

# FACT BOOK

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

For the Fiscal Year Ended March 31, 2018

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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?”

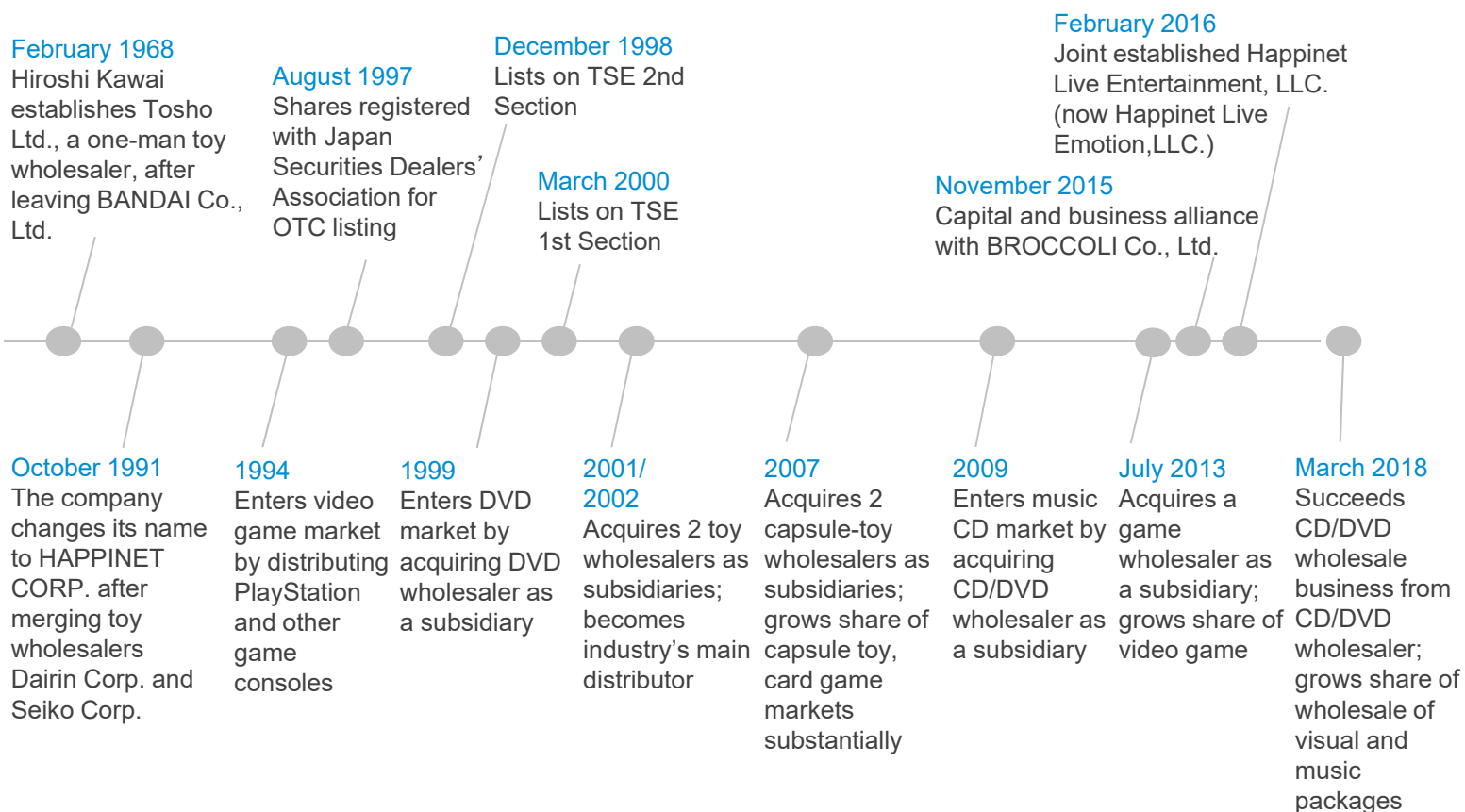
The Happinet Group enriches the lives of millions of people through its entertainment operations, delivering compelling and delightful content. Our aim is to create value for society by crafting dreams of a better tomorrow.

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 and playthings; Planning 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) Seikodo Marketing Corporation (*3)	<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.

(\*3) Some of the rights and obligations which HAPPINET CORPORATION possessed with respect to the wholesale of music and visual packages of Seikodo Co.,Ltd. have been assigned to Seikodo Marketing Corporation on March 1, 2018 (effective date), as a result of the company split.

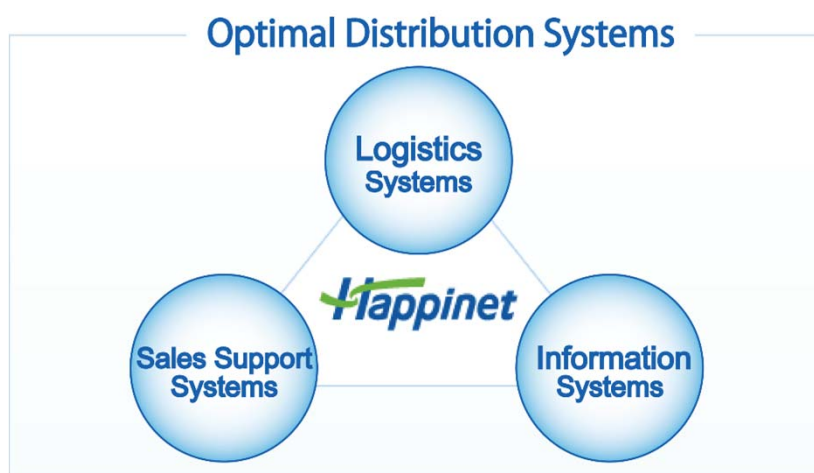


## Business Outline

### A Comprehensive Entertainment Trading Company With Top Market Share in Each Field

Happinet is a comprehensive entertainment trading company that boasts either top or near-top market share in each of its four main businesses: toys; visual and music; video games; and amusements. Leveraging its unique market intelligence and proprietary logistics systems, Happinet applies the strengths of each of its partner manufacturers and retailers to maximum advantage.

