

FACT BOOK

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

For the Six Months Ending September 30, 2015

■ Corporate Profile	[2-5]
■ Consolidated Balance Sheet	[6]
■ Consolidated Statement of Income and Comprehensive Income	[7]
■ Consolidated Statement of Cash Flows	[8]
■ Information by Segment	[9]
■ Consolidated Growth/Profitability Indicators	[10]
■ Consolidated Profitability/Efficiency Indicators	[11]
■ Consolidated Efficiency/Stability Indicators	[12]
■ Stock Market Indicators	[13]
■ Stock Information	[14]



Group Vision, Management Stance, Principle of Conduct

▶ Group Vision

We will further develop Happiness Networking, inspire individuals by creating Entertainment Style, and build a future full of dreams.

▶ Management Stance

We constantly lead changes and advance self-improvement, and blaze trails to new business opportunities.

For Customers

We strengthen cooperation with partners and provide satisfaction to people.

For Employees

We respect each individual, create opportunities for growth and challenge, and foster a rewarding job environment.

For Society

We contribute to the realization of a fun and vibrant society by performing business activities based on our Business Ethics.

For Shareholders

We increase business transparency by actively disclosing information, and engage in activities that earn the trust and expectations of shareholders.

▶ Principles of Conduct

We act while constantly considering what is important and what is right.

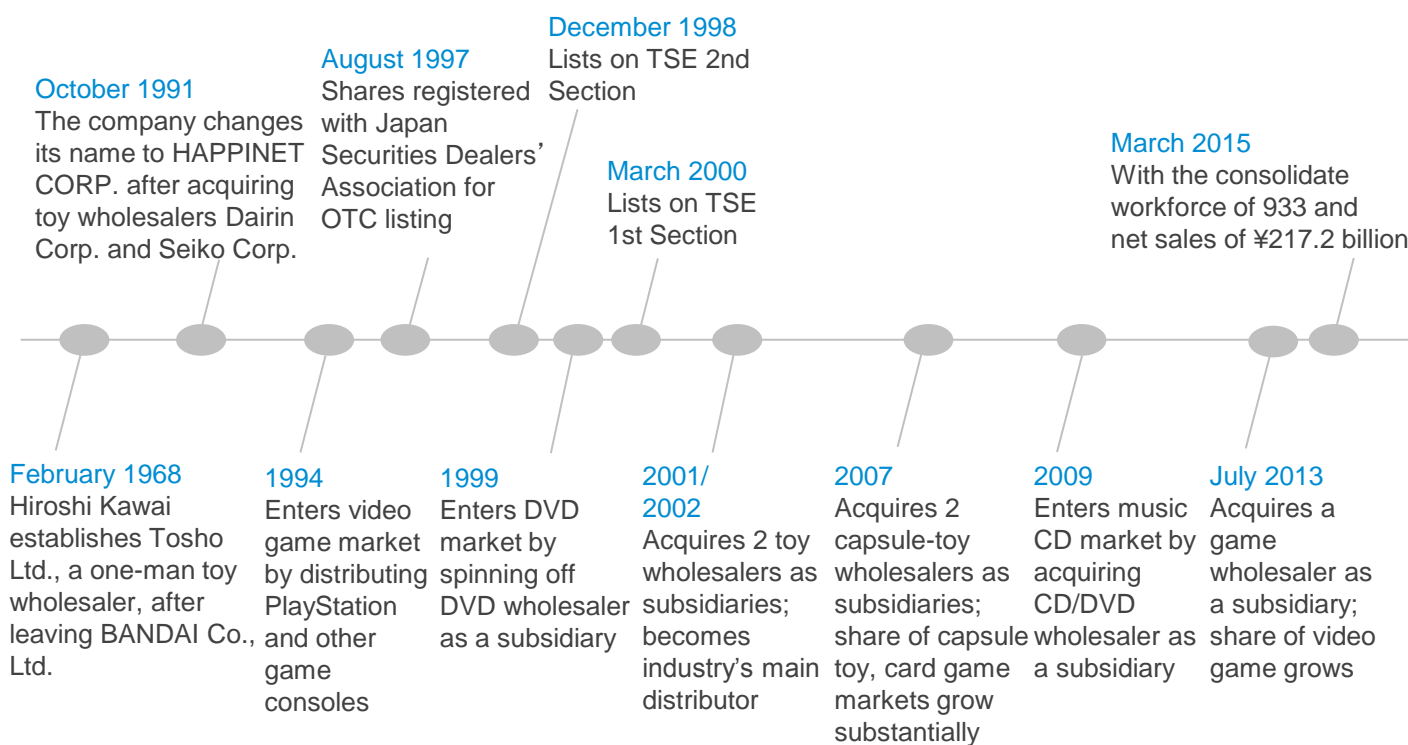
The overriding objective of the HAPPINET Group is to create added value to enrich the lifestyle of our customers, which we provide through entertainment business activities developed with a broad array of partners — a “Networking” contributing to the “Happiness” of others.

To create meaningful social value by providing people with excitement and entertainment: That is the HAPPINET Group’s raison d’être.

