

FACT BOOK

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

For the Six Months Ending September 30, 2016

■ 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.

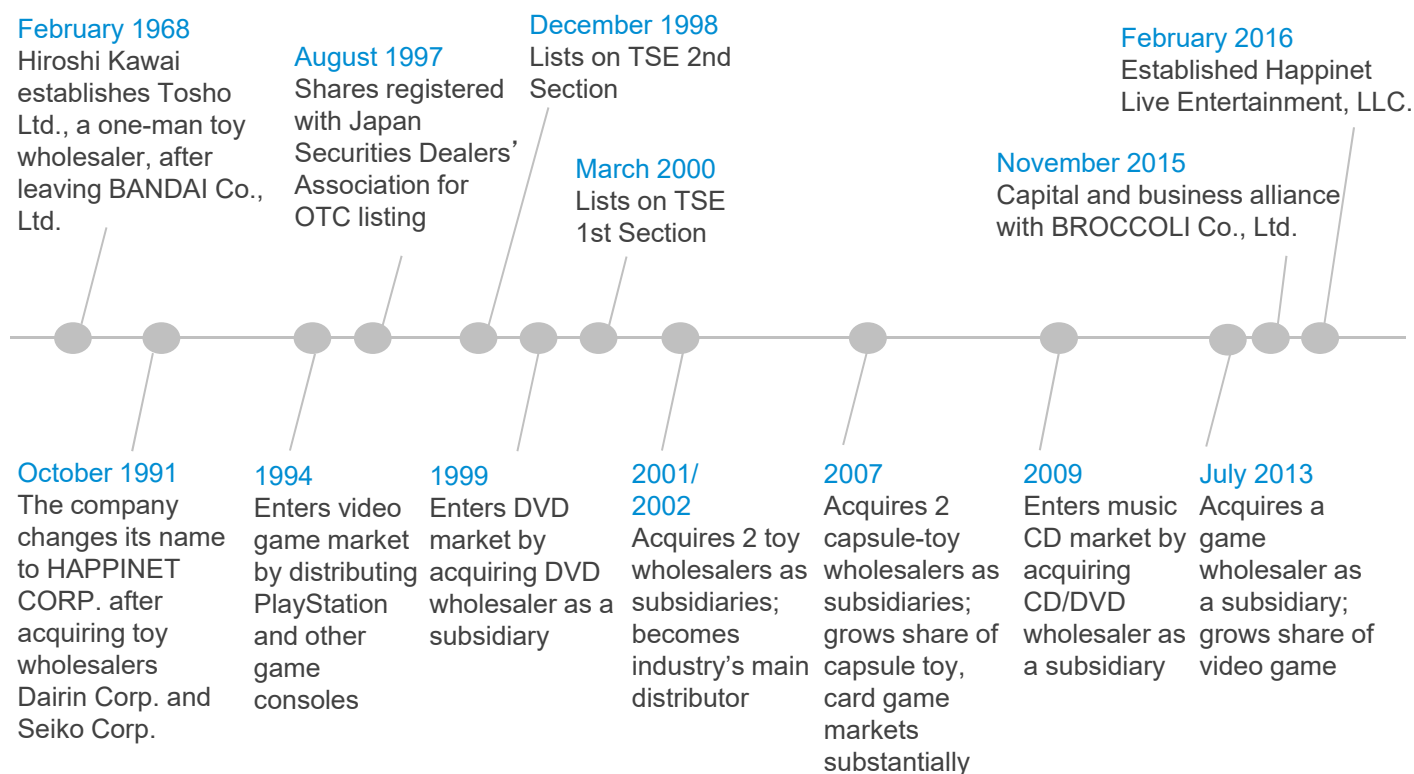
The overriding objective of the HAPPINET Group is to create added value to enrich the lifestyle of our customers, which we provide through entertainment business activities developed with a broad array of partners — a “Networking” contributing to the “Happiness” of others.