Optimal Distribution Systems		
Sales Support Systems	Logistics Systems	Information Systems
<p>Happinet plans and proposes sales environments tailored to the characteristics of each store, marshaling infrastructure such as logistics and information systems. These systems attach value-added to the products we deliver.</p>	<p>Logistics, the physical connection between Happinet and its business partners, lies at the heart of business operations. We build out the latest in logistics systems to provide high quality at reasonable cost.</p>	<p>The continuous exchange of profitable information between Happinet and its business partners is an essential part of the Company's operations. Information systems enable this exchange by serving up a steady stream of timely information.</p>



### Optimal Distribution Systems That Crystallize Our Expertise as an Intermediate Distributor

#### The Right Product at the Right Time

As an intermediate distributor, Happinet is uniquely positioned to gather information from both manufacturers and retailers. Based on that intelligence, we analyze the daily shifts in product sales to secure and supply the necessary inventory, to never miss a sales opportunity. We drive logistics systems that are second to none in the industry to perform precise and timely shipments, delivering products to stores across Japan.

#### The Right Information with the Right Timing

Happinet captures information through some of the most effective sales-support systems in the industry. Drawing on that information, we look carefully at the sales strength of each product to determine sales methods that best respond to the varying needs of each store and retailer. We meticulously plan product display methods, sales development methods and other strategies and table our proposals with optimal timing.

# Consolidated Balance Sheet (Assets)



( ¥ million)	FY3/14 end	FY3/15 end	FY3/16 end	FY3/17 end	FY3/18 end
<b>Assets</b>					
<b>Total assets</b>	<b>53,879</b>	<b>59,893</b>	<b>56,793</b>	<b>61,337</b>	<b>75,323</b>
<b>Current assets</b>	<b>47,025</b>	<b>52,449</b>	<b>44,905</b>	<b>48,975</b>	<b>60,484</b>
Cash and deposits	9,996	15,867	11,412	11,605	11,458
Notes and accounts receivable - trade	24,104	25,682	22,899	28,258	36,979
Inventories	7,404	6,746	6,043	6,300	8,028
Advance payments - trade	1,818	1,806	1,499	951	1,206
Deferred tax assets	980	1,315	841	736	1,010
Accounts receivable - other	1,774	668	1,886	692	1,350
Other	959	364	322	433	454
Allowance for doubtful accounts	(12)	(1)	(0)	(1)	(3)
<b>Non-current assets</b>	<b>6,854</b>	<b>7,443</b>	<b>11,887</b>	<b>12,361</b>	<b>14,838</b>
<b>Property, plant and equipment</b>	<b>1,342</b>	<b>688</b>	<b>753</b>	<b>777</b>	<b>758</b>
Buildings and structures	750	518	755	802	841
Accumulated depreciation	(460)	(356)	(393)	(370)	(416)
Buildings and structures, net	289	162	362	432	424
Machinery, equipment and vehicles	964	960	963	955	954
Accumulated depreciation	(860)	(877)	(893)	(898)	(895)
Machinery, equipment and vehicles, net	104	83	70	57	59
Tools, furniture and fixtures	1,354	1,310	1,254	1,136	1,175
Accumulated depreciation	(1,042)	(1,033)	(1,000)	(914)	(977)
Tools, furniture and fixtures, net	311	277	254	222	197
Land	632	65	65	65	65
Leased assets	15	10	10	-	12
Accumulated depreciation	(11)	(9)	(10)	-	(0)
Leased assets, net	4	0	0	-	11
Construction in progress	-	98	-	-	-
<b>Intangible assets</b>	<b>446</b>	<b>854</b>	<b>1,086</b>	<b>1,005</b>	<b>2,465</b>
Goodwill	-	-	-	-	658
Other	446	854	1,086	1,005	1,807
<b>Investments and other assets</b>	<b>5,065</b>	<b>5,900</b>	<b>10,047</b>	<b>10,579</b>	<b>11,614</b>
Investment securities	1,925	2,304	6,387	7,105	8,323
Guarantee deposits	2,249	2,267	2,374	2,363	2,671
Membership	24	26	26	26	25
Long-term loans receivable	30	-	-	-	-
Deferred tax assets	749	1,261	1,220	947	556
Other	183	108	72	145	41
Allowance for doubtful accounts	(97)	(68)	(34)	(9)	(3)

# Consolidated Balance Sheet (Liabilities and Net Assets)



(¥ million)	FY3/14 end	FY3/15 end	FY3/16 end	FY3/17 end	FY3/18 end
<b>Liabilities</b>					
<b>Total liabilities</b>	<b>28,185</b>	<b>30,312</b>	<b>25,438</b>	<b>29,026</b>	<b>38,624</b>
<b>Current liabilities</b>	<b>25,036</b>	<b>26,957</b>	<b>21,817</b>	<b>25,188</b>	<b>34,354</b>
Notes and accounts payable - trade	20,099	20,118	18,282	21,550	27,785
Lease obligations	6	0	0	-	13
Accounts payable - other	2,545	3,679	2,461	2,184	3,447
Income taxes payable	1,104	1,038	380	624	1,476
Accrued consumption taxes	362	796	2	90	320
Provision for bonuses	477	775	304	242	505
Provision for directors' bonuses	-	121	-	-	75
Provision for point card certificates	7	5	2	1	1
Provision for sales returns	13	11	11	10	59
Other	419	409	370	483	670
<b>Non-current liabilities</b>	<b>3,148</b>	<b>3,355</b>	<b>3,621</b>	<b>3,837</b>	<b>4,269</b>
Lease obligations	22	0	-	-	23
Deferred tax liabilities	60	0	-	-	101
Net defined benefit liability	2,103	2,528	2,763	2,906	2,993
Long-term guarantee deposited	840	747	711	760	965
Asset retirement obligations	50	51	143	169	185
Other	70	27	1	1	1
<b>Net assets</b>					
<b>Total net assets</b>	<b>25,694</b>	<b>29,580</b>	<b>31,355</b>	<b>32,311</b>	<b>36,698</b>
<b>Shareholders' equity</b>	<b>25,141</b>	<b>28,590</b>	<b>30,308</b>	<b>30,592</b>	<b>33,954</b>
Capital stock	2,751	2,751	2,751	2,751	2,751
Capital surplus	2,775	2,775	2,784	2,784	2,795
Retained earnings	20,562	23,999	25,679	27,054	30,325
Treasury shares	(948)	(936)	(906)	(1,997)	(1,917)
<b>Accumulated other comprehensive income</b>	<b>378</b>	<b>678</b>	<b>648</b>	<b>1,167</b>	<b>2,179</b>
Valuation difference on available-for-sale securities	378	678	657	1,167	2,181
Deferred gains or losses on hedges	(0)	0	(9)	(0)	(2)
Subscription rights to shares	175	310	398	551	564
<b>Total liabilities and net assets</b>	<b>53,879</b>	<b>59,893</b>	<b>56,793</b>	<b>61,337</b>	<b>75,323</b>