Corporate Profile

▶ Registered Name	HAPPINET CORPORATION
▶ URL	http://www.happinet.co.jp/happinet_english/index.html
▶ Head Office	Komagata CA Bldg., 2-4-5 Komagata, Taito-ku, Tokyo 111-0043 Japan
▶ Established	June 7, 1969
▶ Representatives	Kazuhiko Note, Representative Director, Chairman Tetsuo Ishikawa, Representative Director, President
▶ Main Business	Planning, manufacture and sales of toys; Planning, development and marketing of audio-visual software; Sales of video game hardware and software; 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; Visual and Music Business; 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 Corp.	One of the largest wholesaler in Japan, our Group handles some 80% of the toys produced by blue-chip toy maker Bandai (which, in turn, comprise 50% plus of our Group's product lineup)
Visual and Music Business	HAPPINET CORPORATION (*1)	We have achieved parity with the wholesaling industry's largest firms. Visual software accounts for 70% plus of total sales, of which some 15% represents products that were developed and made in-house (the remaining less than 30% comes from our music product operation centered on CDs).
Video-Game Business	HAPPINET CORPORATION MAXGAMES Corporation (*2)	We are the only wholesaler in Japan that handles every domestic home game console. Nintendo products (WiiU, 3DS) accounts for 78% of all game consoles we handle, while the PlayStation series (PS4, PSP, PSVita) account for 16% and the rest 6%.
Amusement Business	HAPPINET CORPORATION Happinet Vending Service Corp.	We operate toy vending machines and sell arcade game machines. With a market share of 60% (the Company estimate), we are also the largest arcade game vendor in Japan.

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

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

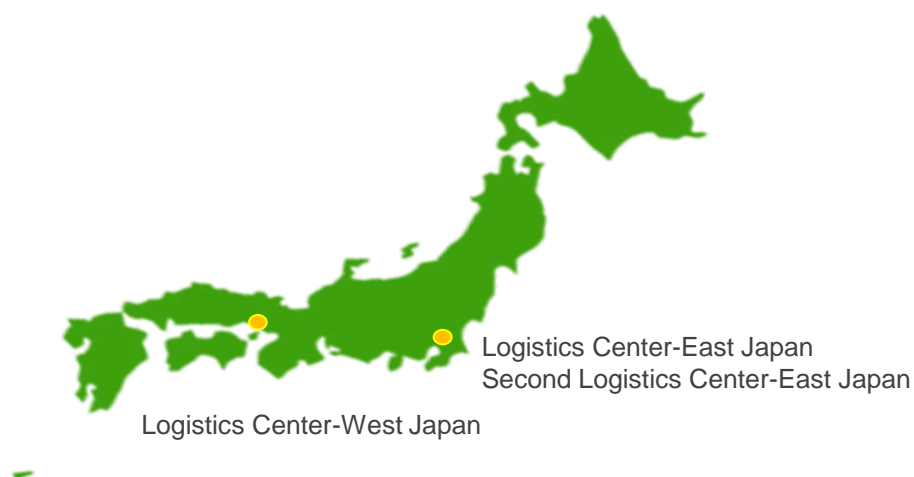
Strengths

Robust Management Base

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

Optimal Distribution System

The basis of Happinet’s information-gathering ability is its Optimal Distribution System, which links manufacturers and retailers through such media as EDI (Electronic Data Interchange), POS, the Internet and so forth. At the core of the ODS are four logistics centers, with a combined floor space of 64,666 square meters. The system allows for advanced inventory management on a real-time basis, as well as rapid and reliable shipping operations, with a delivery failure rate of less than one in 100,000 items shipped. Through its advanced supply chain management, ODS also supports the optimization of volume production and contributes to the rationalization of logistics operations by streamlining inventory. It should be noted that Happinet Logistics Service, our consolidated subsidiary, operates the four logistics centers.



Logistics Center-West Japan



Logistics Center-East Japan



Second Logistics Center-East Japan

Logistics Center-East Japan

Launched in April 2001

Located in Ichikawa City, Chiba Prefecture
Floor Space: 24,741m²

Second Logistics Center-East Japan

Launched in February 2006

Located in Funabashi City, Chiba Prefecture
Floor Space: 28,151m²

Logistics Center-West Japan

Launched in January 2008

Located in Amagasaki City, Hyogo Prefecture
Floor Space: 11,774m²

Assets

(¥ million)	FY3/12 1H end	FY3/13 1H end	FY3/14 1H end	FY3/15 1H end	FY3/16 1H end
Assets					
Total Assets	50,392	51,003	60,264	61,985	62,443
Current assets	43,500	45,318	52,951	54,439	54,772
Cash and deposits	10,109	10,512	10,541	11,795	14,992
Notes and accounts receivable - trade	23,655	23,398	28,569	30,167	25,573
Inventories	6,880	8,405	9,049	8,557	9,643
Other	2,930	3,068	4,875	3,924	4,565
Allowance for doubtful accounts	(75)	(66)	(84)	(5)	(1)
Non-current assets	6,891	5,685	7,312	7,546	7,670
Property, plant and equipment	1,461	1,353	1,694	1,013	707
Intangible assets	2,749	1,331	704	695	970
Goodwill	707	370	123	-	-
Other	2,041	961	580	695	970
Investments and other assets	2,680	2,999	4,914	5,836	5,993
Investment securities	1,352	1,367	1,767	2,126	2,472
Other	1,495	1,764	3,189	3,807	3,612
Allowance for doubtful accounts	(167)	(132)	(42)	(96)	(91)

