



HAPPINET CORPORATION

Stock Listing :Tokyo Stock Exchange

Code Number :7552



# Fiscal Year 2018

## First Half Results Briefing

November 13, 2018



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# **FY2018 First Half Results Summary**

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**Seiichi Enomoto**

**Representative Director**

**President and Chief Operating Officer**

# FY 2018 First Half Results Summary



(millions of Yen)

|  | First Half<br>FY2017 | First Half<br>FY2018 | YOY   |
|--|----------------------|----------------------|-------|
| Net sales                                  | 84,827               | 104,580              | 23.3% |
| Operating<br>profit                        | 1,761                | 1,920                | 9.0%  |
| Ordinary<br>profit                         | 1,640                | 1,851                | 12.9% |
| Profit attributable to<br>owners of parent | 1,044                | 1,103                | 5.7%  |

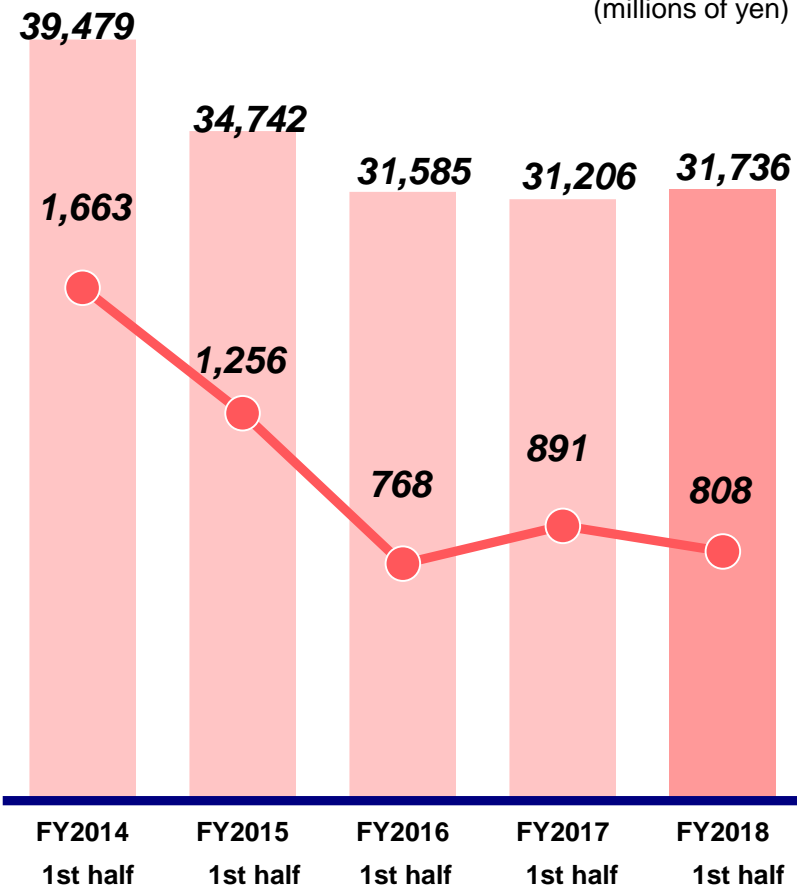


## Toy Business

Net sales ratio  
**30.4%**

Net Sales Segment Income

(millions of yen)



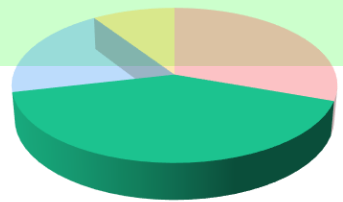
## ■ FY2018 First Half Results Summary

Because of the steady performance of Bandai products, including “*KAMEN RIDER ZI-O*” and “*HUGTTO! PRECURE*,” and BANDAI SPIRITS products, including “*Ichiban KUJI*” (lottery), net sales remained roughly flat year on year.

As a result of valuation losses for our original toys, income fell short of the year-ago level.

|                         | 1st half of FY2014 | 1st half of FY2015 | 1st half of FY2016 | 1st half of FY2017 | 1st half of FY2018 |
|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Clearance amounts       | 0.63 billion yen   | 0.52 billion yen   | 0.34 billion yen   | 0.39 billion yen   | 0.31 billion yen   |
| Inventory amounts       | 3.4 billion yen    | 4.6 billion yen    | 3.3 billion yen    | 3.1 billion yen    | 3.4 billion yen    |
| Inventory turnover rate | 26.6               | 19.8               | 22.9               | 21.1               | 19.8               |

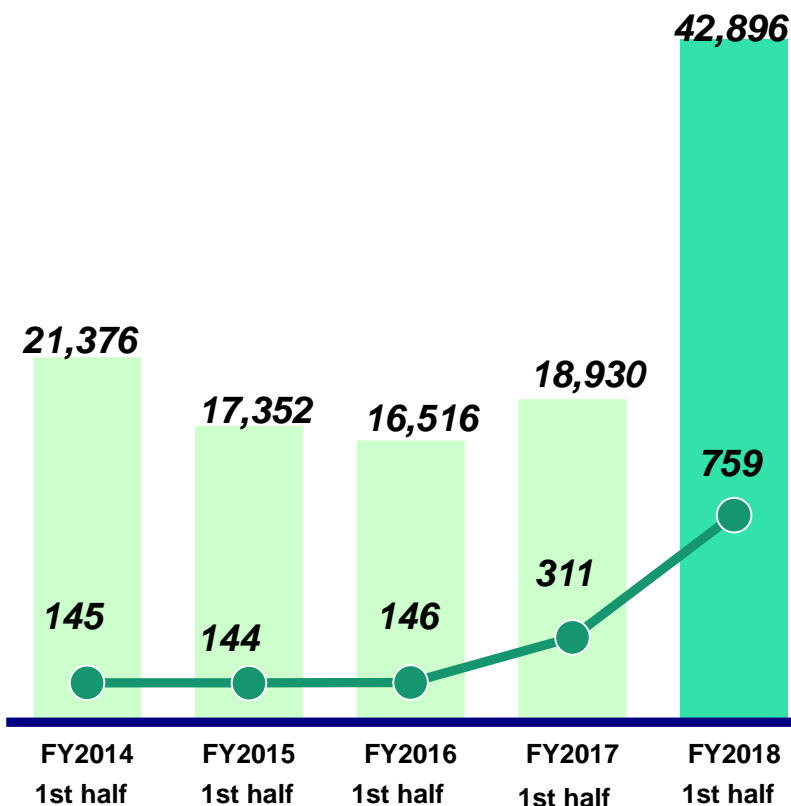
## Visual and Music Business



Net sales ratio  
**41.0%**

(millions of yen)

Net Sales    Segment Income



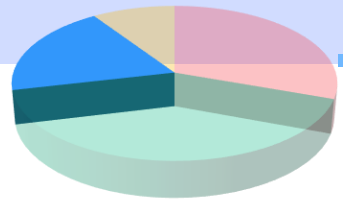
### ■ FY2018 First Half Results Summary

Because of the good performance of Namie Amuro's "namie amuro Final Tour 2018 ~Finally~" and business improvement for a subsidiary that inherited the visual and music package wholesale business of SEIKODO, both net sales and segment income increased dramatically year on year.