# Consolidated Statement of Income



(¥ million)	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
<b>Net sales</b>	<b>206,867</b>	<b>217,232</b>	<b>187,274</b>	<b>174,059</b>	<b>197,607</b>
Cost of sales	182,828	191,080	165,276	152,087	174,726
Gross profit	24,039	26,152	21,997	21,971	22,880
<b>Selling, general and administrative expenses</b>	<b>20,150</b>	<b>21,095</b>	<b>18,547</b>	<b>18,273</b>	<b>18,074</b>
Warehouse deposit expenses	1,472	1,325	1,256	1,219	1,263
Freightage expenses	2,497	2,689	2,392	2,322	2,370
Promotion expenses	1,111	1,246	833	815	879
Directors' compensations, salaries and allowances	7,575	7,689	7,240	7,019	6,846
Bonuses	266	263	262	225	206
Provision for bonuses	462	774	300	237	504
Provision for directors' bonuses	-	121	-	-	75
Retirement benefit expenses	488	859	646	428	464
Traveling and transportation expenses	488	471	428	419	393
Communication expenses	130	131	118	102	98
Supplies expenses	1,060	989	769	886	770
Rents	1,313	1,438	1,521	1,639	1,443
Rent expenses	74	203	48	144	165
Depreciation	573	342	341	386	302
Amortization of goodwill	246	-	-	-	11
Provision for point card certificates	7	5	2	1	1
Other	2,379	2,541	2,384	2,424	2,276
<b>Operating profit</b>	<b>3,888</b>	<b>5,056</b>	<b>3,450</b>	<b>3,698</b>	<b>4,806</b>
<b>Non-operating income</b>	<b>77</b>	<b>78</b>	<b>73</b>	<b>70</b>	<b>202</b>
Interest income	1	2	3	0	0
Dividend income	28	28	42	38	63
Foreign exchange gains	1	-	-	3	-
Land and house rent received	6	0	-	-	-
Compensation income	-	-	-	-	107
Amortization of negative goodwill	1	-	-	-	-
Other	37	46	27	28	31
<b>Non-operating expenses</b>	<b>49</b>	<b>10</b>	<b>26</b>	<b>288</b>	<b>308</b>
Interest expenses	21	2	1	0	0
Foreign exchange losses	-	0	1	-	3
Loss on cancellation of leases	1	5	-	-	-
Share of loss of entities accounted for using equity method	-	-	22	283	302
Provision of allowance for doubtful accounts	24	-	0	-	-
Other	1	1	0	4	1
<b>Ordinary profit</b>	<b>3,917</b>	<b>5,124</b>	<b>3,497</b>	<b>3,479</b>	<b>4,701</b>
<b>Extraordinary income</b>	<b>417</b>	<b>7</b>	<b>56</b>	<b>0</b>	<b>1,226</b>
Gain on sales of non-current assets	8	2	-	0	1
Gain on sales of investment securities	0	4	-	0	27
Gain on changes of leasehold contracts	-	-	56	-	-
Gain on sales of memberships	-	0	-	-	-
Compensation income for damage	-	-	-	-	1,198
Gain on bargain purchase	409	-	-	-	-
<b>Extraordinary losses</b>	<b>628</b>	<b>623</b>	<b>15</b>	<b>433</b>	<b>104</b>
Loss on sales of non-current assets	1	18	4	0	1
Loss on retirement of non-current assets	6	23	11	276	12
Loss on sales of investment securities	-	0	-	-	-
Loss on valuation of investment securities	53	14	-	-	-
Loss on valuation of shares of subsidiaries and associates	-	-	-	57	17
Impairment loss	154	126	-	18	-
Loss on sales of membership	-	0	-	-	-
Warehouse transfer expenses	-	-	-	28	-
Litigation expenses	-	-	-	51	73
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>3,706</b>	<b>4,508</b>	<b>3,538</b>	<b>3,047</b>	<b>5,823</b>
<b>Total income taxes</b>	<b>1,238</b>	<b>459</b>	<b>1,178</b>	<b>1,006</b>	<b>1,792</b>
Income taxes - current	1,322	1,469	626	856	1,682
Income taxes - deferred	(83)	(1,009)	552	150	110
<b>Profit*</b>	<b>2,467</b>	<b>4,049</b>	<b>2,359</b>	<b>2,040</b>	<b>4,031</b>
Profit attributable to non-controlling interests*	0	-	-	-	-
<b>Profit attributable to owners of parent*</b>	<b>2,466</b>	<b>4,049</b>	<b>2,359</b>	<b>2,040</b>	<b>4,031</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)	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
<b>Profit*</b>	<b>2,467</b>	<b>4,049</b>	<b>2,359</b>	<b>2,040</b>	<b>4,031</b>
<b>Other comprehensive income</b>	<b>187</b>	<b>300</b>	<b>(30)</b>	<b>519</b>	<b>1,012</b>
Valuation difference on available-for-sale securities	189	299	(21)	510	1,013
Deferred gains or losses on hedges	(2)	0	(9)	8	(1)
Share of other comprehensive income of entities accounted for using equity method	-	-	(0)	0	0
<b>Comprehensive income</b>	<b>2,654</b>	<b>4,349</b>	<b>2,328</b>	<b>2,559</b>	<b>5,043</b>
Comprehensive income attributable to					
Comprehensive income attributable to owners of parent	2,653	4,349	2,328	2,559	5,043
Comprehensive income attributable to non-controlling interests*	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 Changes in Equity