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/
▶ 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 and CEO Seiichi Enomoto, Representative Director, President and COO
▶ Business Description	Planning, manufacture and sales of toys; Planning, production and sales of audio-visual software; Planning, development and sales of video game hardware and software; Setting up and operation of toy vending machines Sales of arcade game products

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"> - One of the largest distribution companies among the toy market in Japan (with a market share of over 30%) - Handles some 80% of the toys sold by blue-chip toy maker Bandai in Japan - Plans and manufactures its original products
Visual and Music Business	HAPPINET CORPORATION (*1)	<ul style="list-style-type: none"> - Has top-class share among the intermediate distribution industry of DVD/CD market - Engages in video works as a maker by investing in movies and animation works
Video-Game Business	HAPPINET CORPORATION MAXGAMES Corporation (*2)	<ul style="list-style-type: none"> - The only intermediate distribution company in Japan that handles all home game consoles sold domestically - Plans, manufactures and sells maily video game software products for girls as a maker
Amusement Business	HAPPINET CORPORATION Happinet Vending Service Corporation	<ul style="list-style-type: none"> - One of the largest companies for selling capsule toys and trading card games (with a market share of 60%, the Company's estimate) - Set up capsule toy vending machines nationwide - Optimized operations by introducing cutting-edge system among the competitive companies

(*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.

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 setting up, 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 “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 66,284 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
Second 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 October 2016

Located in Funabashi City, Chiba Prefecture
Floor Space: 20,093m²

Logistics Center-West Japan

Launched in January 2008

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

Second Logistics Center-West Japan

Launched in August 2014

Located in Amagasaki City, Hyogo Prefecture
Floor Space: 9,676m²

Assets

(¥ million)	FY3/13 1H end	FY3/14 1H end	FY3/15 1H end	FY3/16 1H end	FY3/17 1H end
Assets					
Total Assets	51,003	60,264	61,985	62,443	58,329
Current assets	45,318	52,951	54,439	54,772	46,006
Cash and deposits	10,512	10,541	11,795	14,992	12,021
Notes and accounts receivable - trade	23,398	28,569	30,167	25,573	22,767
Inventories	8,405	9,049	8,557	9,643	8,008
Other	3,068	4,875	3,924	4,565	3,210
Allowance for doubtful accounts	(66)	(84)	(5)	(1)	(1)
Non-current assets	5,685	7,312	7,546	7,670	12,323
Property, plant and equipment	1,353	1,694	1,013	707	761
Intangible assets	1,331	704	695	970	1,182
Goodwill	370	123	-	-	-
Other	961	580	695	970	1,182
Investments and other assets	2,999	4,914	5,836	5,993	10,379
Investment securities	1,367	1,767	2,126	2,472	6,727
Other	1,764	3,189	3,807	3,612	3,675
Allowance for doubtful accounts	(132)	(42)	(96)	(91)	(22)

Liabilities and Net assets

(¥ million)	FY3/13 1H end	FY3/14 1H end	FY3/15 1H end	FY3/16 1H end	FY3/17 1H end
Liabilities					
Total liabilities	28,867	35,741	34,628	31,908	27,706
Current liabilities	25,939	32,663	31,248	28,514	23,923
Notes and accounts payable - trade	21,541	22,795	26,540	24,387	21,039
Short-term loans payable	-	6,000	-	-	-
Income taxes payable	376	569	610	212	183
Provision for bonuses	261	230	249	255	213
Other provision	40	23	18	12	10
Other	3,719	3,044	3,828	3,645	2,476
Non-current liabilities	2,927	3,077	3,380	3,394	3,782
Provision for retirement benefits	1,828	2,039	-	-	-
Net defined benefit liability	-	-	2,422	2,550	2,848
Asset retirement obligations	49	50	51	94	164
Negative goodwill	5	-	-	-	-
Other	1,044	987	906	750	770
Net assets					
Total net assets	22,136	24,522	27,356	30,535	30,623
Shareholders' equity	21,994	24,265	26,661	29,475	29,207
Capital stock	2,751	2,751	2,751	2,751	2,751
Capital surplus	2,775	2,775	2,775	2,784	2,784
Retained earnings	17,559	19,727	22,071	24,846	25,668
Treasury shares	(1,091)	(989)	(936)	(906)	(1,996)
Accumulated other comprehensive income	117	249	521	785	1,017
Valuation difference on available-for-sale securities	118	249	519	789	1,019
Deferred gains or losses on hedges	(1)	(0)	1	(4)	(1)
Subscription rights to shares	22	8	173	274	398
Non-controlling interests*	1	0	-	-	-
Total liabilities and net assets	51,003	60,264	61,985	62,443	58,329

