



Consolidated Financial Statements

for the 2nd Quarter of the Fiscal Year Ending March 31, 2012

November 10, 2011

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1. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(¥ million)

	Prior Fiscal Year (As of March 31, 2011)	Current Fiscal Year (As of September 30, 2011)
Assets		
Current assets		
Cash and deposits	8,220	10,109
Notes and accounts receivable-trade	23,206	23,655
Merchandise	6,418	6,866
Supplies	17	14
Other	3,252	2,930
Allowance for doubtful accounts	(76)	(75)
Total current assets	41,039	43,500
Noncurrent assets		
Property, plant and equipment	1,555	1,461
Intangible assets		
Goodwill	876	707
Other	2,255	2,041
Total intangible assets	3,132	2,749
Investments and other assets		
Investment securities	1,548	1,352
Other	1,408	1,495
Allowance for doubtful accounts	(175)	(167)
Total investments and other assets	2,780	2,680
Total noncurrent assets	7,468	6,891
Total assets	48,507	50,392
Liabilities		
Current liabilities		
Notes and accounts payable-trade	20,204	21,518
Income taxes payable	1,038	804
Provision for bonuses	314	236
Provision for point card certificates	5	5
Provision for business structure improvement	11	—
Provision for sales returns	21	18
Other	4,242	3,825
Total current liabilities	25,837	26,408
Noncurrent liabilities		
Provision for retirement benefits	1,630	1,697
Asset retirement obligations	45	46
Negative goodwill	51	33
Other	1,139	1,152
Total noncurrent liabilities	2,867	2,930
Total liabilities	28,704	29,338
Net assets		
Shareholders' equity		
Capital stock	2,751	2,751
Capital surplus	2,775	2,775
Retained earnings	15,175	16,534
Treasury stock	(1,091)	(1,091)
Total shareholders' equity	19,611	20,969
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	185	72
Deferred gains or losses on hedges	0	(1)
Total accumulated other comprehensive income	185	71
Subscription rights to shares	5	11
Minority interests	0	0
Total net assets	19,802	21,053
Total liabilities and net assets	48,507	50,392

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

(¥ million)

	Prior Fiscal Year (April 1, 2010 - September 30, 2010)	Current Fiscal Year (April 1, 2011 - September 30, 2011)
Net sales	85,090	88,508
Cost of sales	74,685	76,634
Gross profit	10,404	11,874
Selling, general and administrative expenses	9,164	9,557
Operating income	1,240	2,316
Non-operating income		
Interest income	1	1
Dividends income	28	20
Amortization of negative goodwill	18	18
Other	48	71
Total non-operating income	97	111
Non-operating expenses		
Interest expenses	11	2
Foreign exchange losses	7	0
Other	3	2
Total non-operating expenses	22	5
Ordinary income	1,314	2,422
Extraordinary income		
Gain on sales of noncurrent assets	3	2
Gain on sales of investment securities	28	—
Gain on sales of membership	—	1
Reversal of allowance for doubtful accounts	4	—
Total extraordinary income	35	3
Extraordinary loss		
Loss on sales of noncurrent assets	0	7
Loss on retirement of noncurrent assets	11	1
Loss on sales of investment securities	—	0
Loss on valuation of investment securities	17	—
Loss on valuation of membership	—	0
Loss on sales of membership	—	1
Loss on liquidation of subsidiaries	22	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	27	—
Loss on disaster	—	29
Total extraordinary losses	78	41
Income before income taxes	1,271	2,384
Income taxes-current	276	802
Income taxes-deferred	282	55
Total income taxes	558	857
Income before minority interests	712	1,527
Minority interests in income	(0)	0
Net income	712	1,526

(Consolidated Statements of Comprehensive Income)

(¥ million)

	Prior Fiscal Year (April 1, 2010 - September 30, 2010)	Current Fiscal Year (April 1, 2011 - September 30, 2011)
Income before minority interests	712	1,527
Other comprehensive income		
Valuation difference on available-for-sale securities	(243)	(112)
Deferred gains or losses on hedges	(1)	(1)
Total other comprehensive income	<u>(244)</u>	<u>(113)</u>
Comprehensive income	<u>468</u>	<u>1,413</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	468	1,412
Comprehensive income attributable to minority interests	(0)	0