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

FY3/18

(¥ 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	27,054	(1,997)	30,592	1,167	(0)	1,167	551	32,311
Changes of items during period										
Dividends of surplus			(760)		(760)					(760)
Profit attributable to owners of the parent*			4,031		4,031					4,031
Purchase of treasury shares				(0)	(0)					(0)
Disposal of treasury shares		11		80	91					91
Net changes of items other than shareholders' equity						1,013	(1)	1,012	13	1,025
Total changes of items during period	-	11	3,271	79	3,362	1,013	(1)	1,012	13	4,387
Balance at end of current period	2,751	2,795	30,325	(1,917)	33,954	2,181	(2)	2,179	564	36,698

# Consolidated Statement of Cash Flows



( ¥ million)	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
<b>Cash flows from operating activities</b>					
<b>Net cash provided by (used in) operating activities</b>	<b>2,547</b>	<b>6,658</b>	<b>978</b>	<b>3,055</b>	<b>4,453</b>
Profit before income taxes	3,706	4,508	3,538	3,047	5,823
Depreciation	615	393	381	440	350
Impairment loss	154	126	-	18	-
Amortization of goodwill	245	-	-	-	11
Gain on bargain purchase	(409)	-	-	-	-
Increase (decrease) in allowance for doubtful accounts	(4)	(11)	(24)	(23)	(4)
Share-based compensation expenses	173	137	123	152	104
Increase (decrease) in provision for bonuses	52	298	(470)	(61)	262
Increase (decrease) in provision for directors' bonuses	-	121	(121)	-	75
Increase (decrease) in net defined benefit liability	119	425	234	142	86
Increase (decrease) in provision for directors' retirement benefits	2	0	-	-	-
Interest and dividend income	(30)	(31)	(46)	(38)	(64)
Interest expenses	21	2	1	0	0
Foreign exchange losses (gains)	(1)	0	1	0	0
Loss (gain) on sales and retirement of non-current assets	0	39	15	276	12
Loss (gain) on sales of investment securities	(0)	(4)	-	(0)	(27)
Loss (gain) on valuation of investment securities	53	14	-	-	-
Loss on valuation of shares of subsidiaries and associates	-	-	-	57	17
Share of (profit) loss of entities accounted for using equity method	-	-	22	283	302
Loss (gain) on sales of membership	-	0	-	-	-
Decrease (increase) in notes and accounts receivable - trade	5,028	(1,579)	2,783	(5,356)	(8,719)
Decrease (increase) in inventories	81	658	702	(256)	(98)
Decrease (increase) in advance payments	(644)	595	307	548	(255)
Increase (decrease) in notes and accounts payable - trade	(3,725)	18	(1,832)	3,268	6,234
Decrease (increase) in accounts receivable - other	(791)	1,105	(1,218)	374	(660)
Increase (decrease) in accounts payable - other	(182)	1,040	(1,195)	(215)	1,235
Increase (decrease) in accrued consumption taxes	284	435	(793)	88	229
Decrease (increase) in guarantee deposits	(1,249)	(17)	(107)	11	1
Decrease (increase) in other assets	(7)	36	30	(164)	80
Increase (decrease) in other liabilities	(53)	(128)	(115)	219	182
<b>Subtotal</b>	<b>3,436</b>	<b>8,187</b>	<b>2,216</b>	<b>2,812</b>	<b>5,182</b>
Interest and dividend income received	30	31	46	38	64
Proceeds from dividend income from entities accounted for using equity method	-	-	-	44	44
Interest expenses paid	(21)	(2)	(1)	(0)	(0)
Income taxes paid	(898)	(1,558)	(1,282)	(662)	(839)
Income taxes refund	-	-	-	821	2
<b>Cash flows from investing activities</b>					
<b>Net cash provided by (used in) investing activities</b>	<b>(87)</b>	<b>(158)</b>	<b>(4,752)</b>	<b>(1,107)</b>	<b>(3,837)</b>
Purchase of property, plant and equipment	(308)	(247)	(172)	(290)	(109)
Proceeds from sales of property, plant and equipment	276	564	-	0	3
Purchase of intangible assets	(117)	(550)	(448)	(411)	(646)
Purchase of investment securities	(12)	(42)	(4,160)	(370)	(163)
Proceeds from sales of investment securities	0	54	-	0	78
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	5	-	-	-	-
Purchase of shares of subsidiaries	(1)	-	-	-	-
Collection of loans receivable	-	-	30	-	-
Payments for transfer of business	-	-	-	-	(3,000)
Other, net	69	64	(0)	(35)	0
<b>Cash flows from financing activities</b>					
<b>Net cash provided by (used in) financing activities</b>	<b>(2,618)</b>	<b>(628)</b>	<b>(677)</b>	<b>(1,754)</b>	<b>(762)</b>
Net increase (decrease) in short-term loans payable	(2,000)	-	-	-	-
Repayment of long-term loans payable	(194)	-	-	-	-
Proceeds from disposal of treasury shares	86	9	2	-	0
Purchase of treasury shares	(0)	(0)	(0)	(1,090)	(0)
Cash dividends paid	(506)	(609)	(679)	(663)	(761)
Other, net	(4)	(28)	(0)	(0)	(1)
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(0)</b>	<b>(0)</b>	<b>(3)</b>	<b>(0)</b>	<b>(0)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(159)</b>	<b>5,871</b>	<b>(4,455)</b>	<b>192</b>	<b>(147)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>10,155</b>	<b>9,996</b>	<b>15,867</b>	<b>11,412</b>	<b>11,605</b>
<b>Cash and cash equivalents at end of period</b>	<b>9,996</b>	<b>15,867</b>	<b>11,412</b>	<b>11,605</b>	<b>11,458</b>