* 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)	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H	FY3/17 1H
Net sales	76,211	87,371	93,437	83,993	72,448
Cost of sales	66,019	76,587	81,421	73,386	62,911
Gross profit	10,192	10,783	12,016	10,606	9,537
Selling, general and administrative expenses	9,185	9,231	9,653	8,769	8,693
Operating income	1,007	1,551	2,362	1,837	844
Non-operating income	70	58	57	50	43
Interest income	1	1	1	2	0
Dividend income	16	21	21	31	28
Foreign exchange gains	-	-	0	-	2
Amortization of negative goodwill	14	1	-	-	-
Other	38	34	35	16	13
Non-operating expenses	5	30	6	31	146
Interest expenses	2	5	0	0	0
Foreign exchange losses	1	0	-	0	-
Loss on cancellation of lease contract	0	0	5	-	-
Provision of allowance for doubtful accounts	-	24	0	30	-
Share of loss of entities accounted for using equity method	-	-	-	-	142
Other	0	0	0	0	4
Ordinary income	1,072	1,579	2,413	1,857	741
Extraordinary income	5	411	6	-	0
Gain on sales of non-current assets	0	2	2	-	0
Gain on sales of investment securities	5	-	4	-	-
Gain on bargain purchase	-	409	-	-	-
Extraordinary losses	55	152	525	4	80
Loss on sales of non-current assets	1	0	-	4	0
Loss on retirement of non-current assets	1	0	6	0	30
Loss on sales of investment securities	-	-	0	-	-
Loss on valuation of investment securities	31	7	14	-	-
Loss on valuation of membership	7	-	-	-	-
Impairment loss	13	33	125	-	-
Loss on revision of retirement benefit plan	-	-	379	-	-
Directors' retirement benefits	-	110	-	-	-
Litigation expenses	-	-	-	-	50
Income before income taxes and minority interests	1,022	1,838	1,894	1,853	661
Income taxes - current	371	557	600	232	183
Income taxes - deferred	(59)	(94)	(520)	434	148
Total income taxes	312	462	79	667	331
Profit*	710	1,376	1,814	1,185	329
Profit attributable to non-controlling interests*	0	0	-	-	-
Profit attributable to owners of parent*	709	1,375	1,814	1,185	329