|                         | 1st half of FY2015 | 1st half of FY2016 | 1st half of FY2017 | 1st half of FY2018 | 1st half of FY2019 |
|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Clearance amounts       | 0.02 billion yen   | 0.03 billion yen   | 0.03 billion yen   | 0.06 billion yen   | 0.08 billion yen   |
| Inventory amounts       | 2.0 billion yen    | 1.9 billion yen    | 2.0 billion yen    | 2.0 billion yen    | 3.5 billion yen    |
| Inventory turnover rate | 23.9               | 19.1               | 17.6               | 20.4               | 25.4               |

\* Including the inventory amounts of Seikodo Marketing Corporation of 18 billion yen

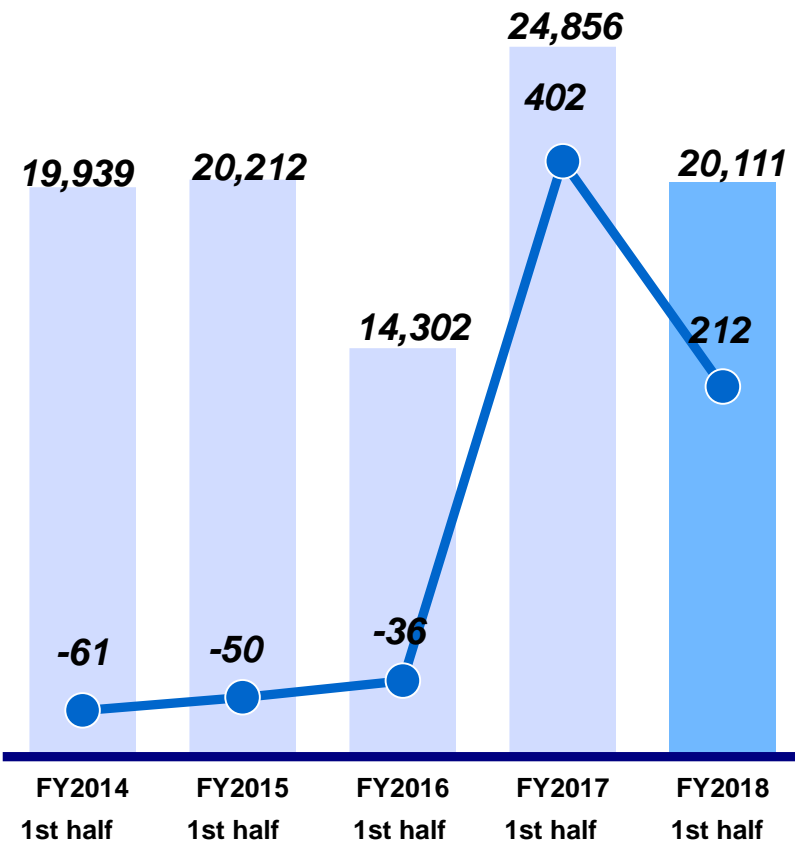
## Video-Game Business



Net sales ratio  
**19.2%**

(millions of yen)

Net Sales Segment Income

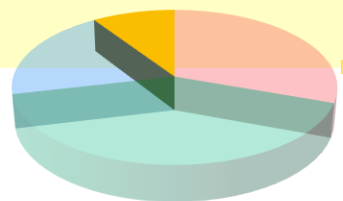


### ■ FY2018 First Half Results Summary

Although the hardware and software of Nintendo Switch remained firm, both net sales and segment income were weak because there were no big hits compared to the same period a year ago.

|                         | 1st half of FY2015 | 1st half of FY2016 | 1st half of FY2017 | 1st half of FY2018 | 1st half of FY2019 |
|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Clearance amounts       | 0.09 billion yen   | 0.14 billion yen   | 0.02 billion yen   | 0.01 billion yen   | 0.00 billion yen   |
| Inventory Amounts       | 1.2 billion yen    | 1.0 billion yen    | 0.8 billion yen    | 1.0 billion yen    | 0.5 billion yen    |
| Inventory turnover rate | 26.6               | 34.1               | 38.6               | 70.5               | 88.3               |

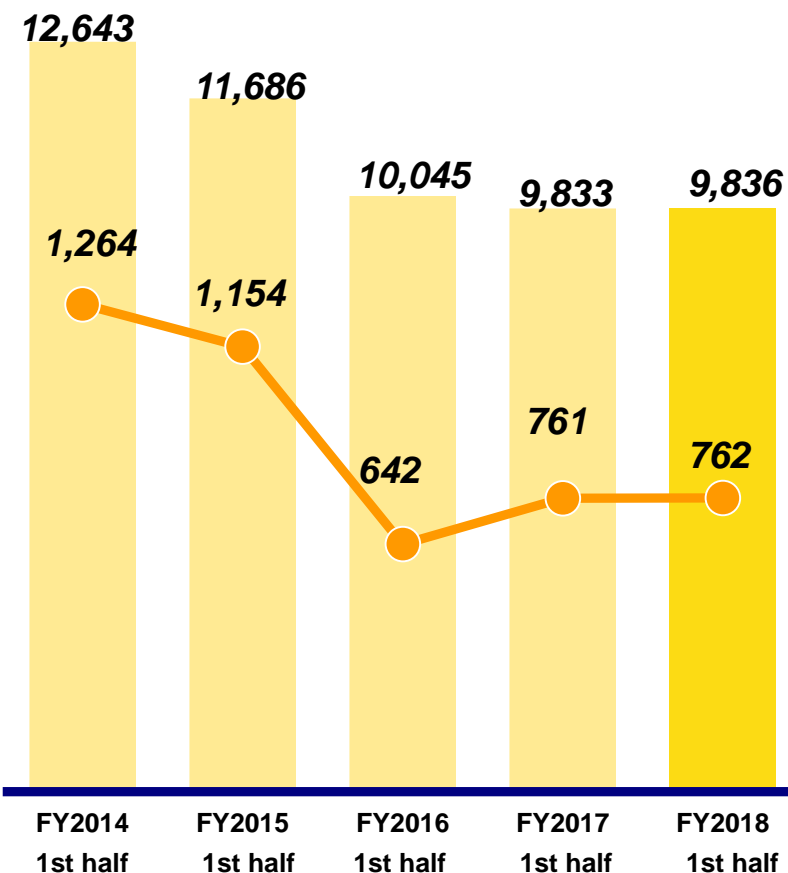
## Amusement Business



Net sales ratio  
**9.4%**

(millions of yen)

■ Net Sales    ● Segment Income



### ■ FY2018 First Half Results Summary

Although card game products remained weak, capsule toy products were healthy because of event sales and exploitation of new locations. Both net sales and income remained flat year on year.

|                         | 1st half of FY2015 | 1st half of FY2016 | 1st half of FY2017 | 1st half of FY2018 | 1st half of FY2019 |
|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Clearance amounts       | 0.10 billion yen   | 0.12 billion yen   | 0.11 billion yen   | 0.06 billion yen   | 0.08 billion yen   |
| Inventory amounts       | 1.7 billion yen    | 1.8 billion yen    | 1.7 billion yen    | 1.5 billion yen    | 1.6 billion yen    |
| Inventory turnover rate | 14.8               | 13.8               | 12.3               | 12.6               | 12.4               |