Liabilities and Net assets

(¥ million)	FY3/12 1H end	FY3/13 1H end	FY3/14 1H end	FY3/15 1H end	FY3/16 1H end
Liabilities					
Total liabilities	29,338	28,867	35,741	34,628	31,908
Current liabilities	26,408	25,939	32,663	31,248	28,514
Notes and accounts payable - trade	21,518	21,541	22,795	26,540	24,387
Short-term loans payable	-	-	6,000	-	-
Income taxes payable	804	376	569	610	212
Provision for bonuses	236	261	230	249	255
Other provision	24	40	23	18	12
Other	3,825	3,719	3,044	3,828	3,645
Non-current liabilities	2,930	2,927	3,077	3,380	3,394
Provision for retirement benefits	1,697	1,828	2,039	-	-
Net defined benefit liability	-	-	-	2,422	2,550
Asset retirement obligations	46	49	50	51	94
Negative goodwill	33	5	-	-	-
Other	1,152	1,044	987	906	750
Net assets					
Total net assets	21,053	22,136	24,522	27,356	30,535
Shareholders' equity	20,969	21,994	24,265	26,661	29,475
Capital stock	2,751	2,751	2,751	2,751	2,751
Capital surplus	2,775	2,775	2,775	2,775	2,784
Retained earnings	16,534	17,559	19,727	22,071	24,846
Treasury shares	(1,091)	(1,091)	(989)	(936)	(906)
Accumulated other comprehensive income	71	117	249	521	785
Valuation difference on available-for-sale securities	72	118	249	519	789
Deferred gains or losses on hedges	(1)	(1)	(0)	1	(4)
Subscription rights to shares	11	22	8	173	274
Non-controlling interests*	0	1	0	-	-
Total liabilities and net assets	50,392	51,003	60,264	61,985	62,443

*: Due to changes in accounting policy, Happinet has implemented changes in the method of expression and reclassification as follows:
From Minority interests to Non-controlling interests.

Consolidated Statement of Income and Comprehensive Income



(¥ million)	FY3/12 1H	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H
Net sales	88,508	76,211	87,371	93,437	83,993
Cost of sales	76,634	66,019	76,587	81,421	73,386
Gross profit	11,874	10,192	10,783	12,016	10,606
Selling, general and administrative expenses	9,557	9,185	9,231	9,653	8,769
Operating income	2,316	1,007	1,551	2,362	1,837
Non-operating income	111	70	58	57	50
Interest income	1	1	1	1	2
Dividend income	20	16	21	21	31
Amortization of negative goodwill	18	14	1	-	-
Other	71	38	34	35	16
Non-operating expenses	5	5	30	6	31
Interest expenses	2	2	5	0	0
Foreign exchange losses	0	1	0	-	0
Loss on cancellation of lease contract	0	0	0	5	-
Provision of allowance for doubtful accounts	-	-	24	0	30
Other	1	0	0	0	0
Ordinary income	2,422	1,072	1,579	2,413	1,857
Extraordinary income	3	5	411	6	-
Gain on sales of non-current assets	2	0	2	2	-
Gain on sales of investment securities	-	5	-	4	-
Gain on sales of memberships	1	-	-	-	-
Gain on bargain purchase	-	-	409	-	-
Extraordinary losses	41	55	152	525	4
Loss on sales of non-current assets	7	1	0	-	4
Loss on retirement of non-current assets	1	1	0	6	0
Loss on sales of investment securities	0	-	-	0	-
Loss on valuation of investment securities	-	31	7	14	-
Loss on valuation of membership	0	7	-	-	-
Loss on sales of membership	1	-	-	-	-
Loss on disaster	29	-	-	-	-
Impairment loss	-	13	33	125	-
Loss on revision of retirement benefit plan	-	-	-	379	-
Directors' retirement benefits	-	-	110	-	-
Income before income taxes and minority interests	2,384	1,022	1,838	1,894	1,853
Income taxes - current	802	371	557	600	232
Income taxes - deferred	55	(59)	(94)	(520)	434
Total income taxes	857	312	462	79	667
Profit*	1,527	710	1,376	1,814	1,185
Profit attributable to non-controlling interests*	0	0	0	-	-
Profit attributable to owners of parent*	1,526	709	1,375	1,814	1,185

*: Due to changes in accounting policy, Happinet has implemented changes in the method of expression and reclassification as follows:
From Net income before minority interests to Profit; from Minority interests in income to Profit attributable to non-controlling interests; and from Net income to Profit attributable to shareholders of the parent.

(¥ million)	FY3/12 1H	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H
Profit*	1,527	710	1,376	1,814	1,185
Other comprehensive income	(113)	(11)	57	143	106
Valuation difference on available-for-sale securities	(112)	(9)	59	140	110
Deferred gains or losses on hedges	(1)	(1)	(2)	2	(4)
Comprehensive income	1,413	698	1,434	1,957	1,291
Comprehensive income attributable to owners of the parent	1,412	698	1,433	1,957	1,291
Comprehensive income attributable to non-controlling interests*	0	0	0	-	-

*: Due to changes in accounting policy, Happinet has implemented changes in the method of expression and reclassification as follows:
From Income before minority interests to Profit; and from Comprehensive income attributable to minority interests to Comprehensive income attributable to non-controlling interests.