(3) Consolidated Statements of Cash Flows

(¥ million)

	Prior Fiscal Year (April 1, 2010 - September 30, 2010)	Current Fiscal Year (April 1, 2011 - September 30, 2011)
Net cash provided by operating activities		
Income before income taxes	1,271	2,384
Depreciation and amortization	384	346
Amortization of goodwill	204	150
Increase (decrease) in allowance for doubtful accounts	(4)	(8)
Share-based compensation expenses	0	5
Increase (decrease) in provision for bonuses	(370)	(78)
Increase (decrease) in provision for retirement benefits	23	66
Increase (decrease) in provision for business structure improvement	(77)	(11)
Interest and dividends income	(29)	(21)
Interest expenses	11	2
Loss (gain) on sales of noncurrent assets	8	6
Loss (gain) on sales of investment securities	(28)	0
Loss (gain) on valuation of investment securities	17	—
Loss (gain) on sales of membership	—	(0)
Loss on valuation of membership	—	0
Foreign exchange losses (gains)	7	0
Loss on liquidation of subsidiaries	22	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	27	—
Decrease (increase) in notes and accounts receivable-trade	(452)	(441)
Decrease (increase) in inventories	(1,448)	(444)
Increase (decrease) in notes and accounts payable-trade	908	1,314
Other	619	(131)
Subtotal	1,094	3,142
Interest and dividends income received	29	21
Interest expenses paid	(12)	(2)
Income taxes paid	(450)	(1,036)
Net cash provided by operating activities	660	2,124
Net cash provided by investing activities		
Purchase of property, plant and equipment	(11)	(24)
Proceeds from sales of property, plant and equipment	5	32
Purchase of intangible assets	(75)	(86)
Purchase of investment securities	(111)	(4)
Proceeds from sales of investment securities	115	2
Other	(112)	16
Net cash provided by investing activities	(190)	(64)
Net cash provided by financing activities		
Repayment of long-term loans payable	(100)	—
Proceeds from sales of treasury stock	102	—
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(168)	(168)
Other	(8)	(1)
Net cash provided by financing activities	(174)	(170)
Effect of exchange rate change on cash and cash equivalents	(7)	(0)
Net increase (decrease) in cash and cash equivalents	289	1,888
Cash and cash equivalents at beginning of period	6,312	8,220
Cash and cash equivalents	6,601	10,109

2. Consolidated Financial Results by Business Segments

(1) 2nd Quarter of the Fiscal Year Ended March 31, 2011 (April 1, 2010 - September 30, 2010)

(¥ million)

	Segments					Adjustment *1	Consolidated Total *2
	Toy business	Visual and Music business	Video-game business	Amusement business	Total		
Net sales							
To external customers	30,376	27,509	18,703	8,500	85,090	—	85,090
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	30,376	27,509	18,703	8,500	85,090	—	85,090
Segment income(loss)	860	80	410	502	1,853	(613)	1,240

*1 The 613million yen adjustment to segment income includes unallocated operating expenses.

The expenses cannot be assigned to any particular segment and are mostly administrative expenses incurred by the administration sector of the HAPPINET CORPORATION.

*2 Segment income is adjusted to be consistent with operating income shown on the consolidated statements of income

(2) 2nd Quarter of the Fiscal Year Ending March 31, 2012 (April 1, 2011 - September 30, 2011)

(¥ million)

	Segments					Adjustment *1	Consolidated Total *2
	Toy business	Visual and Music business	Video-game business	Amusement business	Total		
Net sales							
To external customers	34,092	26,702	16,492	11,220	88,508	—	88,508
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	34,092	26,702	16,492	11,220	88,508	—	88,508
Segment income	1,249	338	404	989	2,981	(664)	2,316

*1 The 664 million yen adjustment to segment income includes unallocated operating expenses.

The expenses cannot be assigned to any particular segment and are mostly administrative expenses incurred by the administration sector of the HAPPINET CORPORATION.

*2 Segment income is adjusted to be consistent with operating income shown on the consolidated statements of income