# **FY2018 First Half Financial Results**

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**Toru Shibata**

**Director**

**Executive Officer**

**Head of the Corporate Management Division**

# Changes in business results

|  |          | 1st Half of<br>FY2014 | 1st Half of<br>FY2015 | 1st Half of<br>FY2016 | 1st Half of<br>FY2017 | 1st Half of<br>FY2018 | FY2014           | FY2015           | FY2016           | FY2017           |
|--|----------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------|------------------|------------------|------------------|
| Net sales                                  | ¥million | 93,437                | 83,993                | 72,448                | 84,827                | <b>104,580</b>        | 217,232          | 187,274          | 174,059          | 197,607          |
| Operating income                           | ¥million | 2,362                 | 1,837                 | 844                   | 1,761                 | <b>1,920</b>          | 5,056            | 3,450            | 3,698            | 4,806            |
| Ordinary income                            | ¥million | 2,413                 | 1,857                 | 741                   | 1,640                 | <b>1,851</b>          | 5,124            | 3,497            | 3,479            | 4,701            |
| Net income                                 | ¥million | 1,814                 | 1,185                 | 329                   | 1,044                 | <b>1,103</b>          | 4,049            | 2,359            | 2,040            | 4,031            |
| Comprehensive income                       | ¥million | 1,957                 | 1,291                 | 699                   | 1,961                 | <b>951</b>            | 4,349            | 2,328            | 2,559            | 5,043            |
| Net assets                                 | ¥million | 27,356                | 30,535                | 30,623                | 33,838                | <b>37,105</b>         | 29,580           | 31,355           | 32,311           | 36,698           |
| Total assets                               | ¥million | 61,985                | 62,443                | 58,329                | 65,126                | <b>73,076</b>         | 59,892           | 56,793           | 61,337           | 75,281           |
| Book Value per share                       | ¥        | 1,200.85              | 1,334.12              | 1,394.01              | 1,532.75              | <b>1,676.61</b>       | 1,293.00         | 1,364.82         | 1,464.82         | 1,659.28         |
| Net income per share                       | ¥        | 80.21                 | 52.33                 | 14.63                 | 48.06                 | <b>50.60</b>          | 178.91           | 104.06           | 92.32            | 185.31           |
| Dividends per share<br>(Interim dividends) | ¥        | (13.50)               | (15.00)               | (15.00)               | (15.00)               | <b>(20.00)</b>        | 28.50<br>(13.50) | 30.00<br>(15.00) | 35.00<br>(15.00) | 40.00<br>(15.00) |
| No. of employees                           | people   | 959                   | 904                   | 865                   | 850                   | <b>975</b>            | 933              | 883              | 843              | 964              |

Notes: 1. Consolidated sales figures do not include consumption tax.

2. In December 2015, creates capital and business alliance with BROCCOLI Co., Ltd. (now an affiliated company accounted for by the equity-method)

3. FY2016 dividends include a commemorative dividends of ¥5 per share.

4. In March 2018, Seikodo Marketing Co., Ltd. joined Happinet Group.

5. FY2017 dividends include a special dividends of ¥10 per share.

# Consolidated results (1) Profit & loss statement



(millions of Yen,%)

|   | 1st Half of FY2017<br>(from Apr.1,2017 to Sep.30,2017) |              |              | 1st Half of FY2018<br>(from Apr.1,2018 to Sep.30,2018) |              |               |
|---|--|--------------|--------------|--|--------------|---------------|
|   |  | % of total   | YoY          |  | % of total   | YoY           |
| <b>Net sales</b>  | <b>84,827</b>  | <b>100.0</b> | <b>17.1</b>  | <b>104,580</b>   | <b>100.0</b> | <b>23.3</b>   |
| <b>Cost of sales *</b>                                      | <b>74,561</b>  | <b>87.9</b>  | <b>18.5</b>  | <b>92,850</b>  | <b>88.8</b>  | <b>24.5</b>   |
| <b>Gross profit</b>   | <b>10,266</b>  | <b>12.1</b>  | <b>7.6</b>   | <b>11,729</b>  | <b>11.2</b>  | <b>14.3</b>   |
| <b>SG&amp;A expenses</b>                                    | <b>8,504</b>   | <b>10.0</b>  | <b>-2.2</b>  | <b>9,809</b>   | <b>9.4</b>   | <b>15.3</b>   |
| logistics cost  | 1,623  | 1.9          | 2.5          | 1,982  | 1.9          | 22.1          |
| Personnel   | 3,693  | 4.4          | -3.0         | 4,246  | 4.1          | 15.0          |
| Depreciation  | 149  | 0.2          | -22.6        | 222  | 0.2          | 49.0          |
| Amortization of goodwill                                    | -  | -            | -            | 66   | 0.1          | -             |
| <b>Operating profit</b>                                     | <b>1,761</b>   | <b>2.1</b>   | <b>108.6</b> | <b>1,920</b>   | <b>1.8</b>   | <b>9.0</b>    |
| <b>Non-operating income</b>                                 | <b>65</b>  | <b>0.1</b>   | <b>48.1</b>  | <b>83</b>  | <b>0.1</b>   | <b>28.4</b>   |
| interest and dividends income                               | 48   | 0.1          | 67.6         | 63   | 0.1          | 32.2          |
| Other   | 17   | 0.0          | 11.4         | 20   | 0.0          | 18.0          |
| <b>Non-operating expenses</b>                               | <b>186</b>   | <b>0.2</b>   | <b>27.2</b>  | <b>151</b>   | <b>0.1</b>   | <b>-18.7</b>  |
| interest expenses   | 0  | 0.0          | -3.8         | 0  | 0.0          | -             |
| Share of loss of entities accounted for using equity method | 186  | 0.2          | 30.9         | 145  | 0.2          | -21.7         |
| Other   | 0  | 0.0          | -89.8        | 5  | 0.0          | -             |
| <b>Ordinary profit</b>                                      | <b>1,640</b>   | <b>1.9</b>   | <b>121.1</b> | <b>1,851</b>   | <b>1.8</b>   | <b>12.9</b>   |
| <b>Extraordinary income</b>                                 | <b>27</b>  | <b>0.0</b>   | <b>-</b>     | <b>-</b>   | <b>-</b>     | <b>-100.0</b> |
| <b>Extraordinary losses</b>                                 | <b>0</b>   | <b>0.0</b>   | <b>-99.9</b> | <b>5</b>   | <b>0.0</b>   | <b>-</b>      |
| <b>Profit before income tax</b>                             | <b>1,667</b>   | <b>2.0</b>   | <b>152.2</b> | <b>1,846</b>   | <b>1.8</b>   | <b>10.7</b>   |
| <b>Income taxes</b>   | <b>623</b>   | <b>0.7</b>   | <b>87.8</b>  | <b>742</b>   | <b>0.7</b>   | <b>19.2</b>   |
| <b>Profit attributable to owners of parent</b>              | <b>1,044</b>   | <b>1.2</b>   | <b>217.0</b> | <b>1,103</b>   | <b>1.1</b>   | <b>5.7</b>    |

\*including stock clearances of ¥536m in FY2017, ¥485m in FY2018.