* 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)	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H	FY3/17 1H
Profit*	710	1,376	1,814	1,185	329
Other comprehensive income	(11)	57	143	106	369
Valuation difference on available-for-sale securities	(9)	59	140	110	361
Deferred gains or losses on hedges	(1)	(2)	2	(4)	7
Share of other comprehensive income of entities accounted for using equity method	-	-	-	-	0
Comprehensive income	698	1,434	1,957	1,291	699
Comprehensive income attributable to owners of the parent	698	1,433	1,957	1,291	699
Comprehensive income attributable to non-controlling interests*	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)	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H	FY3/17 1H
Cash flows from operating activities					
Net cash provided by (used in) operating activities	(1,306)	(3,093)	2,325	(167)	2,470
Income before income taxes and minority interests	1,022	1,838	1,894	1,853	661
Depreciation	323	309	184	164	213
Impairment loss	13	33	125	-	-
Amortization of goodwill	154	121	-	-	-
Gain on bargain purchase	-	(409)	-	-	-
Increase (decrease) in allowance for doubtful accounts	(5)	12	(8)	23	(10)
Share-based compensation expenses	5	-	-	-	-
Increase (decrease) in provision for bonuses	(211)	(193)	(227)	(519)	(90)
Increase (decrease) in provision for directors' bonuses	-	-	-	(121)	-
Increase (decrease) in provision for retirement benefits	48	55	-	-	-
Increase (decrease) in net defined benefit liability	-	-	319	21	85
Interest and dividend income	(17)	(23)	(22)	(34)	(28)
Interest expenses	2	5	0	0	0
Loss (gain) on sales and retirement of non-current assets	2	(1)	3	4	30
Loss (gain) on sales of investment securities	(5)	-	(3)	-	-
Loss (gain) on valuation of investment securities	31	7	14	-	-
Loss on valuation of membership	7	-	-	-	-
Foreign exchange losses (gains)	1	0	(0)	0	(2)
Share of (profit) loss of entities accounted for using equity method	-	-	-	-	142
Decrease (increase) in notes and accounts receivable - trade	3,357	618	(6,062)	108	133
Decrease (increase) in inventories	(2,236)	(1,564)	(1,152)	(2,897)	(1,964)
Increase (decrease) in notes and accounts payable - trade	(1,501)	(1,030)	6,441	4,269	2,772
Other, net	(722)	(2,221)	1,898	(2,019)	853
Subtotal	271	(2,440)	3,406	852	2,795
Interest and dividend income received	17	23	22	34	28
Proceeds from dividend income from entities accounted for using equity method	-	-	-	-	44
Interest expenses paid	(2)	(9)	(0)	(0)	(0)
Income taxes paid	(1,593)	(666)	(1,103)	(1,054)	(396)
Cash flows from investing activities					
Net cash provided by (used in) investing activities	(173)	(124)	(201)	(371)	(418)
Purchase of property, plant and equipment	(69)	(156)	(95)	(117)	(197)
Proceeds from sales of property, plant and equipment	1	5	183	-	0
Purchase of intangible assets	(72)	(62)	(360)	(247)	(215)
Purchase of investment securities	(4)	(5)	(6)	(5)	(5)
Proceeds from sales of investment securities	6	-	10	-	-
Purchase of shares of subsidiaries	-	(1)	-	-	-
Other, net	(34)	95	66	(0)	0
Cash flows from financing activities					
Net cash provided by (used in) financing activities	(364)	3,605	(323)	(336)	(1,430)
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)	-	(1,090)
Cash dividends paid	(363)	(252)	(305)	(338)	(339)
Other, net	(1)	(1)	(27)	(0)	(0)
Effect of exchange rate change on cash and cash equivalents	(1)	(1)	(0)	(0)	(13)
Net increase (decrease) in cash and cash equivalents	(1,846)	386	1,799	(875)	608
Cash and cash equivalents at beginning of period	12,359	10,155	9,996	15,867	11,412
Cash and cash equivalents at end of period	10,512	10,541	11,795	14,992	12,021

Information by Segment



(¥ million)	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H	FY3/17 1H
Toy Business					
Net sales	32,410	31,880	39,479	34,742	31,585
Segment income	833	563	1,663	1,256	768
Visual and Music Business					
Net sales	20,711	21,300	21,376	17,352	16,516
Segment income	107	377	145	144	146
Video-game Business					
Net sales	13,127	23,042	19,939	20,212	14,302
Segment income (loss)	98	34	(61)	(50)	(36)
Amusement Business					
Net sales	9,962	11,147	12,643	11,686	10,045
Segment income	605	1,190	1,264	1,154	642
Adjustments					
Net sales	-	-	-	-	-
Segment income (loss)	(637)	(614)	(648)	(667)	(675)
Consolidated					
Net sales	76,211	87,371	93,437	83,993	72,448
Segment income	1,007	1,551	2,362	1,837	844

Consolidated Growth/Profitability Indicators



(¥ million)	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H	FY3/17 1H
Net sales	76,211	87,371	93,437	83,993	72,448
Gross profit	10,192	10,783	12,016	10,606	9,537
SG&A expenses	9,185	9,231	9,653	8,769	8,693
Operating income	1,007	1,551	2,362	1,837	844
Ordinary income	1,072	1,579	2,413	1,857	741
Profit attributable to owners of parent*	709	1,375	1,814	1,185	329

* 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."

(%)	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H	FY3/17 1H
Gross profit margin	13.4	12.3	12.9	12.6	13.2
SG&A expenses ratio	12.1	10.6	10.3	10.4	12.0
Operating income margin	1.3	1.8	2.5	2.2	1.2
Ordinary income margin	1.4	1.8	2.6	2.2	1.0
Profit attributable to owners of parent margin*	0.9	1.6	1.9	1.4	0.5

