

# FACT BOOK

HAPPINET CORPORATION  
(Securities Code 7552/TSE 1st Section)

For the Fiscal Year Ended March 31, 2017

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## Group Vision, Management Stance, Principle of Conduct

### ▶ Group Vision

The Happinet Group provides “happiness networking.” By creating new entertainment styles, we bring a wide range of delight to people, creating dreams for a better future.

### ▶ Management Stance

We constantly anticipate changes and reinvent ourselves to open up new business opportunities.

#### **For Customers**

We partner with our customers to satisfy their needs.

#### **For Employees**

We respect each and every employee, create opportunities for them to grow and challenge themselves, nurturing an environment that brings purpose and fulfillment to work.

#### **For Society**

Through business activities built on strong business-ethics foundations, we contribute to a fun and vibrant society.

#### **For Shareholders**

We disclose information proactively to enhance transparent management, earn the trust of shareholders and live up to their expectations.

### Principles of Conduct

Before all action, we ask ourselves, “What is important? And what is right?”

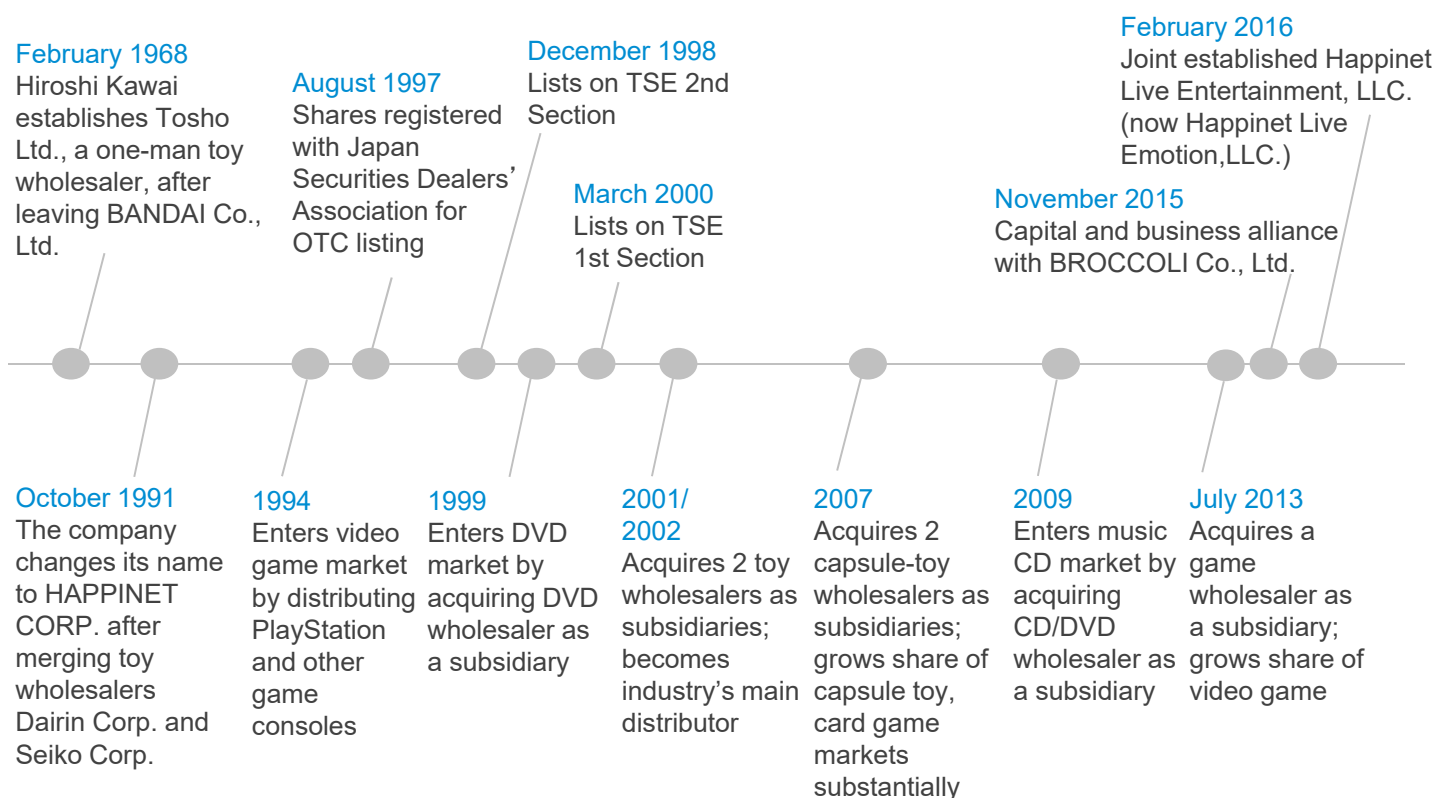
The Happinet Group enriches the lives of millions of people through its entertainment operations, delivering compelling and delightful content. Our aim is to create value for society by crafting dreams of a better tomorrow.

Our mission is a simple one: To contribute to people's happiness. We network with everyone connected to the Group to establish active communications as we strive to propose ideas that enrich modern living.

## Corporate Profile

▶ Company Name	HAPPINET CORPORATION
▶ URL	<a href="http://www.happinet.co.jp/happinet_english/">http://www.happinet.co.jp/happinet_english/</a>
▶ Head Office	Komagata CA Bldg., 2-4-5 Komagata, Taito-ku, Tokyo 111-0043 Japan
▶ Establishment	June 7, 1969
▶ Representatives	Kazuhiko Note, Representative Director, Chairman and CEO Seiichi Enomoto, Representative Director, President and COO
▶ Main Business	Planning, manufacture and sales of toys; Planning, production and sales of audio-visual software; Planning, development and sales of video game hardware and software; Operation of toy vending machines; Sales of arcade game equipment

## Major Milestones



## Business Segments and Group

The Happinet Group's operations can be divided into the following four segments: the Toy Business, the Visual and Music Business, the Video-Game Business, and the Amusement Business.

The Group is comprised of the parent company and four consolidated subsidiaries.