|  |              |          |              |              |          |               |
|--|--------------|----------|--------------|--------------|----------|---------------|
| <b>Earnings per share (¥)</b>                        | <b>48.06</b> | <b>-</b> | <b>228.4</b> | <b>50.60</b> | <b>-</b> | <b>5.3</b>    |
| <b>No. of employees at end of period (people) **</b> | <b>850</b>   | <b>-</b> | <b>-1.7</b>  | <b>975</b>   | <b>-</b> | <b>-100.0</b> |

\*\*First Half of FY2018 No. of employees include 129 people for Seikodo Marketing Co., Ltd.

|                             |            |          |             |            |          |              |
|-----------------------------|------------|----------|-------------|------------|----------|--------------|
| <b>Capital expenditures</b> | <b>442</b> | <b>-</b> | <b>27.3</b> | <b>395</b> | <b>-</b> | <b>-10.7</b> |
|-----------------------------|------------|----------|-------------|------------|----------|--------------|

## ① Changes by business segment

### ■ Net sales

(millions of Yen, %)

| Segment                   | Period | FY2017   |            |      |           |            |      | FY2018   |            |       |           |            |      |
|---------------------------|--------|----------|------------|------|-----------|------------|------|----------|------------|-------|-----------|------------|------|
|                           |        | 1st Half | % of total | YoY  | Full Year | % of total | YoY  | 1st Half | % of total | YoY   | Full Year | % of total | YoY  |
| Toy business              |        | 31,206   | 36.8       | -1.2 | 71,403    | 36.1       | -3.2 | 31,736   | 30.4       | 1.7   | 72,000    | 31.3       | 0.8  |
| Visual and Music business |        | 18,930   | 22.3       | 14.6 | 42,466    | 21.5       | 21.7 | 42,896   | 41.0       | 126.6 | 78,000    | 33.9       | 83.7 |
| Video-game business       |        | 24,856   | 29.3       | 73.8 | 63,107    | 31.9       | 40.9 | 20,111   | 19.2       | -19.1 | 60,000    | 26.1       | -4.9 |
| Amusement business        |        | 9,833    | 11.6       | -2.1 | 20,630    | 10.5       | -0.1 | 9,836    | 9.4        | 0.0   | 20,000    | 8.7        | -3.1 |
| Total                     |        | 84,827   | 100.0      | 17.1 | 197,607   | 100.0      | 13.5 | 104,580  | 100.0      | 23.3  | 230,000   | 100.0      | 16.4 |

### ■ Segment income

(millions of Yen, %)

| Segment                    | Period | FY2017   |            |       |           |            |       | FY2018   |            |       |           |            |       |
|----------------------------|--------|----------|------------|-------|-----------|------------|-------|----------|------------|-------|-----------|------------|-------|
|                            |        | 1st Half | % of total | YoY   | Full Year | % of total | YoY   | 1st Half | % of total | YoY   | Full Year | % of total | YoY   |
| Toy business               |        | 891      | 50.6       | 16.0  | 2,467     | 51.3       | -19.0 | 808      | 42.1       | -9.3  | 2,850     | 57.0       | 15.5  |
| Visual and Music business  |        | 311      | 17.7       | 112.5 | 882       | 18.4       | 110.9 | 759      | 39.5       | 143.8 | 700       | 14.0       | -20.7 |
| Video-game business        |        | 402      | 22.8       | -     | 1,180     | 24.6       | 207.0 | 212      | 11.1       | -47.2 | 1,200     | 24.0       | 1.6   |
| Amusement business         |        | 761      | 43.2       | 18.5  | 1,678     | 34.9       | 31.0  | 762      | 39.7       | 0.2   | 1,650     | 33.0       | -1.7  |
| Eliminations and corporate |        | -604     | -34.3      | -     | -1,402    | -29.2      | -     | -622     | -32.4      | -     | -1,400    | -28.0      | -     |
| Total                      |        | 1,761    | 100.0      | 108.6 | 4,806     | 100.0      | 30.0  | 1,920    | 100.0      | 9.0   | 5,000     | 100.0      | 4.0   |

## ② Main business summary

### ■ Toy business

(100millions of Yen,%)

| period<br>Manufacturer | 1st Half of FY2017<br>(from Apr.1,2017 to Sep.30,2017) |              |             | 1st Half of FY2018<br>(from Apr.1,2018 to Sep.30,2018) |              |            | FY2017<br>(from Apr.1,2017 to Mar.31,2018) |              |             |
|------------------------|--|--------------|-------------|--|--------------|------------|--|--------------|-------------|
|                        |  | % of total   | YoY         |  | % of total   | YoY        |  | % of total   | YoY         |
| BANDAI CO.,Ltd         | 151  | 48.5         | -2.1        | 190  | 60.0         | 25.8       | 365  | 51.1         | -3.0        |
| TOMY COMPANY,LTD       | 32   | 10.5         | 7.5         | 40   | 12.8         | 23.7       | 73   | 10.3         | 4.0         |
| Happinet originals     | 7  | 2.5          | -11.1       | 9  | 3.1          | 27.2       | 16   | 2.3          | -6.8        |
| Other manufactures     | 120  | 38.5         | -1.5        | 76   | 24.1         | -36.3      | 259  | 36.3         | -5.0        |
| <b>Total</b>           | <b>312</b>   | <b>100.0</b> | <b>-1.2</b> | <b>317</b>   | <b>100.0</b> | <b>1.7</b> | <b>714</b>                                 | <b>100.0</b> | <b>-3.2</b> |

※As of April 1, 2018 BANDAI SPIRITS Co., Ltd. started its operation, the breakdown of sales was partially changed from 1st quarter of FY2018.

### ■ Visual and Music business

(100millions of Yen,%)

| period<br>Division | 1st Half of FY2017<br>(from Apr.1,2017 to Sep.30,2017) |              |             | 1st Half of FY2018<br>(from Apr.1,2018 to Sep.30,2018) |              |              | FY2017<br>(from Apr.1,2017 to Mar.31,2018) |              |             |
|--------------------|--|--------------|-------------|--|--------------|--------------|--|--------------|-------------|
|                    |  | % of total   | YoY         |  | % of total   | YoY          |  | % of total   | YoY         |
| Wholesale          | 129  | 68.3         | 20.5        | 247  | 57.7         | 91.5         | 280  | 66.1         | 26.1        |
| Exclusive titles   | 23   | 12.3         | 21.1        | 15   | 3.5          | -35.1        | 44   | 10.5         | -0.1        |
| <b>Visual</b>      | <b>152</b>   | <b>80.6</b>  | <b>20.6</b> | <b>262</b>   | <b>61.2</b>  | <b>72.2</b>  | <b>325</b>                                 | <b>76.6</b>  | <b>21.7</b> |
| <b>Music</b>       | <b>36</b>  | <b>19.4</b>  | <b>-5.0</b> | <b>166</b>   | <b>38.8</b>  | <b>352.0</b> | <b>99</b>                                  | <b>23.4</b>  | <b>21.8</b> |
| <b>Total</b>       | <b>189</b>   | <b>100.0</b> | <b>14.6</b> | <b>428</b>   | <b>100.0</b> | <b>126.6</b> | <b>424</b>                                 | <b>100.0</b> | <b>21.7</b> |

※First Half of FY2018 breakdown of netsales for Seikodo Marketing Co., Ltd. Wholesale of Visual:¥14.8 billion, Music:¥12billion

