



HAPPINET CORPORATION

Financial Statements

Consolidated Financial Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2014

February 12, 2014

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1. Consolidated Quarterly Financial Statements
(1) Consolidated Quarterly Balance Sheets

(¥ million)

	Prior Fiscal Year (As of Mar. 31, 2013)	Current Fiscal Year (As of Dec. 31, 2013)
Assets		
Current assets		
Cash and deposits	10,155	5,987
Notes and accounts receivable-trade	27,234	54,966
Inventories	6,529	12,001
Other	4,074	5,316
Allowance for doubtful accounts	(63)	(62)
Total current assets	47,930	78,210
Noncurrent assets		
Property, plant and equipment	1,110	1,628
Intangible assets		
Goodwill	246	61
Other	738	441
Total intangible assets	985	503
Investments and other assets	2,976	5,087
Total noncurrent assets	5,072	7,218
Total assets	53,003	85,429
Liabilities		
Current liabilities		
Notes and accounts payable-trade	22,672	40,107
Short-term loans payable	—	10,000
Income taxes payable	678	1,210
Provision for bonuses	378	137
Other provision	24	24
Other	3,129	4,970
Total current liabilities	26,883	56,450
Noncurrent liabilities		
Provision for retirement benefits	1,830	2,071
Provision for directors' retirement benefits	—	23
Other	999	1,005
Total noncurrent liabilities	2,829	3,101
Total liabilities	29,713	59,551
Net assets		
Shareholders' equity		
Capital stock	2,751	2,751
Capital surplus	2,775	2,775
Retained earnings	18,607	20,720
Treasury stock	(1,055)	(971)
Total shareholders' equity	23,078	25,276
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	189	420
Deferred gains or losses on hedges	1	1
Total accumulated other comprehensive income	191	422
Subscription rights to shares	17	178
Minority interests	1	—
Total net assets	23,289	25,877
Total liabilities and net assets	53,003	85,429

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

(¥ million)

	Prior Fiscal Year (Apr. 1, 2012 - Dec. 31, 2012)	Current Fiscal Year (Apr. 1, 2013 - Dec. 31, 2013)
Net sales	137,683	165,461
Cost of sales	120,241	146,654
Gross profit	17,442	18,806
Selling, general and administrative expenses	14,460	14,782
Operating income	2,982	4,023
Non-operating income		
Interest income	1	1
Dividends income	21	28
Amortization of negative goodwill	15	1
Other	61	48
Total non-operating income	100	80
Non-operating expenses		
Interest expenses	3	15
Provision of allowance for doubtful accounts	—	25
Other	1	1
Total non-operating expenses	5	41
Ordinary income	3,076	4,062
Extraordinary income		
Gain on sales of noncurrent assets	0	2
Gain on sales of investment securities	6	—
Gain on bargain purchase	—	409
Total extraordinary income	6	411
Extraordinary loss		
Loss on sales of noncurrent assets	21	1
Loss on retirement of noncurrent assets	20	3
Loss on sales of investment securities	7	—
Loss on valuation of investment securities	31	7
Loss on valuation of membership	7	—
Impairment loss	28	117
Directors' retirement benefits	—	110
loss on withdrawal from pension fund	—	166
Total extraordinary losses	117	405
Income before income taxes and minority interests	2,966	4,068
Income taxes-current	1,038	1,557
Income taxes-deferred	(67)	(113)
Total income taxes	970	1,444
Income before minority interests	1,995	2,624
Minority interests in income	0	0
Net income	1,995	2,623

(Consolidated quarterly statements of comprehensive income)

(¥ million)

	Prior Fiscal Year (Apr. 1, 2012 - Dec. 31, 2012)	Current Fiscal Year (Apr. 1, 2013 - Dec. 31, 2013)
Income before minority interests	1,995	2,624
Other comprehensive income		
Valuation difference on available-for-sale securities	(61)	231
Deferred gains or losses on hedges	0	(0)
Total other comprehensive income	(60)	231
Comprehensive income	1,934	2,855
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,934	2,854
Comprehensive income attributable to minority interests	0	0

2. Consolidated Quarterly Financial Results by Business Segments

I 3rd Quarter of the Fiscal Year Ended March 31, 2013 (April 1, 2012 - December 31, 2012)

Information on net sales and profits or losses by reported segment

(¥ million)

	Segments					Adjustment *1	Consolidated Total *2
	Toy business	Visual and Music business	Video-game business	Amusement business	Total		
Net sales							
To external customers	59,335	33,599	29,683	15,066	137,683	—	137,683
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	59,335	33,599	29,683	15,066	137,683	—	137,683
Segment income	2,095	414	631	837	3,980	(998)	2,982

*1 The 998 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 quarterly statements of income.

(2) Information on impairment loss on noncurrent assets and goodwill by reportable segment

There was no significant item during the period.

II 3rd Quarter of the Fiscal Year Ending March 31, 2014 (April 1, 2013 - December 31, 2013)

(1) Information on net sales and profits or losses by reported segment

(¥ million)

	Segments					Adjustment *1	Consolidated Total *2
	Toy business	Visual and Music business	Video-game business	Amusement business	Total		
Net sales							
To external customers	60,994	33,024	54,302	17,138	165,461	—	165,461
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	60,994	33,024	54,302	17,138	165,461	—	165,461
Segment income	2,667	313	351	1,641	4,975	(952)	4,023

*1 The 952 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 quarterly statements of income.

(2) Information on assets by reported segment

(Substantial increase in assets due to the acquisition of a subsidiary)

In the 2nd quarter of the current fiscal year, assets in the Video-game business segment increased 14,143 million yen from the last day of the previous consolidated fiscal year due to the acquisition of the common shares of TOYS UNION Co., Ltd. and the inclusion of this company in the consolidated subsidiaries.

(3) Information on impairment loss on noncurrent assets and goodwill by reportable segment

There was no significant item during the period.