Consolidated Statement of Cash Flows



(¥ million)	FY3/12 1H	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H
Cash flows from operating activities					
Net cash provided by (used in) operating activities	2,124	(1,306)	(3,093)	2,325	(167)
Income before income taxes and minority interests	2,384	1,022	1,838	1,894	1,853
Depreciation	346	323	309	184	164
Impairment loss	-	13	33	125	-
Amortization of goodwill	150	154	121	-	-
Gain on bargain purchase	-	-	(409)	-	-
Increase (decrease) in allowance for doubtful accounts	(8)	(5)	12	(8)	23
Share-based compensation expenses	5	5	-	-	-
Increase (decrease) in provision for bonuses	(78)	(211)	(193)	(227)	(519)
Increase (decrease) in provision for directors' bonuses	-	-	-	-	(121)
Increase (decrease) in provision for retirement benefits	66	48	55	-	-
Increase (decrease) in net defined benefit liability	-	-	-	319	21
Increase (decrease) in provision for business structure improvement	(11)	-	-	-	-
Interest and dividend income	(21)	(17)	(23)	(22)	(34)
Interest expenses	2	2	5	0	0
Loss (gain) on sales and retirement of non-current assets	6	2	(1)	3	4
Loss (gain) on sales of investment securities	0	(5)	-	(3)	-
Loss (gain) on valuation of investment securities	-	31	7	14	-
Loss on valuation of membership	0	7	-	-	-
Foreign exchange losses (gains)	0	1	0	(0)	0
Decrease (increase) in notes and accounts receivable - trade	(441)	3,357	618	(6,062)	108
Decrease (increase) in inventories	(444)	(2,236)	(1,564)	(1,152)	(2,897)
Increase (decrease) in notes and accounts payable - trade	1,314	(1,501)	(1,030)	6,441	4,269
Other, net	(131)	(722)	(2,221)	1,898	(2,019)
Subtotal	3,142	271	(2,440)	3,406	852
Interest and dividend income received	21	17	23	22	34
Interest expenses paid	(2)	(2)	(9)	(0)	(0)
Income taxes paid	(1,036)	(1,593)	(666)	(1,103)	(1,054)
Cash flows from investing activities					
Net cash provided by (used in) investing activities	(64)	(173)	(124)	(201)	(371)
Purchase of property, plant and equipment	(24)	(69)	(156)	(95)	(117)
Proceeds from sales of property, plant and equipment	32	1	5	183	-
Purchase of intangible assets	(86)	(72)	(62)	(360)	(247)
Purchase of investment securities	(4)	(4)	(5)	(6)	(5)
Proceeds from sales of investment securities	2	6	-	10	-
Purchase of shares of subsidiaries	-	-	(1)	-	-
Other, net	16	(34)	95	66	(0)
Cash flows from financing activities					
Net cash provided by (used in) financing activities	(170)	(364)	3,605	(323)	(336)
Net increase (decrease) in short-term loans payable	-	-	4,000	-	-
Repayments of long-term loans payable	-	-	(194)	-	-
Proceeds from disposal of treasury shares	-	0	53	9	2
Purchase of treasury shares	(0)	-	(0)	(0)	-
Cash dividends paid	(168)	(363)	(252)	(305)	(338)
Other, net	(1)	(1)	(1)	(27)	(0)
Effect of exchange rate change on cash and cash equivalents	(0)	(1)	(1)	(0)	(0)
Net increase (decrease) in cash and cash equivalents	1,888	(1,846)	386	1,799	(875)
Cash and cash equivalents at beginning of period	8,220	12,359	10,155	9,996	15,867
Cash and cash equivalents at end of period	10,109	10,512	10,541	11,795	14,992

(¥ million)	FY3/12 1H	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H
Toy Business					
Net sales	34,092	32,410	31,880	39,479	34,742
Segment income	1,249	833	563	1,663	1,256
Visual and Music Business					
Net sales	26,702	20,711	21,300	21,376	17,352
Segment income	338	107	377	145	144
Video-game Business					
Net sales	16,492	13,127	23,042	19,939	20,212
Segment income (loss)	404	98	34	(61)	(50)
Amusement Business					
Net sales	11,220	9,962	11,147	12,643	11,686
Segment income	989	605	1,190	1,264	1,154
Adjustments					
Net sales	-	-	-	-	-
Segment income (loss)	(664)	(637)	(614)	(648)	(667)
Consolidated					
Net sales	88,508	76,211	87,371	93,437	83,993
Segment income	2,316	1,007	1,551	2,362	1,837

Consolidated Growth/Profitability Indicators



(¥ million)	FY3/12 1H	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H
Net Sales	88,508	76,211	87,371	93,437	83,993
Gross Profit	11,874	10,192	10,783	12,016	10,606
SG&A Expenses	9,557	9,185	9,231	9,653	8,769
Operating Income	2,316	1,007	1,551	2,362	1,837
Ordinary Income	2,422	1,072	1,579	2,413	1,857
Profit Attributable to Owners of Parent*	1,526	709	1,375	1,814	1,185

*: Due to changes in accounting policy, Happinet has implemented changes in the method of expression and reclassification as follows:
From Net income to Profit attributable to owners of parent

(%)	FY3/12 1H	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H
Gross Profit Margin	13.4	13.4	12.3	12.9	12.6
SG&A Expenses Ratio	10.8	12.1	10.6	10.3	10.4
Operating Income Margin	2.6	1.3	1.8	2.5	2.2
Ordinary Income Margin	2.7	1.4	1.8	2.6	2.2
Profit Attributable to Owners of Parent Margin*	1.7	0.9	1.6	1.9	1.4