## ■ Sales of video game platform

(100millions of Yen,%)

| Manufacturer | period | 1st Half of FY2017<br>(from Apr.1,2017 to Sep.30,2017) |            |       | 1st Half of FY2018<br>(from Apr.1,2018 to Sep.30,2018) |            |       | FY2017<br>(from Apr.1,2017 to Mar.31,2018) |            |       |
|--------------|--------|--|------------|-------|--|------------|-------|--|------------|-------|
|              |        |  | % of total | YoY   |  | % of total | YoY   |  | % of total | YoY   |
| Nintendo     |        | 212  | 85.5       | 108.9 | 164  | 81.9       | -22.5 | 539  | 85.6       | 59.4  |
| S I E *      |        | 33   | 13.4       | -10.2 | 33   | 16.4       | -0.9  | 83   | 13.3       | -15.3 |
| Other        |        | 2  | 1.1        | -35.5 | 3  | 1.7        | 28.6  | 7  | 1.1        | -28.9 |
| Total        |        | 248  | 100.0      | 73.8  | 201  | 100.0      | -19.1 | 631  | 100.0      | 40.9  |

※ S I E . . . Sony Interactive Entertainment LLC

## ■ Amusement Business

(100millions of Yen,%)

| Division        | period | 1st Half of FY2017<br>(from Apr.1,2017 to Sep.30,2017) |            |       | 1st Half of FY2018<br>(from Apr.1,2018 to Sep.30,2018) |            |      | FY2017<br>(from Apr.1,2017 to Mar.31,2018) |            |       |
|-----------------|--------|--|------------|-------|--|------------|------|--|------------|-------|
|                 |        |  | % of total | YoY   |  | % of total | YoY  |  | % of total | YoY   |
| Capsule toy     |        | 53   | 54.4       | 10.1  | 54   | 55.9       | 2.8  | 109  | 52.9       | 15.2  |
| Kid's card game |        | 37   | 38.2       | -11.6 | 34   | 34.6       | -9.4 | 80   | 39.2       | -11.7 |
| Other           |        | 7  | 7.4        | -22.1 | 9  | 9.5        | 28.8 | 16   | 7.9        | -19.1 |
| Total           |        | 98   | 100.0      | -2.1  | 98   | 100.0      | 0.0  | 206  | 100.0      | -0.1  |

## ■ Breakdown of Nintendo sales

(100millions of Yen,%)

| Item       |             | 1st Half of FY2017<br>(from Apr.1,2017 to Sep.30,2017) |            |       | 1st Half of FY2018<br>(from Apr.1,2018 to Sep.30,2018) |            |       | FY2017<br>(from Apr.1,2017 to Mar.31,2018) |            |       |
|------------|-------------|--|------------|-------|--|------------|-------|--|------------|-------|
|            |             |  | % of total | YoY   |  | % of total | YoY   |  | % of total | YoY   |
| Stationary | console     | 89   | 42.0       | 716.2 | 77   | 47.1       | -13.0 | 239  | 44.4       | 356.8 |
|            | Software    | 37   | 17.4       | 360.2 | 52   | 32.0       | 42.1  | 102  | 18.9       | 266.4 |
|            | Accessories | 14   | 6.9        | 579.3 | 9  | 5.6        | -37.9 | 27   | 5.2        | 270.4 |
| Portable   | console     | 31   | 14.9       | 4.9   | 7  | 4.8        | -75.2 | 55   | 10.2       | -28.3 |
|            | Software    | 30   | 14.1       | -31.0 | 6  | 3.8        | -79.2 | 83   | 15.4       | -42.3 |
|            | Accessories | 2  | 1.2        | 10.4  | 0  | 0.2        | -85.9 | 2  | 0.4        | -63.0 |
| Other      |             | 7  | 3.5        | 59.1  | 10   | 6.5        | 46.1  | 29   | 5.5        | 27.6  |
| Total      |             | 212  | 100.0      | 108.9 | 164  | 100.0      | -22.5 | 539  | 100.0      | 59.4  |

## ■ Breakdown of \*SIE sales

(100millions of Yen,%)

| Item       |             | 1st Half of FY2017<br>(from Apr.1,2017 to Sep.30,2017) |            |       | 1st Half of FY2018<br>(from Apr.1,2018 to Sep.30,2018) |            |       | FY2017<br>(from Apr.1,2017 to Mar.31,2018) |            |       |
|------------|-------------|--|------------|-------|--|------------|-------|--|------------|-------|
|            |             |  | % of total | YoY   |  | % of total | YoY   |  | % of total | YoY   |
| Stationary | console     | 10   | 30.4       | 76.3  | 8  | 26.9       | -12.2 | 22   | 26.8       | -3.4  |
|            | Software    | 9  | 28.7       | -23.9 | 15   | 46.4       | 60.4  | 35   | 42.2       | 9.2   |
|            | Accessories | 1  | 3.6        | 100.8 | 0  | 2.3        | -38.7 | 2  | 2.6        | -2.9  |
| Portable   | console     | 1  | 4.7        | -51.8 | 0  | 1.2        | -75.1 | 3  | 4.5        | -57.7 |
|            | Software    | 10   | 31.0       | -27.7 | 7  | 22.9       | -26.7 | 19   | 22.9       | -37.5 |
|            | Accessories | 0  | 1.6        | -22.8 | 0  | 0.3        | -79.7 | 0  | 1.0        | -44.2 |
| Total      |             | 33   | 100.0      | -10.2 | 33   | 100.0      | -0.9  | 83   | 100.0      | -15.3 |

# Consolidated results (2)Balance sheet



(millions of Yen,%)

|                                       | FY2017                       |                               | FY2018                       |               |
|---------------------------------------|------------------------------|-------------------------------|------------------------------|---------------|
|                                       | 1st Half<br>(As Sep.30,2017) | Full year<br>(As Mar.31,2018) | 1st Half<br>(As Sep.30,2018) | Change        |
| <b>(Assets)</b>                       |                              |                               |                              |               |
| Cash and deposits                     | 12,350                       | 11,458                        | 15,436                       | 3,977         |
| Notes and accounts receivable - trade | 28,884                       | 36,979                        | 30,004                       | -6,974        |
| Inventories                           | 7,885                        | 8,028                         | 9,291                        | 1,262         |
| Advance payments-trade                | 844                          | 1,025                         | 1,409                        | 383           |
| Other                                 | 1,378                        | 1,986                         | 1,896                        | -89           |
| Allowance for doubtful accounts       | -2                           | -3                            | -2                           | 0             |
| <b>Total current assets</b>           | <b>51,341</b>                | <b>59,474</b>                 | <b>58,035</b>                | <b>-1,439</b> |
| Total property, plant and equipment   | 765                          | 758                           | 730                          | -28           |
| Buildings and structures, net         | 433                          | 424                           | 421                          | -3            |
| Land                                  | 65                           | 65                            | 65                           | -             |
| Other                                 | 266                          | 268                           | 242                          | -25           |
| Intangible assets                     | 1,291                        | 2,465                         | 2,520                        | 54            |
| Goodwill                              | -                            | 658                           | 591                          | -66           |
| Other                                 | 1,291                        | 1,807                         | 1,928                        | 121           |
| Investments and other assets          | 11,727                       | 12,583                        | 11,791                       | -792          |
| Investment securities                 | 8,151                        | 8,323                         | 7,997                        | -325          |
| Deferred tax assets                   | 1,092                        | 1,525                         | 1,252                        | -272          |
| Other                                 | 2,487                        | 2,738                         | 2,543                        | -194          |
| Allowance for doubtful accounts       | -3                           | -3                            | -2                           | 1             |
| <b>Total non-current assets</b>       | <b>12,784</b>                | <b>15,807</b>                 | <b>15,041</b>                | <b>-765</b>   |
| <b>Total assets</b>                   | <b>65,126</b>                | <b>75,281</b>                 | <b>73,076</b>                | <b>-2,205</b> |