# Information by Segment



( ¥ million)	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
<b>Toy Business</b>					
Net sales	76,821	93,270	76,874	73,725	71,403
To total net sales	37.1%	42.9%	41.0%	42.4%	36.1%
Segment income	2,710	4,279	2,848	3,044	2,467
Assets	16,675	16,584	15,150	15,061	16,957
Depreciation	319	157	159	199	181
<b>Visual and Music Business</b>					
Net sales	42,955	43,372	38,367	34,890	42,466
To total net sales	20.8%	20.0%	20.5%	20.0%	21.5%
Segment income	307	202	466	418	882
Assets	12,410	11,282	10,625	9,512	23,558
Depreciation	169	154	118	125	74
<b>Video-Game Business</b>					
Net sales	63,609	56,448	50,009	44,793	63,107
To total net sales	30.7%	26.0%	26.7%	25.7%	31.9%
Segment income (loss)	79	254	(43)	384	1,180
Assets	12,441	9,979	9,332	13,995	12,474
Depreciation	79	32	29	30	28
<b>Amusement Business</b>					
Net sales	23,481	24,140	22,023	20,649	20,630
To total net sales	11.4%	11.1%	11.8%	11.9%	10.5%
Segment income	2,053	1,796	1,652	1,281	1,678
Assets	3,714	4,995	4,550	4,855	4,375
Depreciation	19	30	35	35	22
<b>Adjustments</b>					
Net sales	-	-	-	-	-
Operating income (loss)	(1,263)	(1,475)	(1,473)	(1,430)	(1,402)
Assets	8,638	17,051	17,134	17,912	17,957
Depreciation	26	18	39	50	43
<b>Consolidated Total</b>					
Net sales	206,867	217,232	187,274	174,059	197,607
Segment income	3,888	5,056	3,450	3,698	4,806
Assets	53,879	59,893	56,793	61,337	75,323
Depreciation	615	393	381	440	350

# Consolidated Growth/Profitability Indicators



(¥ million)	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Net sales	206,867	217,232	187,274	174,059	197,607
Gross profit	24,039	26,152	21,997	21,971	22,880
SG&A expenses	20,150	21,095	18,547	18,273	18,074
Operating profit	3,888	5,056	3,450	3,698	4,806
Ordinary profit	3,917	5,124	3,497	3,479	4,701
Profit attributable to owners of parent*	2,466	4,049	2,359	2,040	4,031

\* 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."

(%)	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Gross profit margin	11.6	12.0	11.7	12.6	11.6
SG&A expenses ratio	9.7	9.7	9.9	10.5	9.1
Operating profit margin	1.9	2.3	1.8	2.1	2.4
Ordinary profit margin	1.9	2.4	1.9	2.0	2.4
Profit attributable to owners of parent margin	1.2	1.9	1.3	1.2	2.0

\* 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."

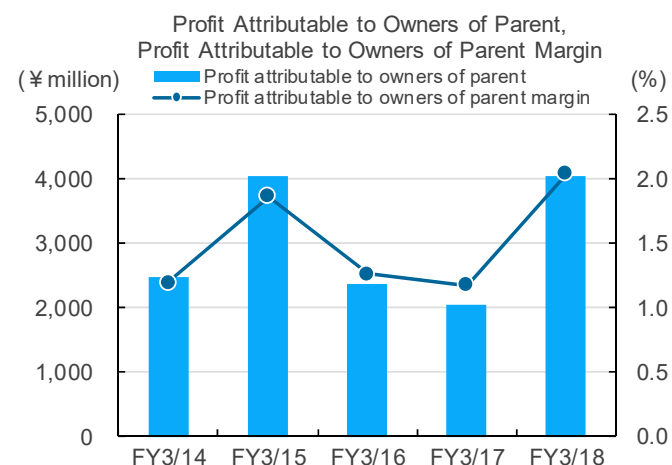
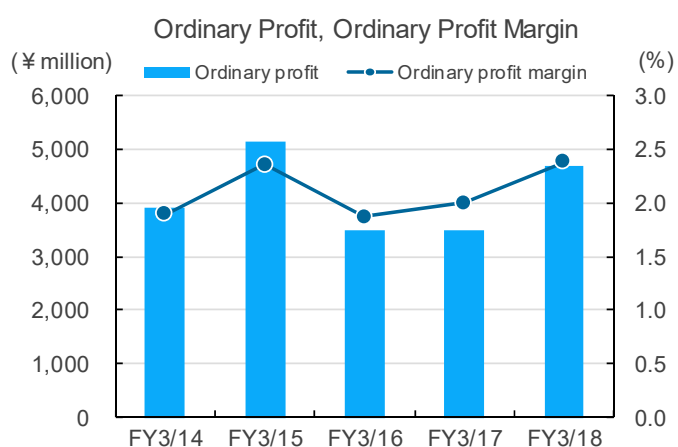
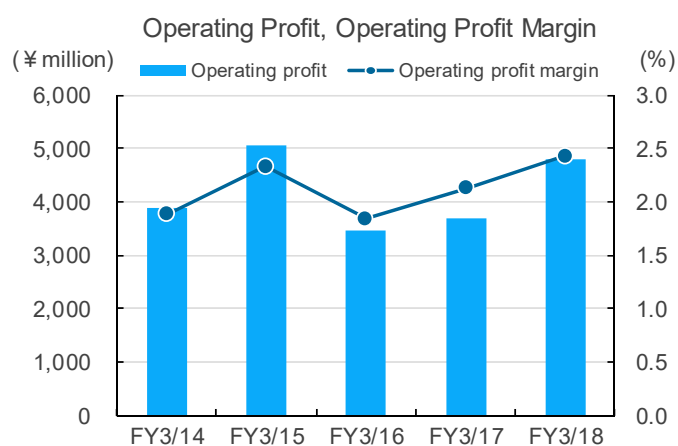
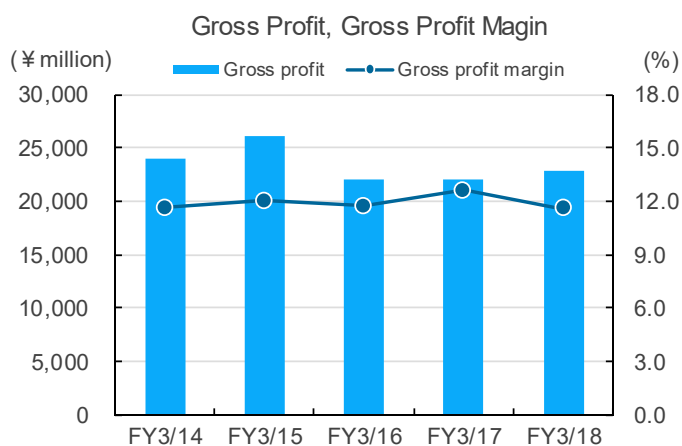
Gross profit margin = Gross profit/Net sales