* 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

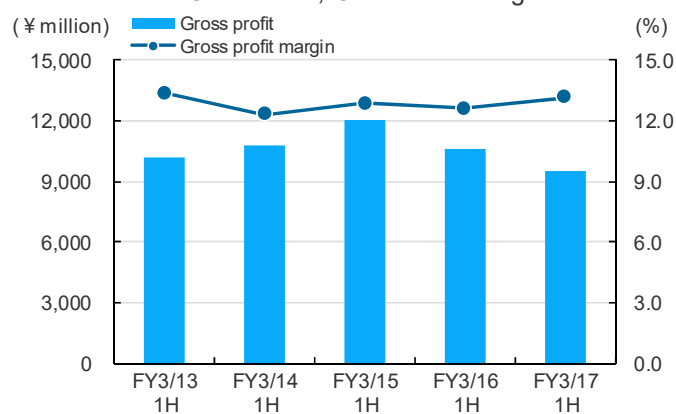
SG&A expenses ratio = SG&A expenses/Net sales

Operating income margin = Operating income/Net sales

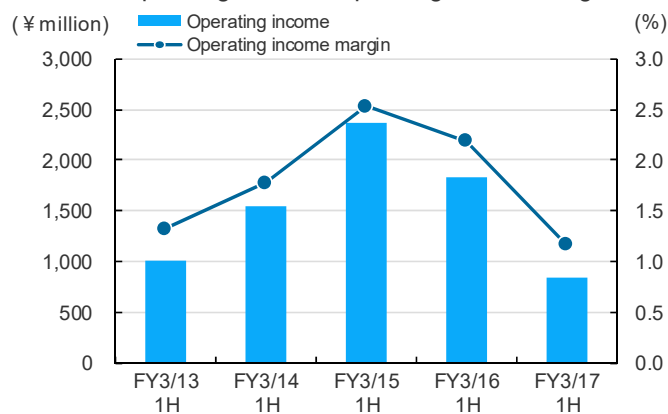
Ordinary income margin = Ordinary income/Net sales

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

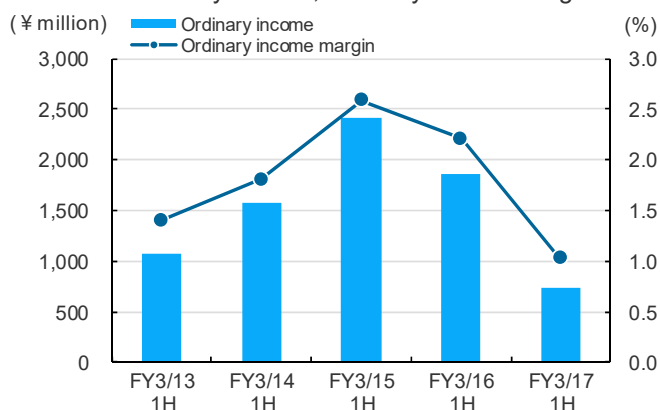
Gross Profit, Gross Profit Margin



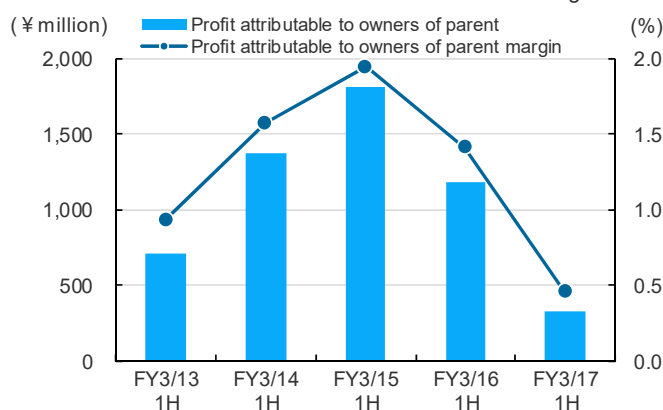
Operating Income, Operating Income Margin



Ordinary Income, Ordinary Income Margin



Profit Attributable to Owners of Parent, Profit Attributable to Owners of Parent Margin