# Consolidated results (2)Balance sheet



(millions of Yen,%)

|   |  | FY2017                       |                               | FY2018                       |               |
|---|--|------------------------------|-------------------------------|------------------------------|---------------|
|   |  | 1st Half<br>(As Sep.30,2017) | Full year<br>(As Mar.31,2018) | 1st Half<br>(As Sep.30,2018) | Change        |
| <b>(Liabilities)</b>                                  |  |                              |                               |                              |               |
| Notes and accounts payable-trade                      |  | 23,646                       | 27,785                        | 26,960                       | -824          |
| Accounts payable-other                                |  | 2,512                        | 3,447                         | 3,130                        | -316          |
| Income taxes payable                                  |  | 350                          | 1,476                         | 432                          | -1,044        |
| Provision for bonuses                                 |  | 201                          | 505                           | 219                          | -286          |
| Other   |  | 619                          | 1,140                         | 948                          | -192          |
| <b>Total current liabilities</b>                      |  | <b>27,329</b>                | <b>34,354</b>                 | <b>31,691</b>                | <b>-2,662</b> |
| Provision for stocks payment                          |  | -                            | -                             | 52                           | 52            |
| Net defined benefit liability                         |  | 2,981                        | 2,993                         | 3,027                        | 33            |
| Deferred tax liabilities                              |  | 71                           | 59                            | 72                           | 12            |
| Other   |  | 904                          | 1,175                         | 1,127                        | -48           |
| <b>Total non-current liabilities</b>                  |  | <b>3,958</b>                 | <b>4,228</b>                  | <b>4,279</b>                 | <b>50</b>     |
| <b>Total liabilities</b>                              |  | <b>31,288</b>                | <b>38,583</b>                 | <b>35,971</b>                | <b>-2,611</b> |
| <b>(Net assets)</b>                                   |  |                              |                               |                              |               |
| Capital stock   |  | 2,751                        | 2,751                         | 2,751                        | -             |
| Capital surplus                                       |  | 2,795                        | 2,795                         | 2,890                        | 94            |
| Retained earnings                                     |  | 27,665                       | 30,325                        | 30,884                       | 559           |
| Treasury shares                                       |  | -1,917                       | -1,917                        | -1,966                       | -48           |
| <b>Total shareholder's equity</b>                     |  | <b>31,294</b>                | <b>33,954</b>                 | <b>34,560</b>                | <b>605</b>    |
| Valuation difference on available-for-sale securities |  | 2,079                        | 2,181                         | 2,025                        | -155          |
| Deferred gains or losses on hedges                    |  | 4                            | -2                            | 1                            | 3             |
| <b>Total accumulated other comprehensive income</b>   |  | <b>2,084</b>                 | <b>2,179</b>                  | <b>2,026</b>                 | <b>-152</b>   |
| Subscription rights to shares                         |  | 459                          | 564                           | 518                          | -45           |
| <b>Total Net assets</b>                               |  | <b>33,838</b>                | <b>36,698</b>                 | <b>37,105</b>                | <b>406</b>    |
| <b>Total liabilities and Net assets</b>               |  | <b>65,126</b>                | <b>75,281</b>                 | <b>73,076</b>                | <b>-2,205</b> |
| <b>Net assets per share( ¥ )</b>                      |  | <b>1,532.75</b>              | <b>1,659.28</b>               | <b>1,676.61</b>              | <b>17.32</b>  |

# Consolidated results (3) Statements of Cash Flows

(millions of Yen,%)

|  | 1st half of<br>FY2017 | 1st half of<br>FY2018 | Change       |
|--|-----------------------|-----------------------|--------------|
| profit before income taxes   | 1,667                 | 1,846                 | 179          |
| Depreciation   | 165                   | 243                   | 78           |
| Amortization of goodwill   | -                     | 66                    | 66           |
| Share of loss of entities accounted for using equity method                | 186                   | 145                   | -40          |
| Decrease (increase) in notes and accounts receivable - trade               | -625                  | 6,976                 | 7,601        |
| Decrease (increase) in inventories   | -1,585                | -1,262                | 322          |
| Increase (decrease) in notes and accounts payable - trade                  | 2,095                 | -824                  | -2,919       |
| Increase (decrease) in accounts payable - other                            | 282                   | -307                  | -589         |
| Decrease (increase) in accounts receivable - other                         | -94                   | 116                   | 211          |
| Other  | 35                    | -606                  | -641         |
| Income taxes paid  | -624                  | -1,395                | -771         |
| <b>Net cash provided by (used in) operating activities</b>                 | <b>1,502</b>          | <b>4,999</b>          | <b>3,497</b> |
| Purchase of property, plant and equipment and intangible assets            | -393                  | -353                  | 39           |
| Proceeds from sales of property, plant and equipment and intangible assets | 0                     | -                     | -0           |
| Purchase of investment securities  | -7                    | -106                  | -98          |
| Proceeds from sales of investment securities                               | 78                    | -                     | -78          |
| Other, net   | -                     | -10                   | -10          |
| <b>Net cash provided by (used in) investing activities</b>                 | <b>-322</b>           | <b>-470</b>           | <b>-147</b>  |
| Proceeds from disposal of treasury shares                                  | 0                     | 0                     | -0           |
| Purchase of treasury shares  | -0                    | -                     | 0            |
| Cash dividends paid  | -433                  | -544                  | -110         |
| Other, net   | -                     | -6                    | -6           |
| <b>Net cash provided by (used in) financing activities</b>                 | <b>-434</b>           | <b>-551</b>           | <b>-117</b>  |
| <b>Effect of exchange rate change on cash and cash equivalents</b>         | <b>-0</b>             | <b>0</b>              | <b>0</b>     |
| <b>Net increase (decrease) in cash and cash equivalents</b>                | <b>745</b>            | <b>3,977</b>          | <b>3,232</b> |
| <b>Cash and cash equivalents at beginning of period</b>                    | <b>11,605</b>         | <b>11,458</b>         | <b>-147</b>  |
| <b>Cash and cash equivalents at end of period</b>                          | <b>12,350</b>         | <b>15,436</b>         | <b>3,085</b> |

# **Noteworthy Products for FY2018 Second Half**

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**Seiichi Enomoto**  
**Representative Director**  
**President and Chief Operating Officer**

## Toy Business

### Noteworthy products



©2018 石森プロ・テレビ朝日・ADK・東映



Flash Belt  
DX Ziku Driver  
Open price



2018年11月23日発売  
登場するナウたまの  
バリエーションは  
100京<sup>ばい</sup>以上!!