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

Operating profit margin = Operating profit/Net sales

Ordinary profit margin = Ordinary profit/Net sales

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



# Consolidated Profitability/Efficiency Indicators



(times)	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Total assets turnover	3.9	3.8	3.2	2.9	2.9
Equity turnover	8.5	7.9	6.2	5.6	5.8
Non-current assets turnover	34.7	30.4	19.4	14.4	14.5
Current assets turnover	4.4	4.4	3.8	3.7	3.6

(%)	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
ROA	4.6	7.1	4.0	3.5	5.9
ROE	10.1	14.8	7.8	6.5	11.9

Total assets turnover = Net sales/Average total assets

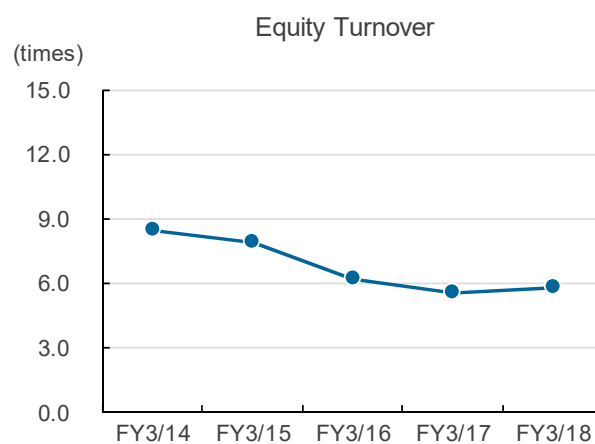
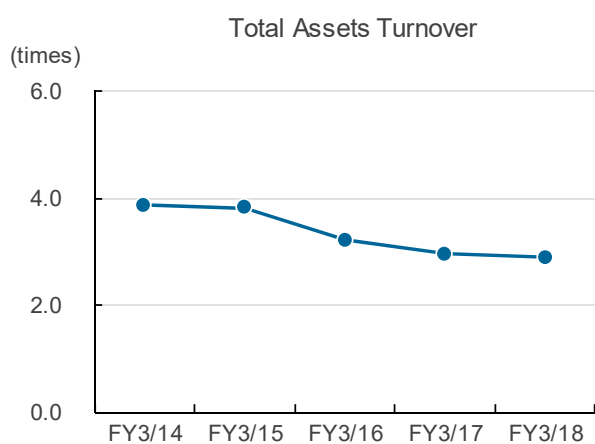
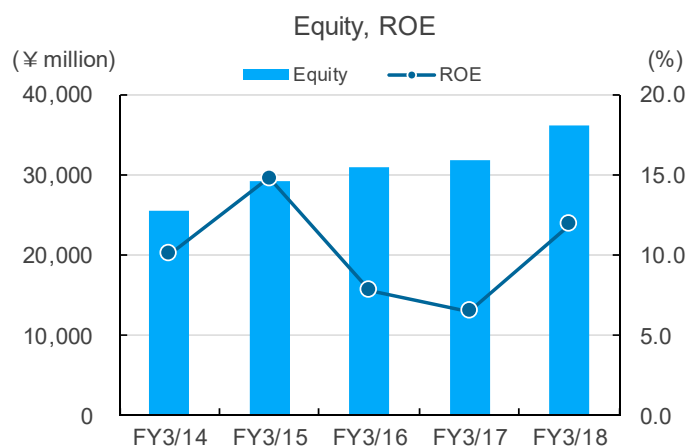
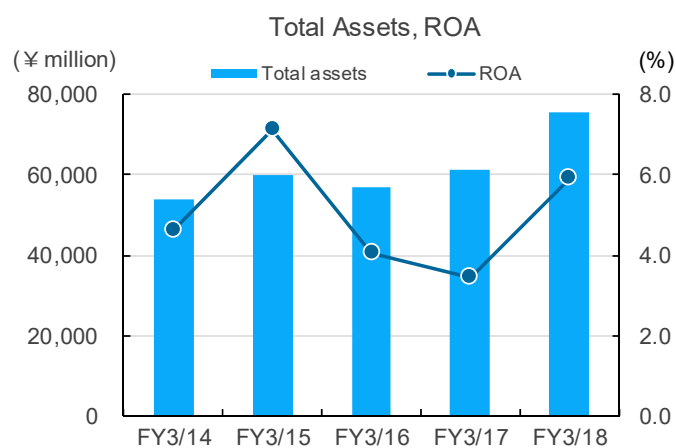
Equity turnover = Net sales/Average equity