Business Lines	Core Operating Companies	Key Characteristics
Toy Business	HAPPINET CORPORATION Happinet Marketing Corporation	<ul style="list-style-type: none"> <li>- One of the largest intermediate distribution companies among the toy market in Japan (with a market share of over 30%)</li> <li>- Handles some 90% of the toys sold by blue-chip toy maker Bandai in Japan</li> <li>- Plans and manufactures its original products</li> </ul>
Visual and Music Business	HAPPINET CORPORATION (*1)	<ul style="list-style-type: none"> <li>- Has top-class share among the intermediate distribution industry of DVD/CD market</li> <li>- Engages in video works as a maker by investing in movies and animation works</li> </ul>
Video-Game Business	HAPPINET CORPORATION MAXGAMES Corporation (*2)	<ul style="list-style-type: none"> <li>- The only intermediate distribution company in Japan that handles all home game consoles sold domestically</li> <li>- Plans, manufactures and sells mainly video game software products for girls as a maker</li> </ul>
Amusement Business	HAPPINET CORPORATION Happinet Vending Service Corporation	<ul style="list-style-type: none"> <li>- One of the largest companies for selling capsule toys and trading card games (with a market share of 60%, the Company's estimate)</li> <li>- Set up capsule toy vending machines nationwide</li> <li>- Optimized operations by introducing cutting-edge system among the competitive companies</li> </ul>

(\*1) HAPPINET CORPORATION absorbed Happinet Pictures & Music Corporation on April 1, 2014.

(\*2) TOYS UNION CO., LTD. absorbed Mori Games Co. Ltd. on July 1, 2014, and was renamed MAXGAMES Corporation.

## Strengths

### Robust Management Base

Happinet is the leading wholesaler of toys, DVDs, CDs, capsule toys and card games, with some 60% share of a market that spans the setting up, operation and sales of capsule toys and card games. It is also the Japanese only wholesaler that handles every home game console available in Japan. Today, with the “graying” of Japanese society, manufacturers and retailers are striving to improve management efficiency, while upgrading products and services, in their respective business fields. Yet Happinet, as an industry powerhouse, maintains strong connections with both fields by capitalizing on an abundant information-gathering base and the marketing capability that leverages this information.

### Optimal Distribution System

The basis of Happinet’s information-gathering ability is its Optimal Distribution System, which links manufacturers and retailers through such media as EDI (Electronic Data Interchange), POS, the Internet and so forth. The system allows for advanced inventory management on a real-time basis, as well as rapid and reliable shipping operations, with a delivery failure rate of less than one in 100,000 items shipped. Through its advanced supply chain management, ODS also supports the optimization of volume production and contributes to the rationalization of logistics operations by streamlining inventory. It should be noted that Happinet Logistics Service, our consolidated subsidiary, operates the four logistics centers.



Logistics Center-West Japan



Logistics Center-East Japan



Second Logistics Center-East Japan

Logistics Center-East Japan

Located in Ichikawa City, Chiba Prefecture

Floor Space: 24,741m<sup>2</sup>

Second Logistics Center-East Japan

Located in Funabashi City, Chiba Prefecture

Floor Space: 20,093m<sup>2</sup>

Logistics Center-West Japan

Located in Amagasaki City, Hyogo Prefecture

Floor Space: 23,944m<sup>2</sup>

# Consolidated Balance Sheet (Assets)



(¥ million)	FY3/13 end	FY3/14 end	FY3/15 end	FY3/16 end	FY3/17 end
<b>Assets</b>					
<b>Total assets</b>	<b>53,003</b>	<b>53,879</b>	<b>59,893</b>	<b>56,793</b>	<b>61,337</b>
<b>Current assets</b>	<b>47,930</b>	<b>47,025</b>	<b>52,449</b>	<b>44,905</b>	<b>48,975</b>
Cash and deposits	10,155	9,996	15,867	11,412	11,605
Notes and accounts receivable - trade	27,234	24,104	25,682	22,899	28,258
Inventories	6,529	7,404	6,746	6,043	6,300
Advance payments - trade	1,389	1,818	1,806	1,499	951
Deferred tax assets	910	980	1,315	841	736
Accounts receivable - other	978	1,774	668	1,886	692
Other	796	959	364	322	433
Allowance for doubtful accounts	(63)	(12)	(1)	(0)	(1)
<b>Non-current assets</b>	<b>5,072</b>	<b>6,854</b>	<b>7,443</b>	<b>11,887</b>	<b>12,361</b>
<b>Property, plant and equipment</b>	<b>1,110</b>	<b>1,342</b>	<b>688</b>	<b>753</b>	<b>777</b>
Buildings and structures	1,159	750	518	755	802
Accumulated depreciation	(845)	(460)	(356)	(393)	(370)
Buildings and structures, net	314	289	162	362	432
Machinery, equipment and vehicles	965	964	960	963	955
Accumulated depreciation	(844)	(860)	(877)	(893)	(898)
Machinery, equipment and vehicles, net	121	104	83	70	57
Tools, furniture and fixtures	1,164	1,354	1,310	1,254	1,136
Accumulated depreciation	(958)	(1,042)	(1,033)	(1,000)	(914)
Tools, furniture and fixtures, net	206	311	277	254	222
Land	464	632	65	65	65
Leased assets	10	15	10	10	-
Accumulated depreciation	(6)	(11)	(9)	(10)	-
Leased assets, net	3	4	0	0	-
Construction in progress	-	-	98	-	-
<b>Intangible assets</b>	<b>985</b>	<b>446</b>	<b>854</b>	<b>1,086</b>	<b>1,005</b>
Goodwill	246	-	-	-	-
Other	738	446	854	1,086	1,005
<b>Investments and other assets</b>	<b>2,976</b>	<b>5,065</b>	<b>5,900</b>	<b>10,047</b>	<b>10,579</b>
Investment securities	1,439	1,925	2,304	6,387	7,105
Guarantee deposits	684	2,249	2,267	2,374	2,363
Membership	23	24	26	26	26
Long-term loans receivable	55	30	-	-	-
Deferred tax assets	688	749	1,261	1,220	947
Other	103	183	108	72	145
Allowance for doubtful accounts	(17)	(97)	(68)	(34)	(9)