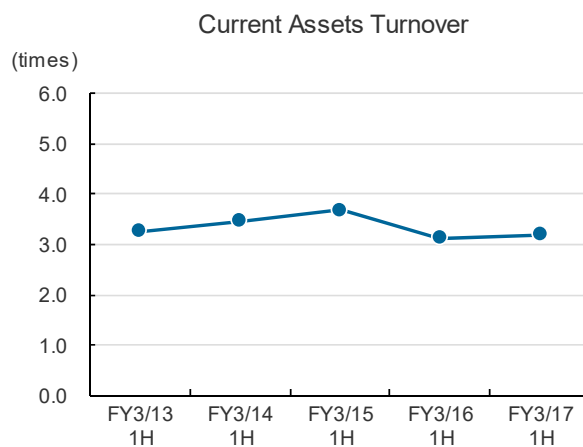
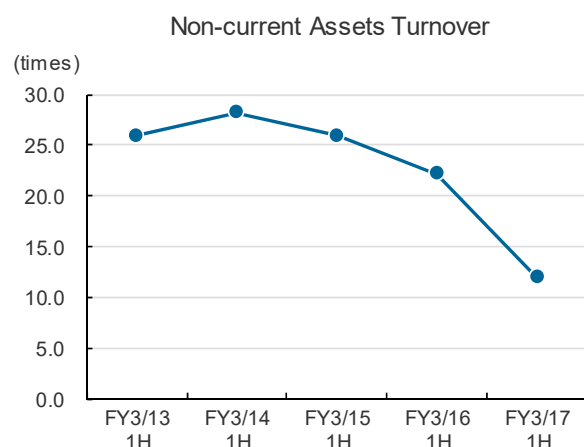
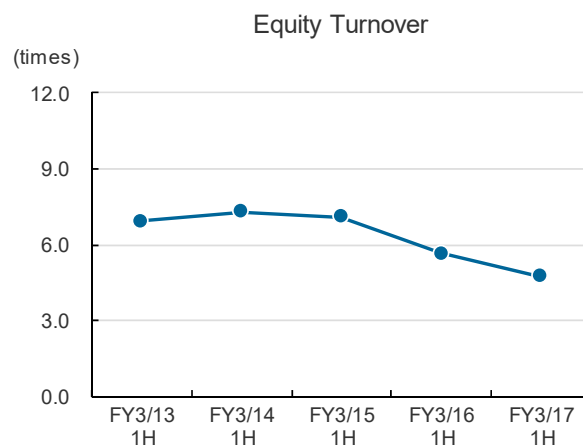
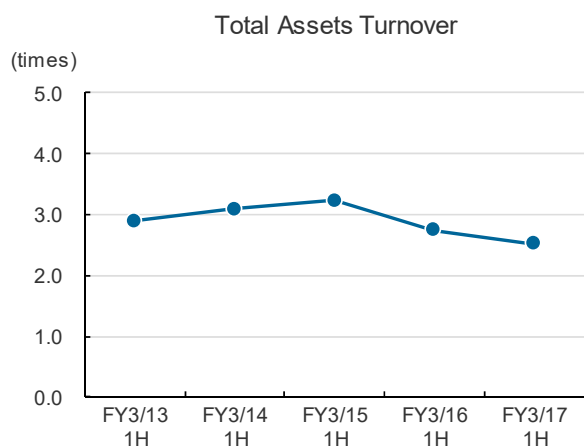
Consolidated Profitability/Efficiency Indicators



(times)	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H	FY3/17 1H
Total assets turnover	2.9	3.1	3.2	2.7	2.5
Equity turnover	6.9	7.3	7.1	5.6	4.7
Non-current assets turnover	26.0	28.2	26.0	22.2	12.0
Current assets turnover	3.3	3.5	3.7	3.1	3.2

<Reference (Full Year)>	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
ROA (%)	3.7	4.6	7.1	4.0	-
ROE (%)	8.9	10.1	14.8	7.8	-

Total assets turnover = (Net sales x 2)/Average total assets
 Equity turnover = (Net sales x 2)/Average equity
 Non-current assets turnover = (Net sales x 2)/Average non-current assets
 Current assets turnover = (Net sales x 2)/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)	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H	FY3/17 1H
Equity	22,112	24,514	27,183	30,260	30,225
Total assets	51,003	60,264	61,985	62,443	58,329
Non-current assets	5,685	7,312	7,546	7,670	12,323
Non-current liabilities	2,927	3,077	3,380	3,394	3,782
Current assets	45,318	52,951	54,439	54,772	46,006
Current liabilities	25,939	32,663	31,248	28,514	23,923
Total net assets	22,136	24,522	27,356	30,535	30,623
Interest-bearing debt	-	6,000	-	-	-