Tamagotchi Meets products

Open price

©BANDAI, WiZ

## Aero Nova

エアロノヴァ



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直感操作の  
手モットコントロールで  
不思議を体感!

Aero Nova  
List price  
5,400 yen (excl. tax)

## トレーディングカードゲーム

新商品の発売で  
いっそう盛り上がる!!



Launched in December 2018  
Pokemon Card Game Sun & Moon  
expansion pack Tag Volt  
Duel Masters TCG  
Bipolar Hen expansion pack part 4

## Toy Business

### Original products



© Happinet



ハグミンの新しい友達  
ふしぎでかわいい声の  
ゆめかわユニコーン

Hugmin Friends  
Unicorn Milk  
Unicorn Peach  
Open price



3つのお部屋と  
小物がたっぷりな  
お世話あそびセット

Hugmin Series Mothering DX Set  
Open price

### Topics

## ❖ ハムリーズ開店

2018/12/01  
HAKATA

2018/11/30  
YOKOHAMA

Two branches of Hamleys, a long-established toy store originating from the U.K., opened in Japan at the end of 2018!

They are operated by BANDAI NAMCO Amusement Inc.



## Visual and Music Business

### Noteworthy titles (production)

#### ***“Nichi Nichi Kore Kojitsu”*** (co-managed movie)

The movie version of the essay by Noriko Morishita, directed by Tatsushi Omori, showcases the growth of the main character who learns the depth of *sado* (Japanese tea ceremony). The main character is played by Hana Kuroki, and the *sado* teacher is played by Kirin Kiki.



(C) 2018 “Nichi Nichi Kore Kojitsu” production committee

**Released on October 13, 2018**



#### ***“Ikiterudakede, ai.”*** (co-managed movie)

A live-action movie directed by Kosai Sekine, based on the novel by Yukiko Motoya. Shuri and Masaki Suda played the lead roles. It is a story of radical, comical and deep love.

**To be released on  
November 9, 2018**

(C)2018 “Ikiterudakede, ai.” production committee

#### TV animation ***“Manaria Friends”***

A short animation with Anne and Grea, very popular characters from “*Rage of Bahamut*,” which have acted in the other Cygames games including “*Granblue Fantasy*.”

**To be broadcast on TV  
starting in January 2019**

(C) “Manaria Friends” production committee



## Visual and Music Business

### Noteworthy titles (package)

#### ■ In-house titles



To be released on  
December 21, 2018

In-house product  
Very popular variety game show  
**“GameCenter CX 15”**

© 2018 Fuji Television Network, Inc., GASCOIN Co., Ltd., and Stylejam Inc.



To be released on  
January 25, 2019

Exclusive-sales product  
A popular show about life  
**“Transparent Cradle”**  
DVD BOX

©2019 NHK

#### ■ Products by other companies

| Title (Visual)                              | Box office income (Billion yen) | (Planned) Date of release |
|---|---------------------------------|---------------------------|
| <b>“Detective Conan: Zero the Enforcer”</b> | 8.8                             | October 3                 |
| <b>“Jurassic World 2: Fallen Kingdom”</b>   | 8.0                             | December 5                |

| Title (Music)                                    | (Planned) Date of release |
|--|---------------------------|
| <b>Mr.Children</b><br>Gravity and Breathing      | October 3                 |
| <b>Kis-My-Ft2</b><br>LIVE TOUR 2018～             | November 28               |
| <b>King &amp; Prince</b><br>King & Prince First～ | December 12               |
| <b>Gen Hoshino</b><br>POP VIRUS                  | December 19               |

## Video-Game Business

### Noteworthy products for the second half

#### ■ Nintendo Switch

\* The sales volume described below is the domestic sales volume, excluding download versions, which we investigated.



#### Pokemon "Let's go Pikachu" and "Let's go Eevee" To be released on November 16, 2018

- The Pokemon series debut on the Nintendo Switch!
- Supports the new device, "Monster Ball Plus."
- Connects to Pokemon GO!



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Pokemon, Pokémon, and Monster Ball are registered trademarks of Nintendo, Creatures Inc., and GAME FREAK Inc.



#### "Super Smash Bros. SPECIAL" To be released on December 7, 2018

The most fighters, stages and items ever in Smash Bros.!

**Accumulated sales volume of the previous title: 3.3 million copies**

\* Total of 3DS version and Wii U version launched in 2014

© 2018 Nintendo Original Game: © Nintendo / HAL Laboratory, Inc.  
Characters: © Nintendo / HAL Laboratory, Inc. / Pokémon / Creatures Inc. / GAME FREAK inc. / SHIGESATO ITOI / APE inc. / INTELLIGENT SYSTEMS / Konami Digital Entertainment / SEGA / CAPCOM CO., LTD. / BANDAI NAMCO Entertainment Inc. / MONOLITHSOFT / CAPCOM U.S.A., INC. / SQUARE ENIX CO., LTD.



© 2018 Nintendo

#### "Super Mario Party" Released on October 5, 2018

After its launch,  
**250 thousand copies were sold in 3 weeks.**



## Video-Game Business

### Noteworthy products for the second half

#### PlayStation Classic

To be released on December 3, 2018

Suggested retail price: 9,980 yen (excl. tax)

PlayStation Classic, a compact reproduction of the original PlayStation that launched in 1994, offers 20 classic PlayStation titles.

© 2018 Sony Interactive Entertainment Inc. All rights reserved.  
Design and specifications are subject to change without notice.



#### PlayStation4

##### “Disaster Report 4 Plus”

To be released on  
November 22, 2018



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Exclusive sales  
product of Happinet.  
The latest title in the  
series after 11 years.

##### “Kingdom Hearts III”

To be released on January 25, 2019



©Disney ©Disney/Pixar Developed by SQUARE ENIX

The latest title in the  
Kingdom Hearts series,  
which has shipped and  
sold 25 million copies  
worldwide.

##### “Biohazard RE:2”

To be released on January 25, 2019



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Complete remake of  
version 2 in the  
series, which  
maintains its  
popularity, using  
modern technology.

## Amusement Business

### Noteworthy products for the second half

#### Capsule toys



**GASHAPON Original Ride Watch**  
Continue to launch one or two series per month



**Works with DX Ziku Driver**

© 2018 Ishimori Production Inc., TV Asahi, ADK, TOEI Company, Ltd.



**Sells original items at Dragon Ball corner**

© BIRD STUDIO, Shueisha, Fuji Television Network, inc., TOEI ANIMATION Co., Ltd.