# Consolidated Balance Sheet (Liabilities and Net Assets)



(¥ million)	FY3/13 end	FY3/14 end	FY3/15 end	FY3/16 end	FY3/17 end
<b>Liabilities</b>					
<b>Total liabilities</b>	<b>29,713</b>	<b>28,185</b>	<b>30,312</b>	<b>25,438</b>	<b>29,026</b>
<b>Current liabilities</b>	<b>26,883</b>	<b>25,036</b>	<b>26,957</b>	<b>21,817</b>	<b>25,188</b>
Notes and accounts payable - trade	22,672	20,099	20,118	18,282	21,550
Lease obligations	2	6	0	0	-
Accounts payable - other	2,656	2,545	3,679	2,461	2,184
Income taxes payable	678	1,104	1,038	380	624
Accrued consumption taxes	65	362	796	2	90
Provision for bonuses	378	477	775	304	242
Provision for directors' bonuses	-	-	121	-	-
Provision for point card certificates	7	7	5	2	1
Provision for sales returns	16	13	11	11	10
Other	406	419	409	370	483
<b>Non-current liabilities</b>	<b>2,829</b>	<b>3,148</b>	<b>3,355</b>	<b>3,621</b>	<b>3,837</b>
Lease obligations	1	22	0	-	-
Deferred tax liabilities	5	60	0	-	-
Provision for retirement benefits	1,830	-	-	-	-
Net defined benefit liability	-	2,103	2,528	2,763	2,906
Long-term guarantee deposited	893	840	747	711	760
Asset retirement obligations	49	50	51	143	169
Negative goodwill	1	-	-	-	-
Other	47	70	27	1	1
<b>Net assets</b>					
<b>Total net assets</b>	<b>23,289</b>	<b>25,694</b>	<b>29,580</b>	<b>31,355</b>	<b>32,311</b>
<b>Shareholders' equity</b>	<b>23,078</b>	<b>25,141</b>	<b>28,590</b>	<b>30,308</b>	<b>30,592</b>
Capital stock	2,751	2,751	2,751	2,751	2,751
Capital surplus	2,775	2,775	2,775	2,784	2,784
Retained earnings	18,607	20,562	23,999	25,679	27,054
Treasury shares	(1,055)	(948)	(936)	(906)	(1,997)
<b>Accumulated other comprehensive income</b>	<b>191</b>	<b>378</b>	<b>678</b>	<b>648</b>	<b>1,167</b>
Valuation difference on available-for-sale securities	189	378	678	657	1,167
Deferred gains or losses on hedges	1	(0)	0	(9)	(0)
Subscription rights to shares	17	175	310	398	551
Non-controlling interests*	1	-	-	-	-
<b>Total liabilities and net assets</b>	<b>53,003</b>	<b>53,879</b>	<b>59,893</b>	<b>56,793</b>	<b>61,337</b>

\*Due to changes in accounting policy during FY3/16, Happinet has implemented changes in the method of expression and reclassification as follows: From "minority interests" to "non-controlling interests."

# Consolidated Statement of Income



( ¥ million)	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
<b>Net sales</b>	<b>176,757</b>	<b>206,867</b>	<b>217,232</b>	<b>187,274</b>	<b>174,059</b>
Cost of sales	154,256	182,828	191,080	165,276	152,087
Gross profit	22,501	24,039	26,152	21,997	21,971
<b>Selling, general and administrative expenses</b>	<b>19,527</b>	<b>20,150</b>	<b>21,095</b>	<b>18,547</b>	<b>18,273</b>
Warehouse deposit expenses	1,530	1,472	1,325	1,256	1,219
Freightage expenses	2,379	2,497	2,689	2,392	2,322
Promotion expenses	943	1,111	1,246	833	815
Directors' compensations, salaries and allowances	7,566	7,575	7,689	7,240	7,019
Bonuses	228	266	263	262	225
Provision for bonuses	375	462	774	300	237
Provision for directors' bonuses	-	-	121	-	-
Retirement benefit expenses	500	488	859	646	428
Traveling and transportation expenses	492	488	471	428	419
Communication expenses	128	130	131	118	102
Supplies expenses	1,059	1,060	989	769	886
Rents	1,270	1,313	1,438	1,521	1,639
Rent expenses	78	74	203	48	144
Depreciation	629	573	342	341	386
Amortization of goodwill	292	246	-	-	-
Provision for point card certificates	7	7	5	2	1
Other	2,046	2,379	2,541	2,384	2,424
<b>Operating income</b>	<b>2,973</b>	<b>3,888</b>	<b>5,056</b>	<b>3,450</b>	<b>3,698</b>
<b>Non-operating income</b>	<b>119</b>	<b>77</b>	<b>78</b>	<b>73</b>	<b>70</b>
Interest income	2	1	2	3	0
Dividend income	21	28	28	42	38
Foreign exchange gains	-	1	-	-	3
Land and house rent received	16	6	0	-	-
Amortization of negative goodwill	17	1	-	-	-
Other	60	37	46	27	28
<b>Non-operating expenses</b>	<b>10</b>	<b>49</b>	<b>10</b>	<b>26</b>	<b>288</b>
Interest expenses	5	21	2	1	0
Foreign exchange losses	0	-	0	1	-
Loss on cancellation of leases	3	1	5	-	-
Share of loss of entities accounted for using equity method	-	-	-	22	283
Provision of allowance for doubtful accounts	-	24	-	0	-
Other	1	1	1	0	4
<b>Ordinary income</b>	<b>3,081</b>	<b>3,917</b>	<b>5,124</b>	<b>3,497</b>	<b>3,479</b>
<b>Extraordinary income</b>	<b>73</b>	<b>417</b>	<b>7</b>	<b>56</b>	<b>0</b>
Gain on sales of non-current assets	67	8	2	-	0
Gain on sales of investment securities	6	0	4	-	0
Gain on changes of leasehold contracts	-	-	-	56	-
Gain on sales of memberships	-	-	0	-	-
Gain on bargain purchase	-	409	-	-	-
<b>Extraordinary losses</b>	<b>182</b>	<b>628</b>	<b>623</b>	<b>15</b>	<b>433</b>
Loss on sales of non-current assets	21	1	18	4	0
Loss on retirement of non-current assets	24	6	23	11	276
Loss on sales of investment securities	7	-	0	-	-
Loss on valuation of investment securities	31	53	14	-	-
Loss on valuation of shares of subsidiaries and associates	-	-	-	-	57
Impairment loss	89	154	126	-	18
Loss on valuation of membership	7	-	-	-	-
Loss on sales of membership	-	-	0	-	-
Warehouse transfer expenses	-	-	-	-	28
Litigation expenses	-	-	-	-	51
Special retirement expenses	-	120	60	-	-
Loss on revision of retirement benefit plan	-	-	379	-	-
Directors' retirement benefits	-	110	-	-	-
Loss on withdrawal from employees' pension fund	-	166	-	-	-
Other	-	13	-	-	-
<b>Profit before income taxes</b>	<b>2,972</b>	<b>3,706</b>	<b>4,508</b>	<b>3,538</b>	<b>3,047</b>
<b>Total income taxes</b>	<b>960</b>	<b>1,238</b>	<b>459</b>	<b>1,178</b>	<b>1,006</b>
Income taxes - current	952	1,322	1,469	626	856
Income taxes - deferred	7	(83)	(1,009)	552	150
<b>Profit*</b>	<b>2,012</b>	<b>2,467</b>	<b>4,049</b>	<b>2,359</b>	<b>2,040</b>
Profit attributable to non-controlling interests*	0	0	-	-	-
<b>Profit attributable to owners of parent*</b>	<b>2,011</b>	<b>2,466</b>	<b>4,049</b>	<b>2,359</b>	<b>2,040</b>

\*Due to changes in accounting policy during FY3/16, Happinet has implemented changes in the method of expression and reclassification as follows: From "income before minority interests" to "profit"; from "minority interests in income" to "profit attributable to non-controlling interests"; and from "profit" to "profit attributable to owners of parent."