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



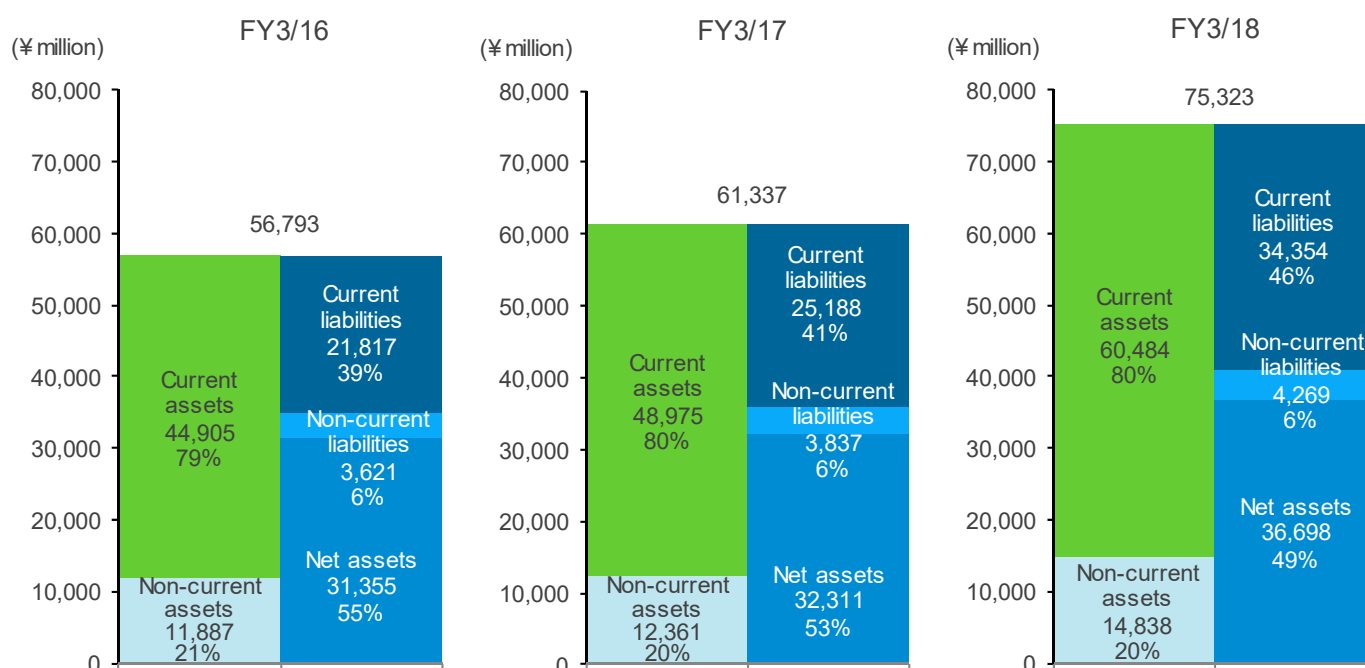
(¥ million)	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Equity	25,519	29,269	30,956	31,760	36,134
Total assets	53,879	59,893	56,793	61,337	75,323
Non-current assets	6,854	7,443	11,887	12,361	14,838
Non-current liabilities	3,148	3,355	3,621	3,837	4,269
Current assets	47,025	52,449	44,905	48,975	60,484
Current liabilities	25,036	26,957	21,817	25,188	34,354
Total net assets	25,694	29,580	31,355	32,311	36,698

(%)	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Equity ratio	47.4	48.9	54.5	51.8	48.0
Non-current ratio	26.9	25.4	38.4	38.9	41.1
Current ratio	187.8	194.6	205.8	194.4	176.1

Equity ratio = Equity/Total assets

Non-current ratio = Non-current assets/Equity

Current ratio = Current assets/Current liabilities



\* Seikodo Marketing Corporation joining the Happinet group in FY3/18 resulted in increases in current assets by ¥11.4 billion, non-current assets by ¥1.6 billion, current liabilities by ¥7.4 billion, non-current liabilities by ¥0.2 billion and net assets by ¥0.1 billion.

	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18
Share price at period-end (¥)	862	1,430	1,022	1,723	1,533
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)	1,431,310	1,413,310	1,367,870	2,368,110	2,273,050
Earnings per share (¥)	109.40	178.91	104.06	92.32	185.31
Book-value per share (¥)	1,128.25	1,293.00	1,364.82	1,464.82	1,659.28
Free cash flow per share (¥)	108.76	287.14	(166.39)	89.84	28.29
Dividend per share	24.75	28.50	30.00	35.00	40.00
EBITDA (¥ million)	4,461	5,449	3,831	4,138	5,156
PER (times)	7.9	8.0	9.8	18.7	8.3
PBR (times)	0.8	1.1	0.7	1.2	0.9
PCFR (times)	8.1	5.2	25.1	13.6	8.3
EV/EBITDA Ratio (times)	2.4	3.4	3.4	7.2	4.9
Dividend Yield (%)	2.9	2.0	2.9	2.0	2.6

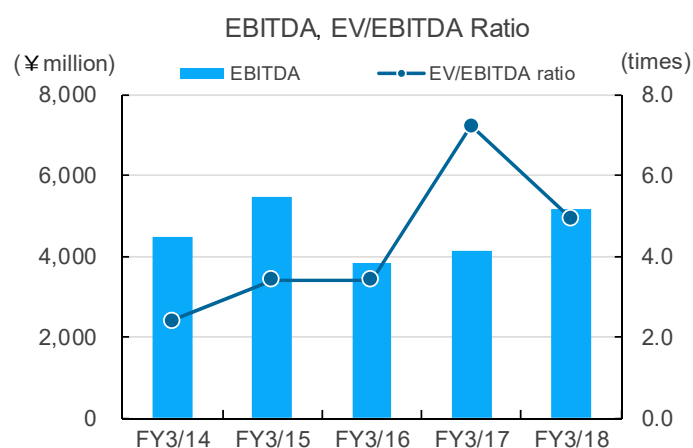
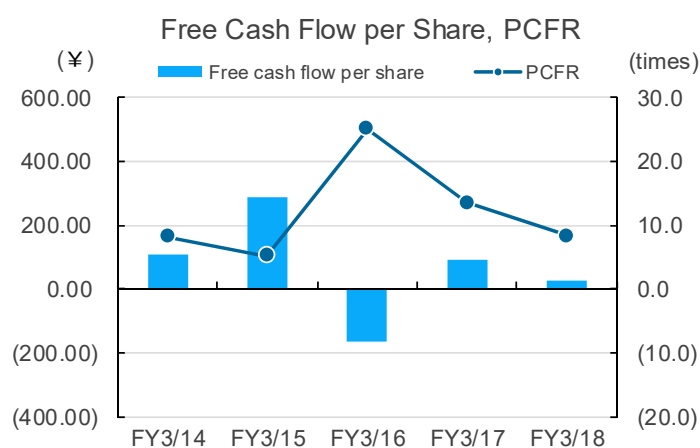
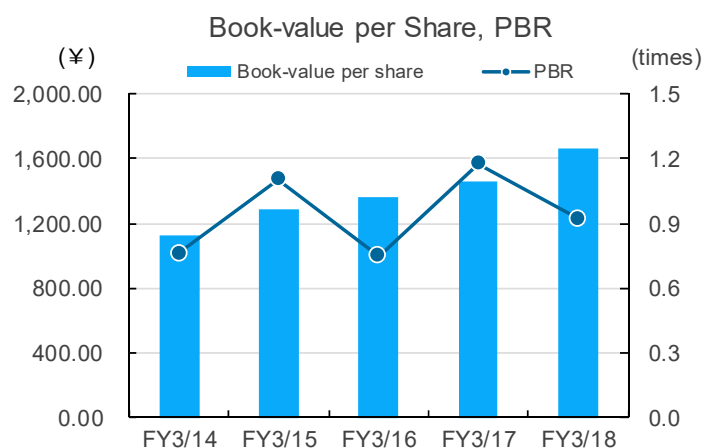
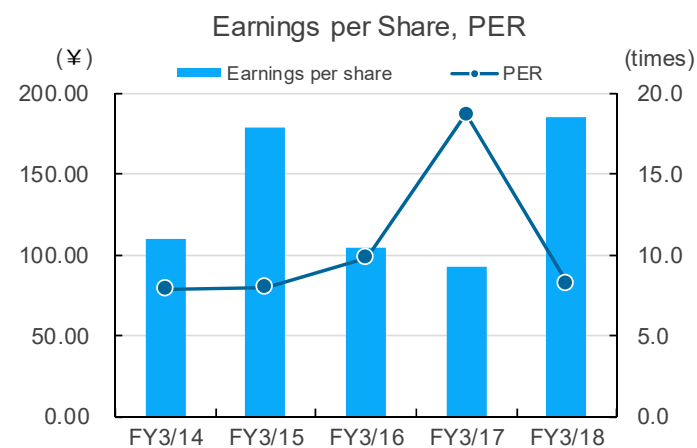
Free cash flow per share = (Cash flows from operating activities + Cash flows from investing activities) / (Outstanding shares issued - Treasury shares)