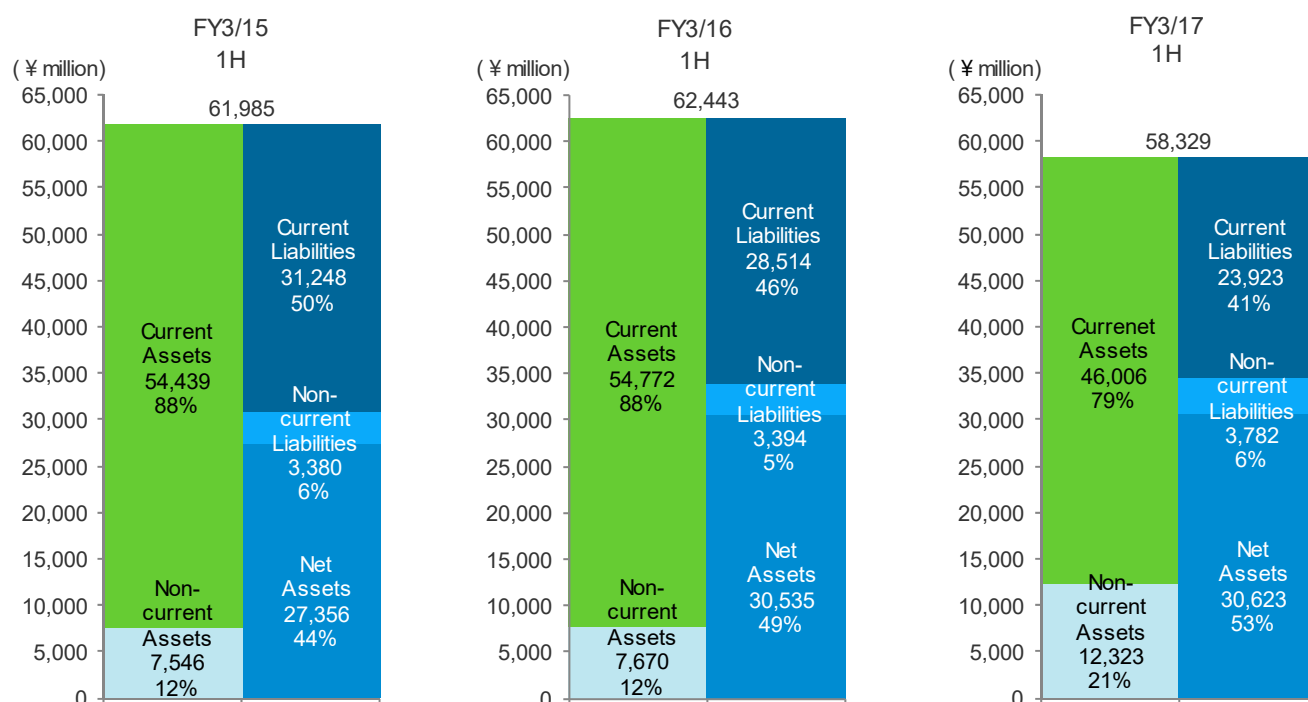
(%)	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H	FY3/17 1H
Equity ratio	43.4	40.7	43.9	48.5	51.8
D/E ratio	-	24.5	-	-	-
Non-current ratio	25.7	29.8	27.8	25.3	40.8
Current ratio	174.7	162.1	174.2	192.1	192.3

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



	FY3/13 1H	FY3/14 1H	FY3/15 1H	FY3/16 1H	FY3/17 1H
Share price (¥)	652	754	1,750	1,162	1,063
Outstanding shares issued (shares)	24,050,000	24,050,000	24,050,000	24,050,000	24,050,000
Treasury shares (shares)	1,647,870	1,493,290	1,413,310	1,367,810	2,367,930
Earnings per share (¥)	31.68	61.13	80.21	52.33	14.63
Book value per share (¥)	987.05	1,086.78	1,200.85	1,334.12	1,394.01
Free cash flow per share (¥)	(66.02)	(142.02)	93.83	(23.72)	94.64
Dividend per share (¥)	11.25	11.25	13.50	15.00	15.00
EBITDA (¥ million)	1,330	1,860	2,546	2,001	1,057