# Consolidated Statement of Comprehensive Income



(¥ million)	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
<b>Profit*</b>	<b>2,012</b>	<b>2,467</b>	<b>4,049</b>	<b>2,359</b>	<b>2,040</b>
<b>Other comprehensive income</b>	<b>62</b>	<b>187</b>	<b>300</b>	<b>(30)</b>	<b>519</b>
Valuation difference on available-for-sale securities	61	189	299	(21)	510
Deferred gains or losses on hedges	1	(2)	0	(9)	8
Share of other comprehensive income of entities accounted for using equity method	-	-	-	(0)	0
<b>Comprehensive income</b>	<b>2,075</b>	<b>2,654</b>	<b>4,349</b>	<b>2,328</b>	<b>2,559</b>
Comprehensive income attributable to					
Comprehensive income attributable to owners of parent	2,074	2,653	4,349	2,328	2,559
Comprehensive income attributable to non-controlling interests*	0	0	-	-	-

\* Due to changes in accounting policy during FY3/16, Happinet has implemented changes in the method of expression and reclassification as follows: From "income before minority interests" to "profit"; and from "comprehensive income attributable to minority interests" to "comprehensive income attributable to non-controlling interests."

# Consolidated Statement of Cash Flows



(¥ million)	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
<b>Cash flows from operating activities</b>					
<b>Net cash provided by (used in) operating activities</b>	<b>(1,505)</b>	<b>2,547</b>	<b>6,658</b>	<b>978</b>	<b>3,055</b>
Profit before income taxes	2,972	3,706	4,508	3,538	3,047
Depreciation	644	615	393	381	440
Impairment loss	89	154	126	-	18
Amortization of goodwill	274	245	-	-	-
Gain on bargain purchase	-	(409)	-	-	-
Increase (decrease) in allowance for doubtful accounts	(15)	(4)	(11)	(24)	(23)
Share-based compensation expenses	5	173	137	123	152
Increase (decrease) in provision for bonuses	(94)	52	298	(470)	(61)
Increase (decrease) in provision for directors' bonuses	-	-	121	(121)	-
Increase (decrease) in provision for retirement benefits	49	-	-	-	-
Increase (decrease) in net defined benefit liability	-	119	425	234	142
Increase (decrease) in provision for directors' retirement benefits	-	2	0	-	-
Interest and dividend income	(24)	(30)	(31)	(46)	(38)
Interest expenses	5	21	2	1	0
Foreign exchange losses (gains)	0	(1)	0	1	0
Loss (gain) on sales and retirement of non-current assets	(21)	0	39	15	276
Loss (gain) on sales of investment securities	1	(0)	(4)	-	(0)
Loss (gain) on valuation of investment securities	31	53	14	-	-
Loss on valuation of shares of subsidiaries and associates	-	-	-	-	57
Share of (profit) loss of entities accounted for using equity method	-	-	-	22	283
Loss (gain) on sales of membership	-	-	0	-	-
Loss on valuation of membership	7	-	-	-	-
Decrease (increase) in notes and accounts receivable - trade	(477)	5,028	(1,579)	2,783	(5,356)
Decrease (increase) in inventories	(360)	81	658	702	(256)
Decrease (increase) in advance payments	(1,124)	(644)	595	307	548
Increase (decrease) in notes and accounts payable - trade	(369)	(3,725)	18	(1,832)	3,268
Decrease (increase) in accounts receivable - other	195	(791)	1,105	(1,218)	374
Increase (decrease) in accounts payable - other	(657)	(182)	1,040	(1,195)	(215)
Increase (decrease) in accrued consumption taxes	(332)	284	435	(793)	88
Decrease (increase) in guarantee deposits	(5)	(1,249)	(17)	(107)	11
Decrease (increase) in other assets	(18)	(7)	36	30	(164)
Increase (decrease) in other liabilities	(427)	(53)	(128)	(115)	219
<b>Subtotal</b>	<b>349</b>	<b>3,436</b>	<b>8,187</b>	<b>2,216</b>	<b>2,812</b>
Interest and dividend income received	24	30	31	46	38
Proceeds from dividend income from entities accounted for using equity method	-	-	-	-	44
Interest expenses paid	(5)	(21)	(2)	(1)	(0)
Income taxes paid	(1,874)	(898)	(1,558)	(1,282)	(662)
Income taxes refund	-	-	-	-	821
<b>Cash flows from investing activities</b>					
<b>Net cash provided by (used in) investing activities</b>	<b>(108)</b>	<b>(87)</b>	<b>(158)</b>	<b>(4,752)</b>	<b>(1,107)</b>
Purchase of property, plant and equipment	(121)	(308)	(247)	(172)	(290)
Proceeds from sales of property, plant and equipment	195	276	564	-	0
Purchase of intangible assets	(97)	(117)	(550)	(448)	(411)
Purchase of investment securities	(8)	(12)	(42)	(4,160)	(370)
Proceeds from sales of investment securities	48	0	54	-	0
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	5	-	-	-
Purchase of shares of subsidiaries	-	(1)	-	-	-
Payments of long-term loans receivable	(30)	-	-	-	-
Collection of loans receivable	-	-	-	30	-
Other, net	(95)	69	64	(0)	(35)
<b>Cash flows from financing activities</b>					
<b>Net cash provided by (used in) financing activities</b>	<b>(588)</b>	<b>(2,618)</b>	<b>(628)</b>	<b>(677)</b>	<b>(1,754)</b>
Net increase (decrease) in short-term loans payable	-	(2,000)	-	-	-
Repayment of long-term loans payable	-	(194)	-	-	-
Proceeds from disposal of treasury shares	29	86	9	2	-
Purchase of treasury shares	(0)	(0)	(0)	(0)	(1,090)
Cash dividends paid	(615)	(506)	(609)	(679)	(663)
Other, net	(2)	(4)	(28)	(0)	(0)
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>(3)</b>	<b>(0)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,203)</b>	<b>(159)</b>	<b>5,871</b>	<b>(4,455)</b>	<b>192</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>12,359</b>	<b>10,155</b>	<b>9,996</b>	<b>15,867</b>	<b>11,412</b>
<b>Cash and cash equivalents at end of period</b>	<b>10,155</b>	<b>9,996</b>	<b>15,867</b>	<b>11,412</b>	<b>11,605</b>