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)





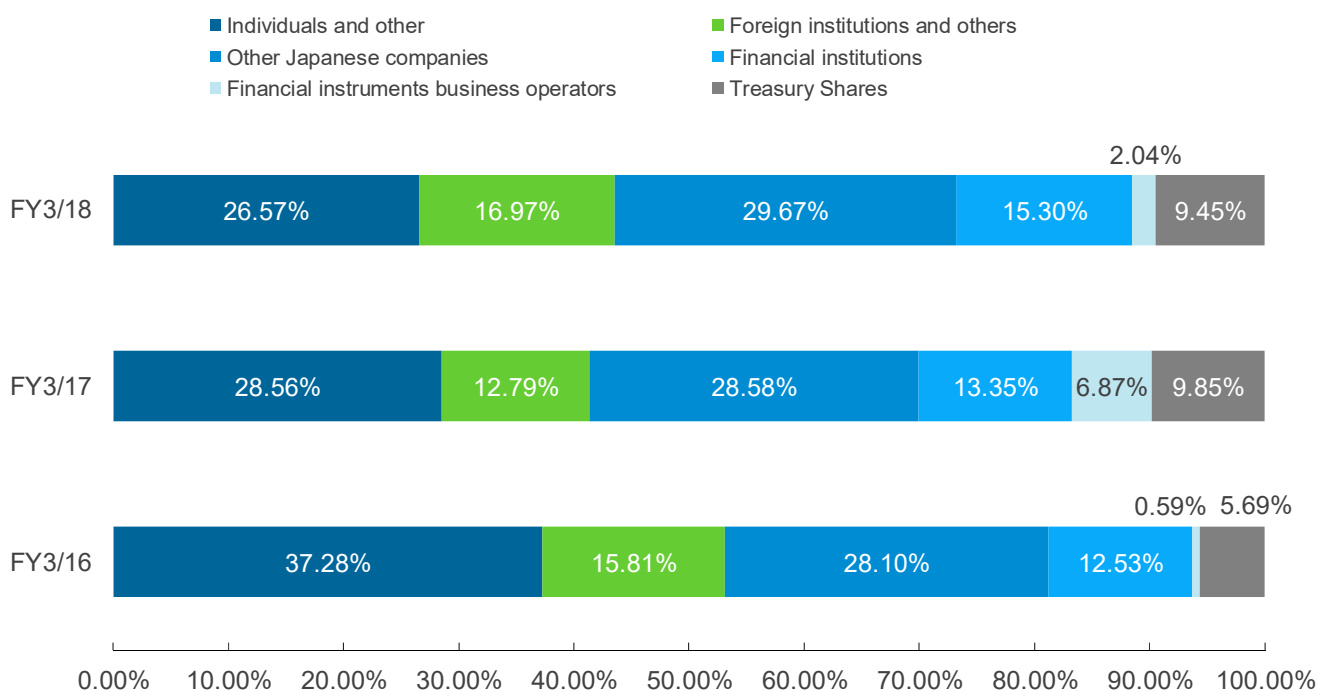
## Major Shareholders (Top 10)

As of March 31, 2018

	Number of Shares	Shareholding Ratio
BANDAI NAMCO Holdings Inc.	5,883,408	27.02%
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	686,337	3.15%
SMBC Trust Bank Ltd. (Limited and employee retirement benefit of Sumitomo Mitsui Banking Corporation)	676,000	3.10%
Japan Trustee Services Bank, Limited (trust account)	571,600	2.62%
Japan Trustee Services Bank, Limited (trust account 9)	569,200	2.61%
The Master Trust Bank of Japan, Limited (trust account)	548,400	2.52%
Yasuhiko Idaira	513,000	2.36%
GOVERNMENT OF NORWAY	473,671	2.18%
Hiroshi Kawai	300,000	1.38%
Trust & Custody Services Bank, Limited (security investment trust account)	263,300	1.21%

Note: Shareholding ratio was calculated based on the total number of the issued shares excluding the number of treasury shares (2,273,050 shares).

## Breakdown of Type of Shareholder





HAPPINET CORPORATION

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Corporate Planning Team, Corporate Planning Department, Corporate  
Management Division  
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E-mail: keiki\_koho@HSN.happinet.co.jp