*: Due to changes in accounting policy, Happinet has implemented changes in the method of expression and reclassification as follows:
From Net income margin to Profit attributable to owners of parent margin

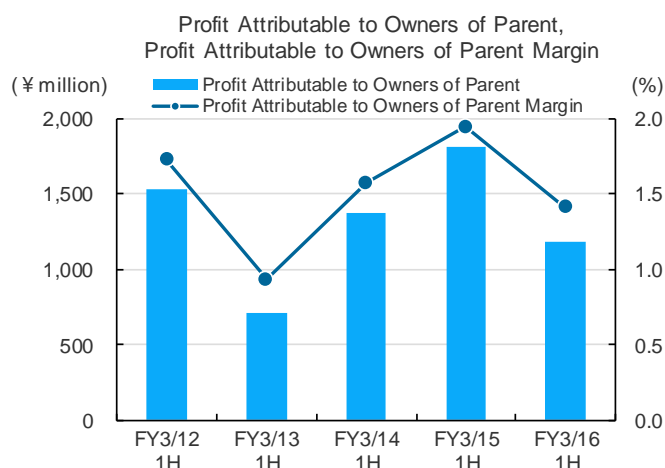
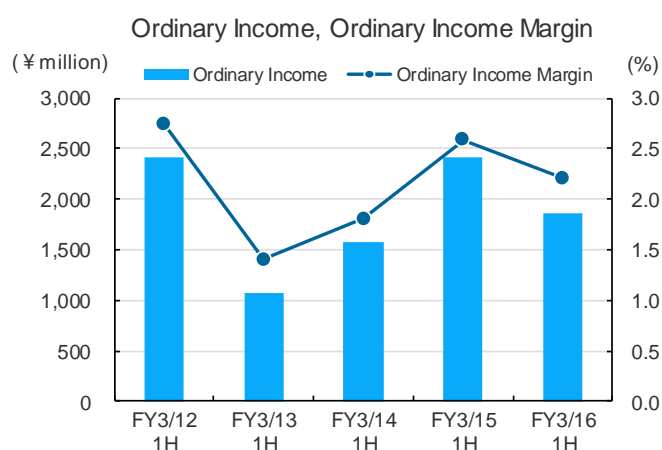
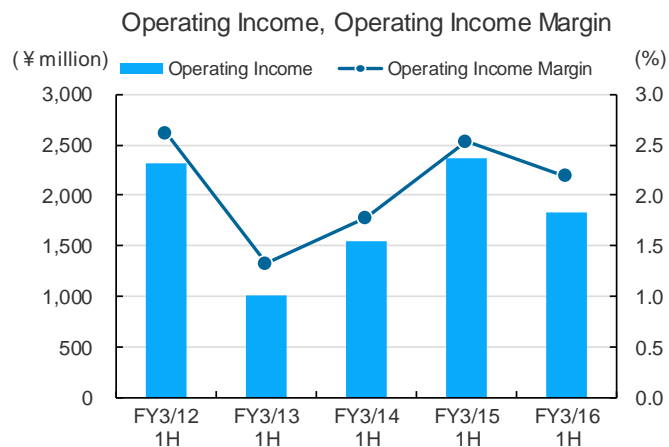
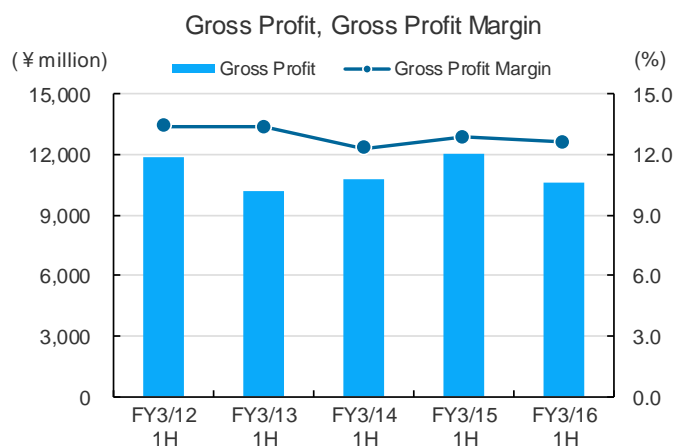
Gross Profit Margin = Gross Profit/Net Sales

SG&A Expenses Ratio = SG&A Expenses/Net Sales

Operating Income Margin = Operating Income/Net Sales

Ordinary Income Margin = Ordinary Income/Net Sales

Profit Attributable to Owners of Parent Margin = Profit Attributable to Owners of Parent/Net Sales



Consolidated Profitability/Efficiency Indicators



(times)	FY3/12 1H	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H
Total Assets Turnover	3.6	2.9	3.1	3.2	2.7
Equity Turnover	8.7	6.9	7.3	7.1	5.6
Non-current Assets Turnover	24.7	26.0	28.2	26.0	22.2
Current Assets Turnover	4.2	3.3	3.5	3.7	3.1

<Reference (Full Year)>	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16
ROA (%)	4.8	3.7	4.6	7.1	-
ROE (%)	11.8	8.9	10.1	14.8	-