# Consolidated Statement of Changes in Equity



FY3/16

(¥ million)	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of current period	2,751	2,775	23,999	(936)	28,590	678	0	678	310	29,580
Changes of items during period										
Dividends of surplus			(679)		(679)					(679)
Profit attributable to owners of the parent*			2,359		2,359					2,359
Purchase of treasury shares				(0)	(0)					(0)
Disposal of treasury shares		8		30	38					38
Net changes of items other than shareholders' equity						(21)	(9)	(30)	87	56
Total changes of items during period	-	8	1,679	30	1,718	(21)	(9)	(30)	87	1,774
Balance at end of current period	2,751	2,784	25,679	(906)	30,308	657	(9)	648	398	31,355

FY3/17

(¥ million)	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of current period	2,751	2,784	25,679	(906)	30,308	657	(9)	648	398	31,355
Changes of items during period										
Dividends of surplus			(665)		(665)					(665)
Profit attributable to owners of the parent*			2,040		2,040					2,040
Purchase of treasury shares				(1,090)	(1,090)					(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	-	-	1,374	(1,090)	283	510	8	519	152	955
Balance at end of current period	2,751	2,784	27,054	(1,997)	30,592	1,167	(0)	1,167	551	32,311

\* Due to changes in accounting policy during FY3/16, Happinet has implemented changes in the method of expression and reclassification as follows:  
From "net income" to "profit attributable to owners of the parent."

# Information by Segment



( ¥ million)	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
<b>Toy Business</b>					
Net sales	74,660	76,821	93,270	76,874	73,725
To total net sales	42.2%	37.1%	42.9%	41.0%	42.4%
Operating income	2,055	2,710	4,279	2,848	3,044
Assets	17,063	16,675	16,584	15,150	15,061
Depreciation	318	319	157	159	199
<b>Visual and Music Business</b>					
Net sales	44,810	42,955	43,372	38,367	34,890
To total net sales	25.4%	20.8%	20.0%	20.5%	20.0%
Operating income	309	307	202	466	418
Assets	12,901	12,410	11,282	10,625	9,512
Depreciation	196	169	154	118	125
<b>Video-Game Business</b>					
Net sales	36,839	63,609	56,448	50,009	44,793
To total net sales	20.8%	30.7%	26.0%	26.7%	25.7%
Operating income (loss)	678	79	254	(43)	384
Assets	8,498	12,441	9,979	9,332	13,995
Depreciation	72	79	32	29	30
<b>Amusement Business</b>					
Net sales	20,447	23,481	24,140	22,023	20,649
To total net sales	11.6%	11.4%	11.1%	11.8%	11.9%
Operating income	1,265	2,053	1,796	1,652	1,281
Assets	4,625	3,714	4,995	4,550	4,855
Depreciation	18	19	30	35	35
<b>Adjustments</b>					
Net sales	-	-	-	-	-
Operating income (loss)	(1,335)	(1,263)	(1,475)	(1,473)	(1,430)
Assets	9,913	8,638	17,051	17,134	17,912
Depreciation	24	26	18	39	50
<b>Consolidated Total</b>					
Net sales	176,757	206,867	217,232	187,274	174,059
Operating income	2,973	3,888	5,056	3,450	3,698
Assets	53,003	53,879	59,893	56,793	61,337
Depreciation	629	615	393	381	440

# Consolidated Growth/Profitability Indicators



(¥ million)	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Net sales	176,757	206,867	217,232	187,274	174,059
Gross profit	22,501	24,039	26,152	21,997	21,971
SG&A expenses	19,527	20,150	21,095	18,547	18,273
Operating income	2,973	3,888	5,056	3,450	3,698
Ordinary income	3,081	3,917	5,124	3,497	3,479
Profit attributable to owners of parent*	2,011	2,466	4,049	2,359	2,040

\* Due to changes in accounting policy during FY3/16, Happinet has implemented changes in the method of expression and reclassification as follows:  
From "net income" to "profit attributable to owners of parent."

(%)	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Gross profit margin	12.7	11.6	12.0	11.7	12.6
SG&A expenses ratio	11.0	9.7	9.7	9.9	10.5
Operating income margin	1.7	1.9	2.3	1.8	2.1
Ordinary income margin	1.7	1.9	2.4	1.9	2.0
Profit attributable to owners of parent margin	1.1	1.2	1.9	1.3	1.2

\* Due to changes in accounting policy during FY3/16, Happinet has implemented changes in the method of expression and reclassification as follows:  
From "net income margin" to "profit attributable to owners of parent margin."

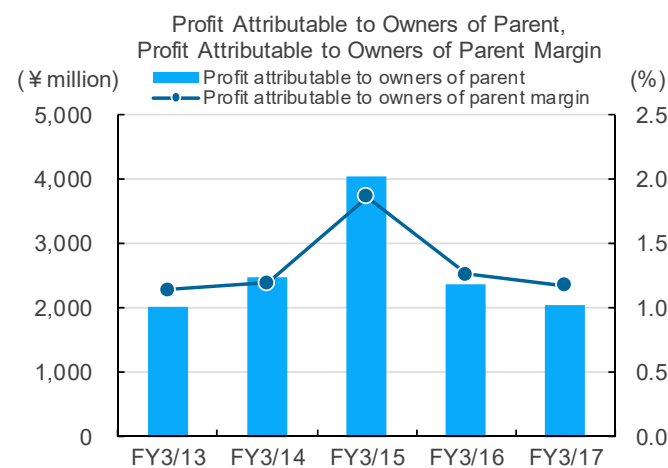
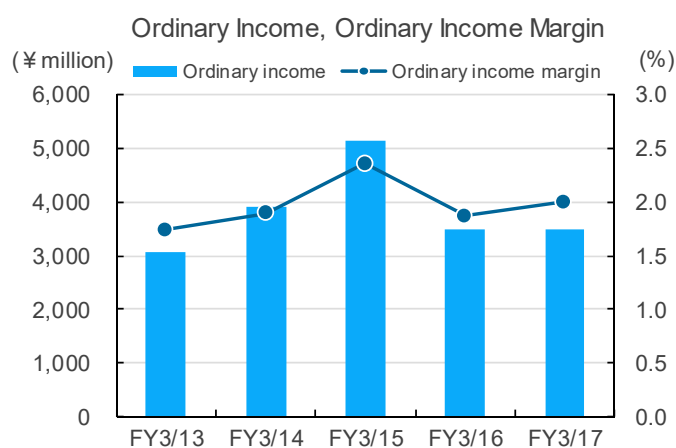
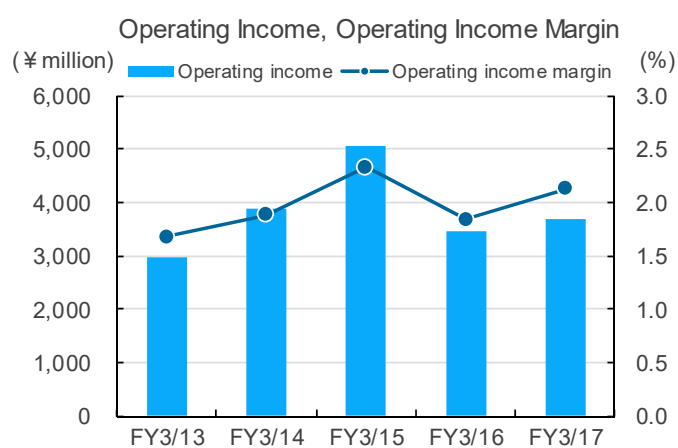
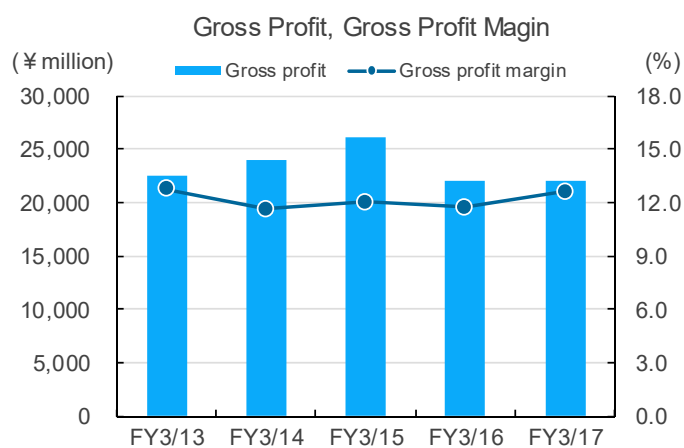
Gross profit margin = Gross profit/Net sales