#### Lot Gashapon



**In spring 2019, we plan to launch new characters.**



#### DATA CARDDASS



**Production increase was determined! Start installation from December.**



Future sales increase is expected because of the eighth anniversary and effects of the movie



**Products dedicated to inbound tourists and setting up corners**



**Launch of products limited to each region**



**Expand product lineup to suit area characteristics**



**200 locations across Japan**

## Amusement Business

### Location development

#### ■ Facilities for foreign tourists

\*Photos: GASHAPON Yokocho at Okachimachi

**Expand installation locations mainly in inner-city areas**



- GASHAPON Yokocho at Okachimachi
- Enhance development in Shinjuku, Shibuya and Ikebukuro



#### ■ Commercial facilities

**Expand installation locations to vacant tenants**



\* Photo: AEON MALL Okayama

- AEON Tonami
- AEON Makuhari-shintoshin
- AEON Tsunan

Implement sales promotion activities through enhancement of sales floors

#### ■ Railway facilities

**Expand lines to install and promote permanent installations**



\* Photo: Asakusa Station on TX Line



Expand installation locations to private railway lines in capital region

\* Photo: Ueno Station on JR Line

#### (Permanent) installation locations

- Keisei Line at Takasago Station
- Asakusa and Kitasenju Stations on TX Line
- Ueno and Ikebukuro Stations on JR Line



# **FY2018 Full-Year Projection**

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**Seiichi Enomoto**

**Representative Director**

**President and Chief Operating Officer**

## ■ Net sales projection by business segment

(millions of Yen,%)

|                           | Full Fiscal Year 2017<br>(from Apr.1,2017 to Mar.31,2018) |            |      | Full Fiscal Year 2018<br>(from Apr.1,2018 to Mar.31,2019) |              |             |
|---------------------------|---|------------|------|---|--------------|-------------|
|                           |   | % of total | YoY  |   | % of total   | YoY         |
| Toy business              | 71,403  | 36.1       | -3.2 | <b>72,000</b>   | <b>31.3</b>  | <b>0.8</b>  |
| Visual and Music business | 42,466  | 21.5       | 21.7 | <b>78,000</b>   | <b>33.9</b>  | <b>83.7</b> |
| Video-game business       | 63,107  | 32.0       | 40.9 | <b>60,000</b>   | <b>26.1</b>  | <b>-4.9</b> |
| Amusement business        | 20,630  | 10.4       | -0.1 | <b>20,000</b>   | <b>8.7</b>   | <b>-3.1</b> |
| Total                     | 197,607   | 100.0      | 13.5 | <b>230,000</b>  | <b>100.0</b> | <b>16.4</b> |

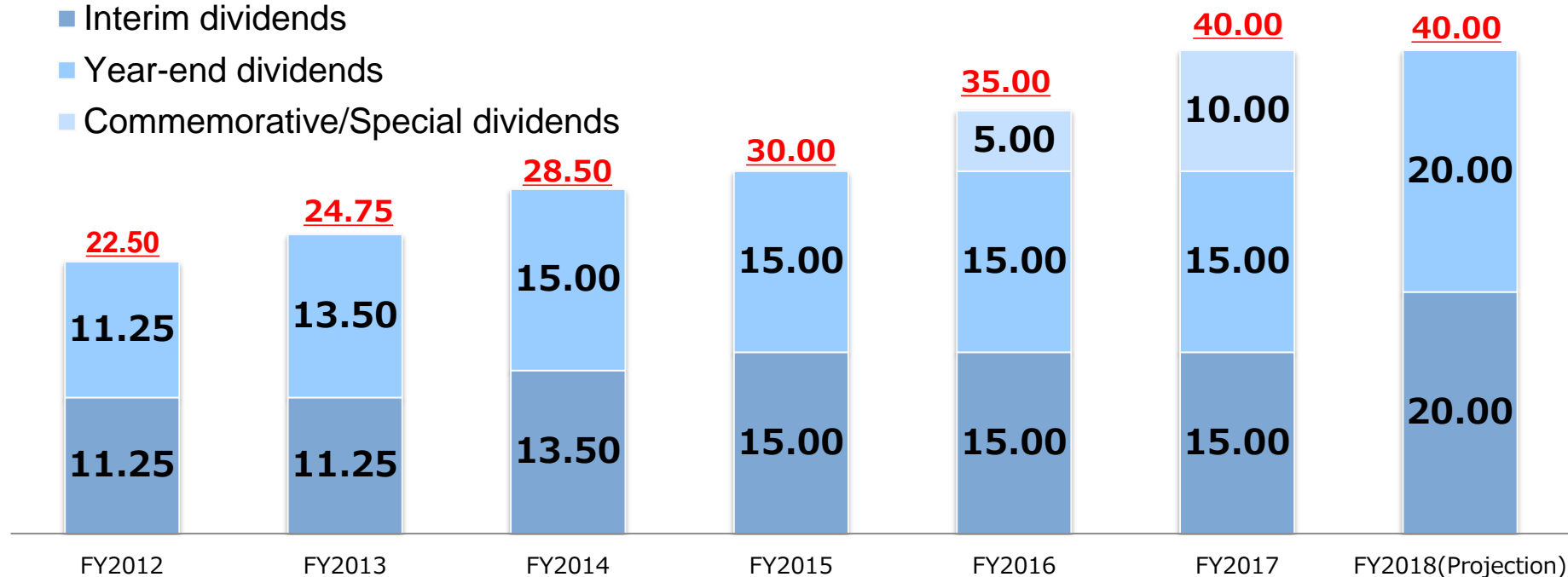
## ■ Income projection by business segment

(millions of Yen,%)

|                            | Full Fiscal Year 2017<br>(from Apr.1,2017 to Mar.31,2018) |            |       | Full Fiscal Year 2018<br>(from Apr.1,2018 to Mar.31,2019) |              |              |
|----------------------------|---|------------|-------|---|--------------|--------------|
|                            |   | % of total | YoY   |   | % of total   | YoY          |
| Toy business               | 2,467   | 51.3       | -19.0 | <b>2,850</b>  | <b>57.0</b>  | <b>15.5</b>  |
| Visual and Music business  | 882   | 18.4       | 110.9 | <b>700</b>  | <b>14.0</b>  | <b>-20.7</b> |
| Video-game business        | 1,180   | 24.6       | 207.0 | <b>1,200</b>  | <b>24.0</b>  | <b>1.6</b>   |
| Amusement business         | 1,678   | 34.9       | 31.0  | <b>1,650</b>  | <b>33.0</b>  | <b>-1.7</b>  |
| Eliminations and corporate | -1,402  | -29.2      | -2.0  | <b>-1,400</b>   | <b>-28.0</b> | <b>-</b>     |
| Total                      | 4,806   | 100.0      | 30.0  | <b>5,000</b>  | <b>100.0</b> | <b>4.0</b>   |

## Dividend policies

- Interim dividends
- Year-end dividends
- Commemorative/Special dividends



Considering the income situations in each business year and the future business deployment in a comprehensive manner and from mid- and long-term perspectives, we will perform active investments in domains with high future prospects and profitability, such as business alliances and development investments for new business deployment, and will enhance internal reserves and implement appropriate dividend distribution with the aim of establishing stronger management foundations.

We will pursue our efforts with the aim of achieving the highest-ever gains in FY2020.

(millions of Yen)

|  | Full Fiscal<br>Year 2017 | Full Fiscal<br>Year 2018 | Full Fiscal<br>Year 2020 |
|--|--------------------------|--------------------------|--------------------------|
| Net sales                                  | 197,607                  | 230,000                  | 230,000                  |
| Operating<br>profit                        | 4,806                    | 5,000                    | 5,800                    |
| Ordinary<br>profit                         | 4,701                    | 4,800                    | 5,600                    |
| Profit attributable to<br>owners of parent | 2.38%                    | 2.09%                    | 2.43%                    |

## **Notes**

This material is for informational purposes only, and is not intended to solicit any action.

This document (including the performance plan) was prepared by Happinet based on the information currently available, however it contains risks and uncertainties. Happinet accepts no liability for the certainty and completeness of the information.

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