Total Assets Turnover = Net Sales*2/Average Total Assets

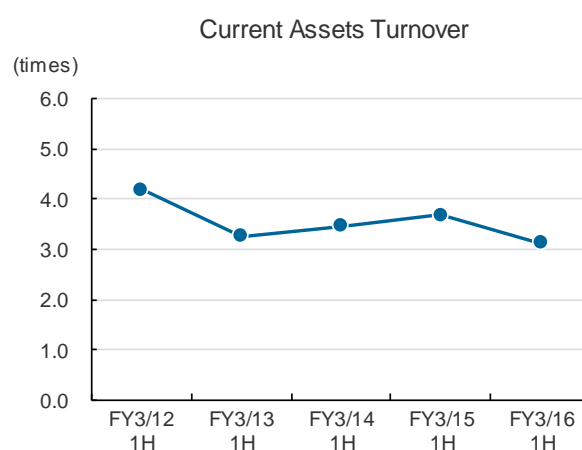
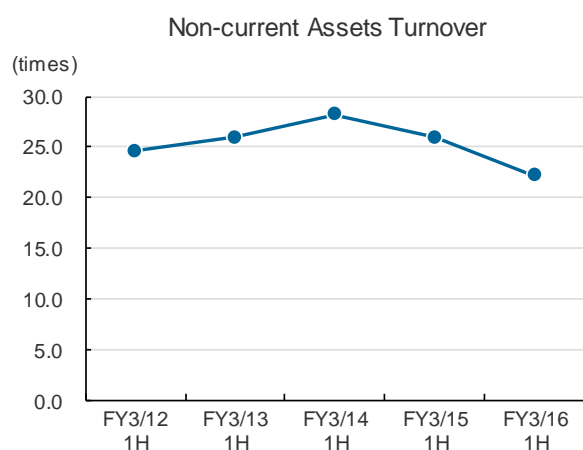
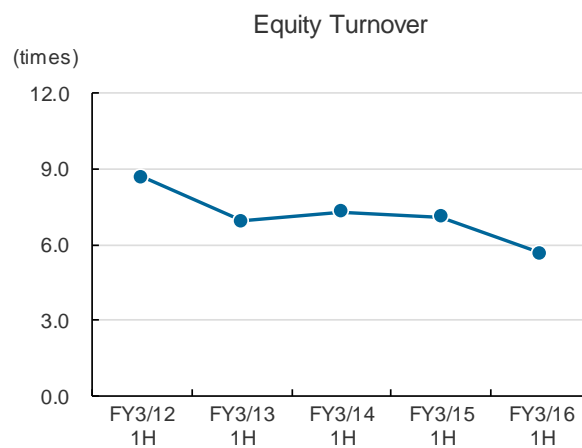
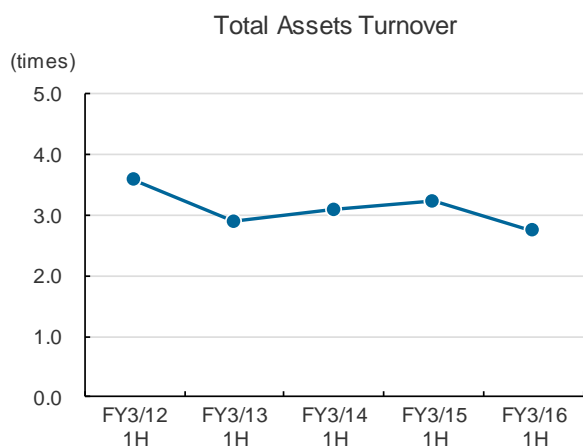
Equity Turnover = Net Sales*2/Average Equity

Non-current Assets Turnover = Net Sales*2/Average Non-current Assets

Current Assets Turnover = Net Sales*2/Average Current Assets

ROA = Net Income/Average Total Assets

ROE = Net Income/Average Equity



Consolidated Efficiency/Stability Indicators



(¥ million)	FY3/12 1H	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H
Equity	21,041	22,112	24,514	27,183	30,260
Total Assets	50,392	51,003	60,264	61,985	62,443
Non-current Assets	6,891	5,685	7,312	7,546	7,670
Non-current Liabilities	2,930	2,927	3,077	3,380	3,394
Current Assets	43,500	45,318	52,951	54,439	54,772
Current Liabilities	26,408	25,939	32,663	31,248	28,514
Total Net Assets	21,053	22,136	24,522	27,356	30,535
Interest-bearing Debt	-	-	6,000	-	-