SG&A expenses ratio = SG&A expenses/Net sales

Operating income margin = Operating income/Net sales

Ordinary income margin = Ordinary income/Net sales

Profit attributable to owners of parent margin = Profit attributable to owners of parent/Net sales



# Consolidated Profitability/Efficiency Indicators



(times)	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Total assets turnover	3.3	3.9	3.8	3.2	2.9
Equity turnover	7.8	8.5	7.9	6.2	5.6
Non-current assets turnover	31.8	34.7	30.4	19.4	14.4
Current assets turnover	3.7	4.4	4.4	3.8	3.7

(%)	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
ROA	3.7	4.6	7.1	4.0	3.5
ROE	8.9	10.1	14.8	7.8	6.5

Total assets turnover = Net sales/Average total assets

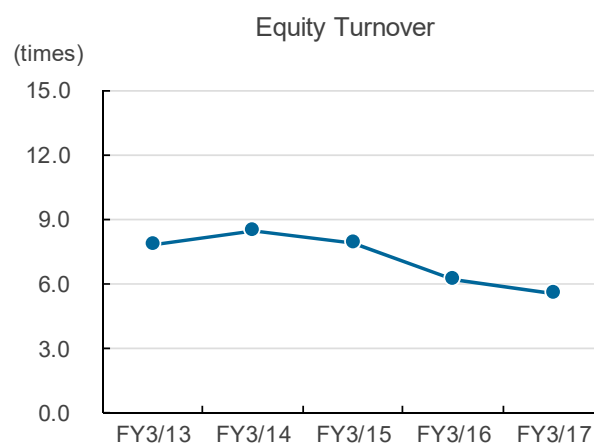
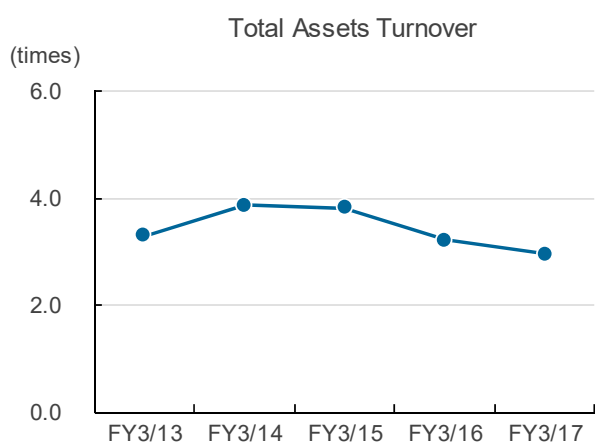
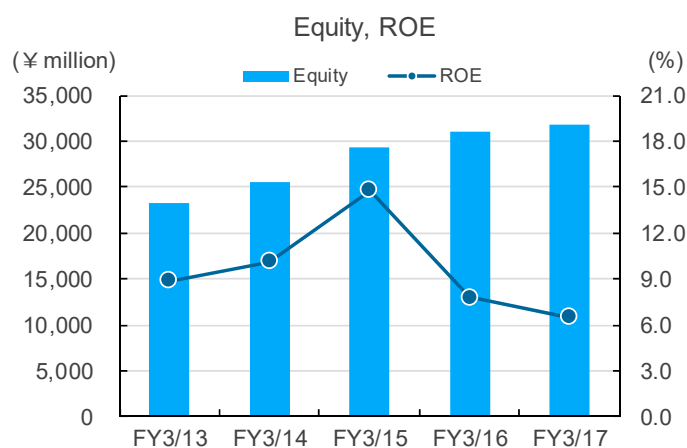
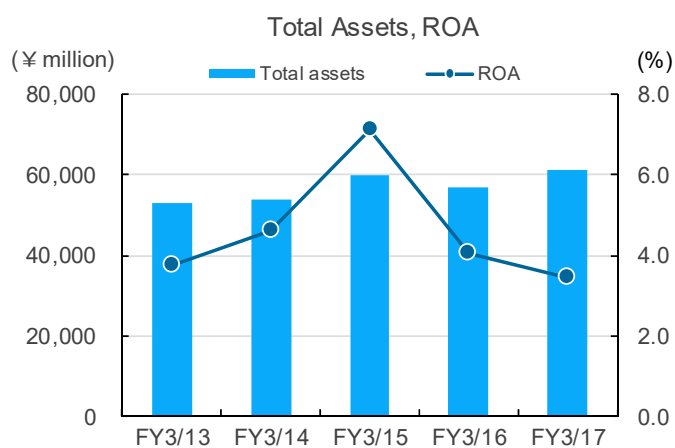
Equity turnover = Net sales/Average equity

Non-current assets turnover = Net sales/Average non-current assets

Current assets turnover = Net sales/Average current assets

ROA = Profit attributable to owners of parent/Average total assets

ROE = Profit attributable to owners of parent/Average equity



# Consolidated Efficiency/Stability Indicators

(¥ million)	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Equity	23,269	25,519	29,269	30,956	31,760
Total assets	53,003	53,879	59,893	56,793	61,337
Non-current assets	5,072	6,854	7,443	11,887	12,361
Non-current liabilities	2,829	3,148	3,355	3,621	3,837
Current assets	47,930	47,025	52,449	44,905	48,975
Current liabilities	26,883	25,036	26,957	21,817	25,188
Total net assets	23,289	25,694	29,580	31,355	32,311

