,107	△3,837
Cash flows from financing activities		
Proceeds from disposal of treasury shares	-	0
Purchase of treasury shares	△1,090	△0
Cash dividends paid	△663	△761
Other, net	△0	△1
Net cash provided by (used in) financing activities	△1,754	△762
Effect of exchange rate change on cash and cash equivalents	△0	△0
Net increase (decrease) in cash and cash equivalents	192	△147
Cash and cash equivalents at beginning of period	11,412	11,605
Cash and cash equivalents at end of period	11,605	11,458

3. Consolidated Financial Results by Business Segments

(1) 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(loss)	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
Amortization of goodwill	—	—	—	—	—	—	—
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.

(2) Fiscal Year Ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(¥ million)

	Segments					Adjustment *1	Consolidated Total *2
	Toy business	Visual and Music business	Video-game business	Amusement business	Total		
Net sales							
To external customers	71,403	4,266	63,107	20,630	197,607	—	197,607
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	71,403	42,466	63,107	20,630	197,607	—	197,607
Segment income	2,467	882	1,180	1,678	6,209	△ 1,402	4,805
Segment assets	16,957	23,588	12,474	4,375	57,365	17,957	5,323
Others							
Depreciation	181	74	28	22	307	43	350
Amortization of goodwill	—	11	—	—	11	—	11
Increase in Property, plant and equipment and Intangible assets	452	531	76	52	1,113	37	1,151

*1 (1) The △1,402million 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 17,957million 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.