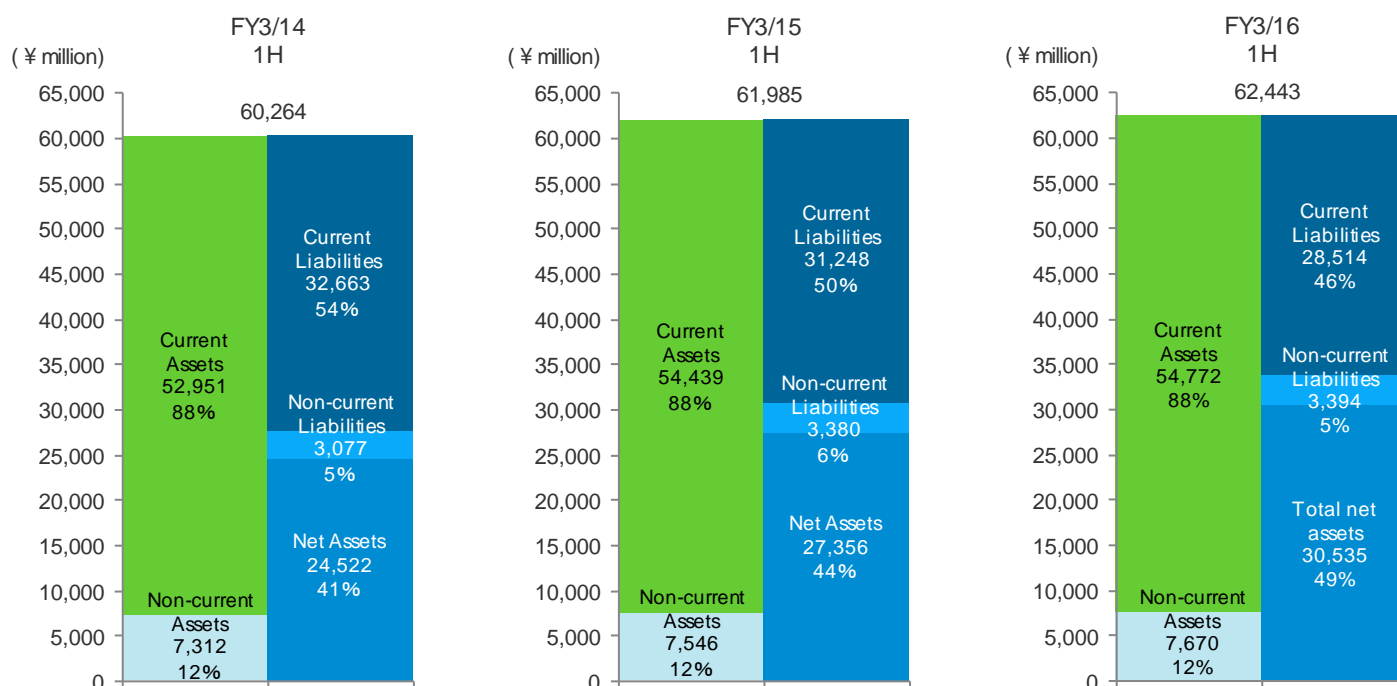
(%)	FY3/12 1H	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H
Equity Ratio	41.8	43.4	40.7	43.9	48.5
D/E Ratio	-	-	24.5	-	-
Non-current Ratio	32.8	25.7	29.8	27.8	25.3
Current Ratio	164.7	174.7	162.1	174.2	192.1

Equity Ratio = Equity/Average Total Assets

D/E Ratio = Interest-bearing Debt/Equity

Non-current Ratio= Non-current Assets/Equity

Current Ratio = Current Assets/Current Liabilities



	FY3/12 1H	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H
Share Price (¥)	658	652	754	1,750	1,162
Outstanding Shares Issued (shares)	24,050,000	24,050,000	24,050,000	24,050,000	24,050,000
Treasury Shares (shares)	1,647,630	1,647,870	1,493,290	1,413,310	1,367,810
Earnings per Share (¥)	68.14	31.68	61.13	80.21	52.33
Book Value per Share (¥)	939.25	987.05	1,086.78	1,200.85	1,334.12
Free Cash Flow per Share (¥)	91.95	(66.02)	(142.02)	93.83	(23.72)
Dividend per Share (¥)	22.50	11.25	11.25	13.50	15.00
EBITDA (¥ million)	2,662	1,330	1,860	2,546	2,001

<Reference (Full Year)>	FY3/12	FY3/13	FY3/14	FY3/15	FY3/15
PER (times)	8.7	8.7	7.9	8.0	8.8 (fcst.)
PBR (times)	1.0	0.7	0.8	1.1	-
PCFR (times)	5.0	(12.4)	8.1	5.2	-
EV/EBITDA Ratio (times)	1.9	2.4	2.4	3.4	-
Dividend Yield (%)	4.0	2.9	2.9	2.0	2.6 (fcst.)

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 = Market Value+Interest-bearing Debt – Liquidity in Hand (Cash & Deposits)

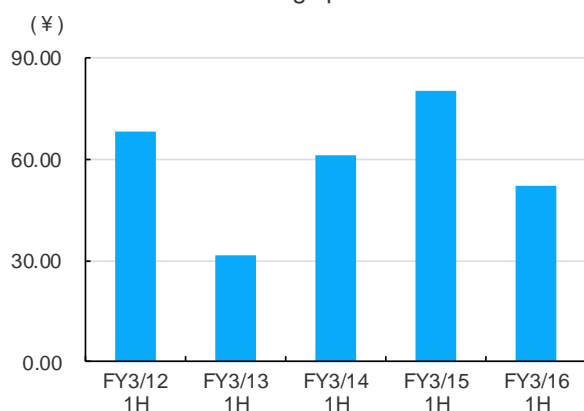
EV/EBITDA Ratio = EV/EBITDA

(fcst.) : FY3/16 forecast

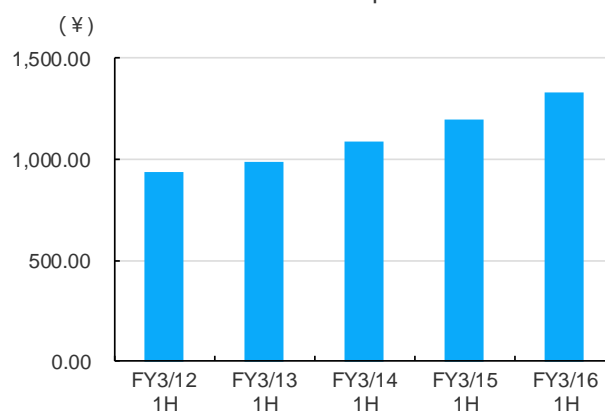
Note : Share splits from 1 to 2 on December 1, 2011

Stock Market Indicators here are calculated assuming the stock split occurred at the beginning of FY3/12.