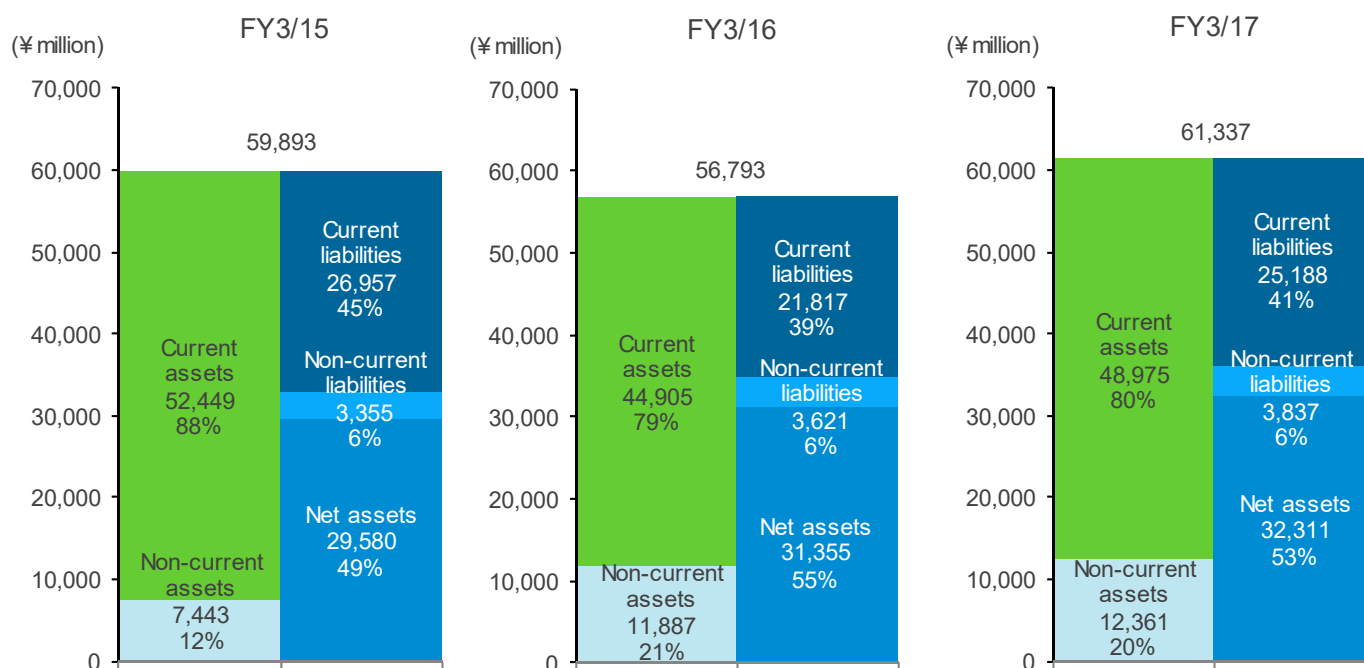
  

(%)	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Equity ratio	43.9	47.4	48.9	54.5	51.8
Non-current ratio	21.8	26.9	25.4	38.4	38.9
Current ratio	178.3	187.8	194.6	205.8	194.4

Equity ratio = Equity/Total assets

Non-current ratio = Non-current assets/Equity

Current ratio = Current assets/Current liabilities



	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
Share price at period-end (¥)	777	862	1,430	1,022	1,723
Outstanding shares issued at period-end (shares)	24,050,000	24,050,000	24,050,000	24,050,000	24,050,000
Treasury shares at period-end (shares)	1,593,370	1,431,310	1,413,310	1,367,870	2,368,110
Earnings per share (¥)	89.75	109.40	178.91	104.06	92.32
Book-value per share (¥)	1,036.23	1,128.25	1,293.00	1,364.82	1,464.82
Free cash flow per share (¥)	(71.83)	108.76	287.14	(166.39)	89.84
Dividend per share	22.50	24.75	28.50	30.00	35.00
EBITDA (¥ million)	3,602	4,461	5,449	3,831	4,138
PER (times)	8.7	7.9	8.0	9.8	18.7
PBR (times)	0.7	0.8	1.1	0.7	1.2
PCFR (times)	(12.4)	8.1	5.2	25.1	13.6
EV/EBITDA Ratio (times)	2.4	2.4	3.4	3.4	7.2
Dividend Yield (%)	2.9	2.9	2.0	2.9	2.0