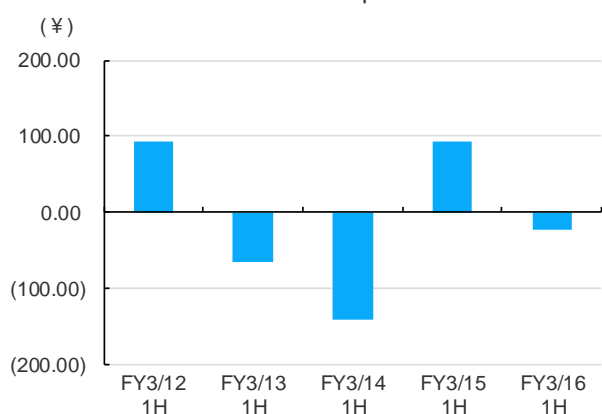
Earnings per Share



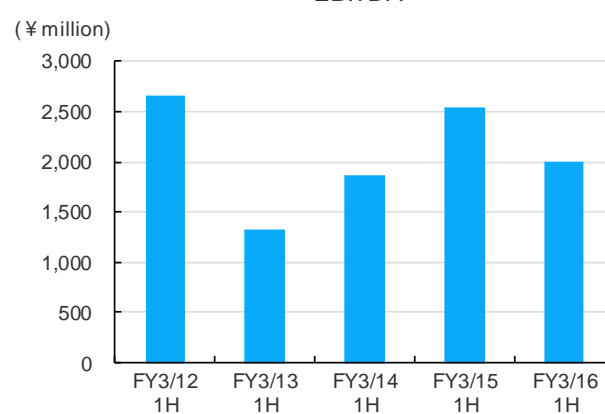
Book Value per Share



Cash Flow per Share



EBITDA



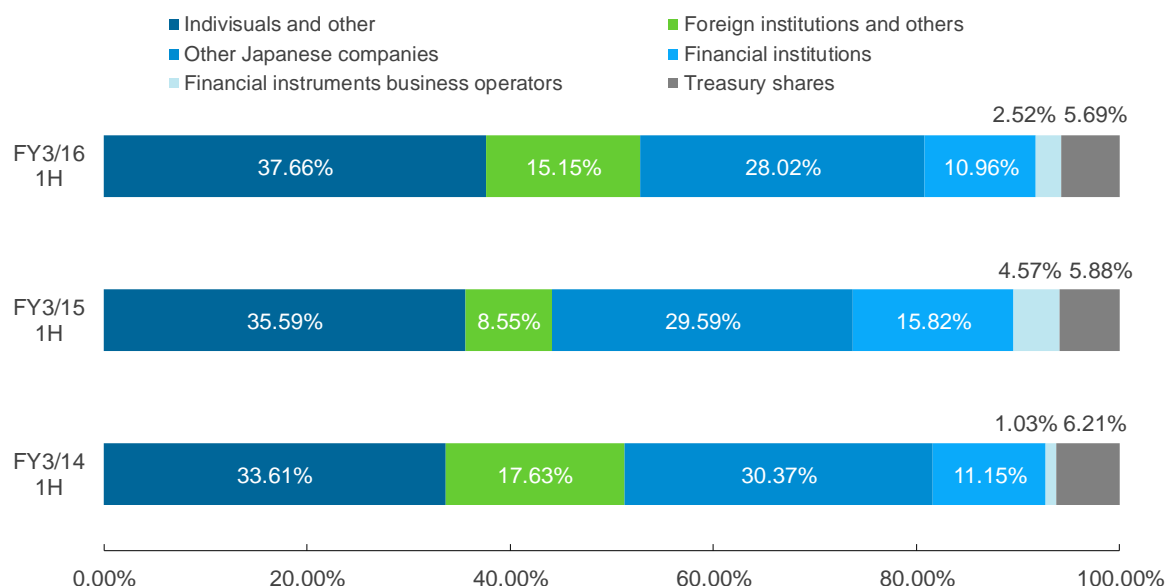
Major Shareholders

As of September 30, 2015

	Number of Shares	Shareholding Ratio
BANDAI NAMCO Holdings Inc.	5,883,408	25.93%
Japan Trustee Services Bank, Ltd. (trust account)	747,700	3.29%
Japan Trustee Services Bank, Limited (trust account for Sumitomo Mitsui Trust Bank, Limited and employee retirement benefit of Sumitomo Mitsui Banking Corporation)	676,000	2.98%
Yasuhiko Idaira	563,000	2.48%
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	364,960	1.60%
Hiroshi Kawai	300,000	1.32%
Happinet employee shareholders association	294,940	1.30%
Takashi Nishimura	286,400	1.26%
CBNY-GOVERNMENT OF NORWAY	256,100	1.12%
ICHIGO TRUST PTE. LTD.	240,900	1.06%

Note: Shareholding ratio was calculated based on the total number of the issued shares excluding the number of treasury shares (1,367,810 shares).

Breakdown of Type of Shareholder





HAPPINET CORPORATION

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