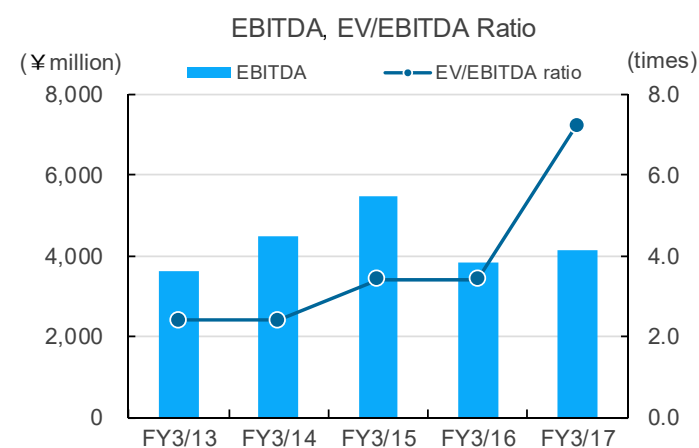
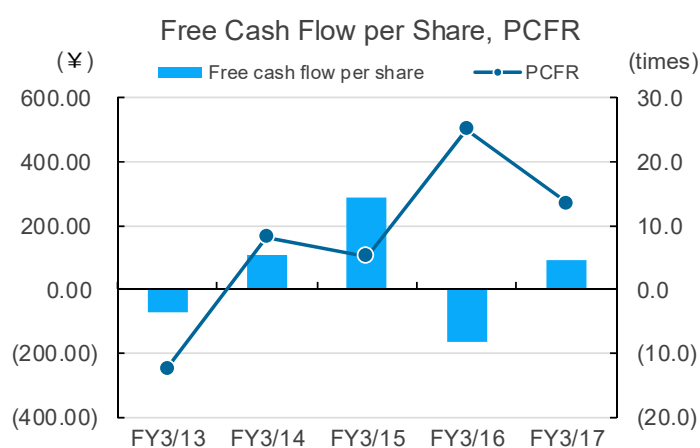
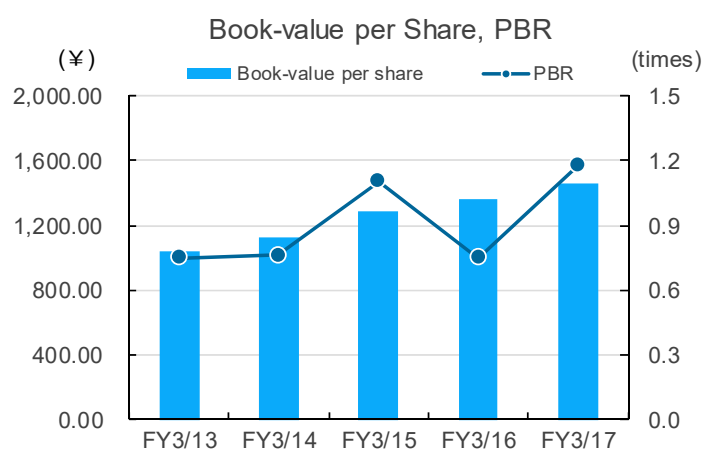
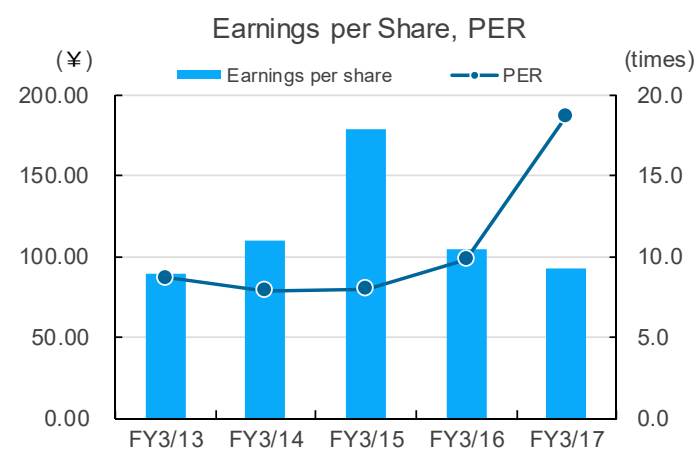
Free cash flow per share = (Cash flows from operating activities + Cash flows from investing activities) / (Outstanding shares issued - Treasury shares)

PCFR = Share price / Cash flows from operating activities per share

EBITDA = Operating income + Depreciation

EV/EBITDA ratio = EV / EBITDA

EV = Market value + Interest-bearing debt - Liquidity in hand (Cash & deposits)





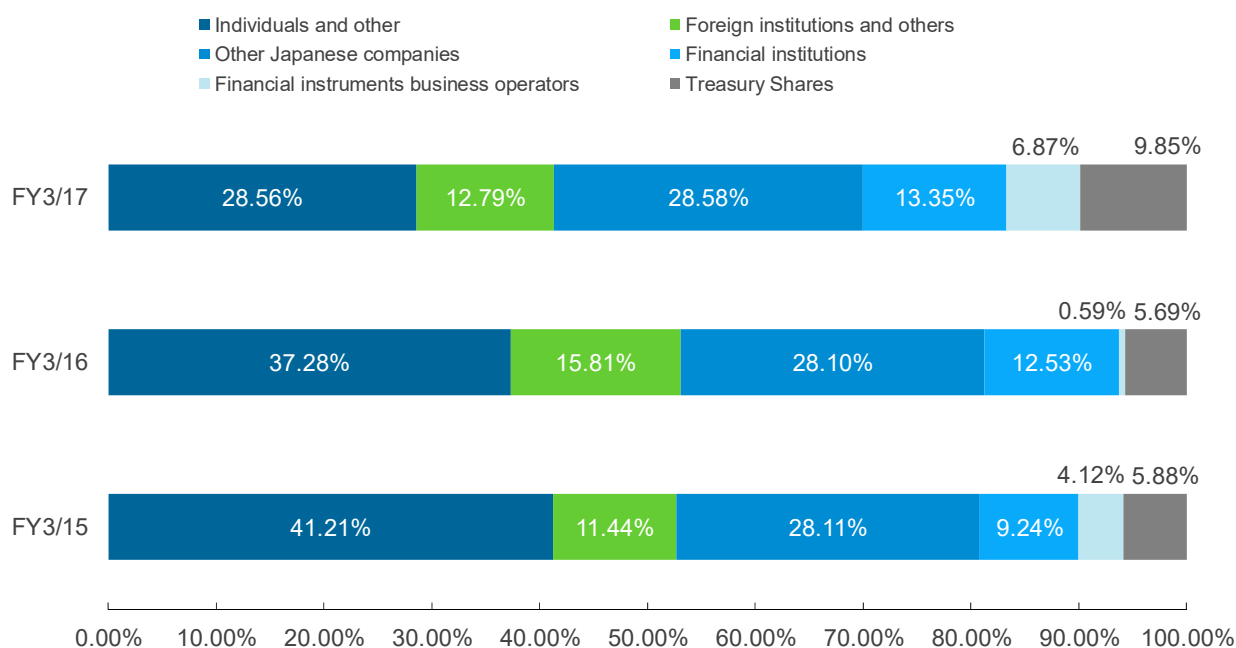
## Major Shareholders (Top 10)

As of March 31, 2017

	Number of Shares	Shareholding Ratio
BANDAI NAMCO Holdings Inc.	5,883,408	27.14%
Tachibana Securities Co., Ltd.	1,377,400	6.35%
Japan Trustee Services Bank, Limited (trust account)	883,500	4.07%
GOLDMAN SACHS INTERNATIONAL	713,700	3.29%
Japan Trustee Services Bank, Limited (trust account for Sumitomo Mitsui Trust Bank, Limited and employee retirement benefit of Sumitomo Mitsui Banking Corporation)	676,000	3.12%
Yasuhiko Idaira	563,000	2.60%
Japan Trustee Services Bank, Limited (trust account 5)	301,600	1.39%
Hiroshi Kawai	300,000	1.38%
Happinet employee shareholders association	298,540	1.38%
Chizuko Nishimura	286,400	1.32%

Note: Shareholding ratio was calculated based on the total number of the issued shares excluding the number of treasury shares (2,368,110 shares).

## Breakdown of Type of Shareholder





HAPPINET CORPORATION

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Corporate Planning Team, Corporate Management Division  
Komagata CA Bldg., 2-4-5 Komagata, Taito-ku, Tokyo  
Phone: +81-3-3847-0410 (Japanese Only) Fax: +81-3-3847-0420  
E-mail: keiki\_koho@HSN.happinet.co.jp