<Reference (Full Year)>	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17
PER (times)	8.7	7.9	8.0	9.8	9.3 (fcst.)
PBR (times)	0.7	0.8	1.1	0.7	-
PCFR (times)	(12.4)	8.1	5.2	25.1	-
EV/EBITDA Ratio (times)	2.4	2.4	3.4	3.4	-
Dividend Yield (%)	2.9	2.9	2.0	2.9	2.8 (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

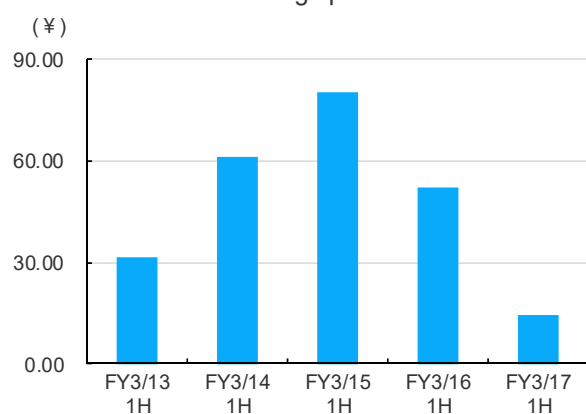
EBITDA = Operating income+Depreciation

EV = Market value+Interest-bearing debt—Liquidity in hand (Cash & deposits)

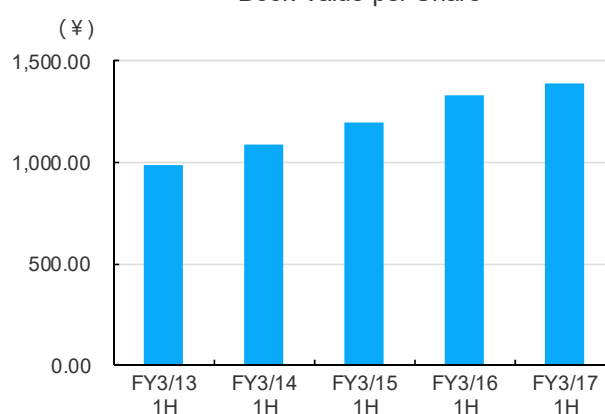
EV/EBITDA ratio = EV/EBITDA

(fcst.) : FY3/17 forecast

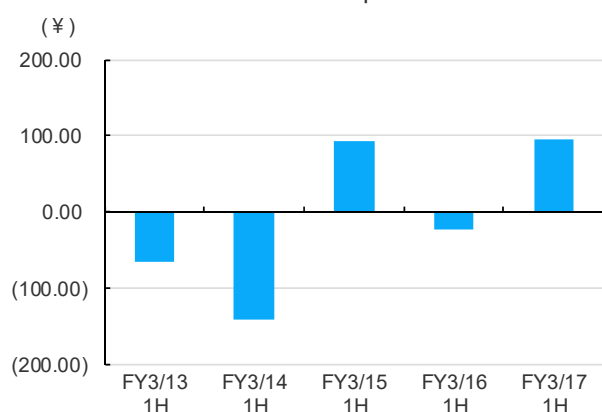
Earnings per Share



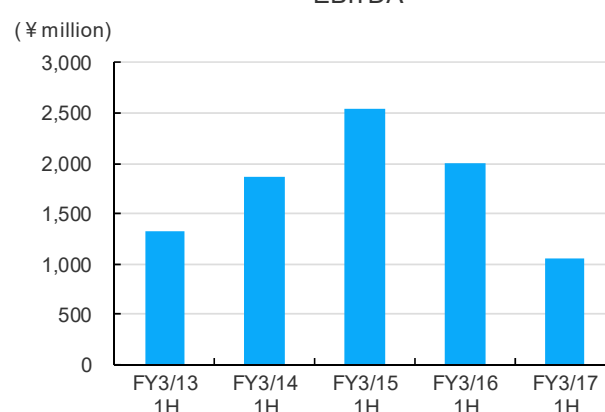
Book Value per Share



Cash Flow per Share



EBITDA



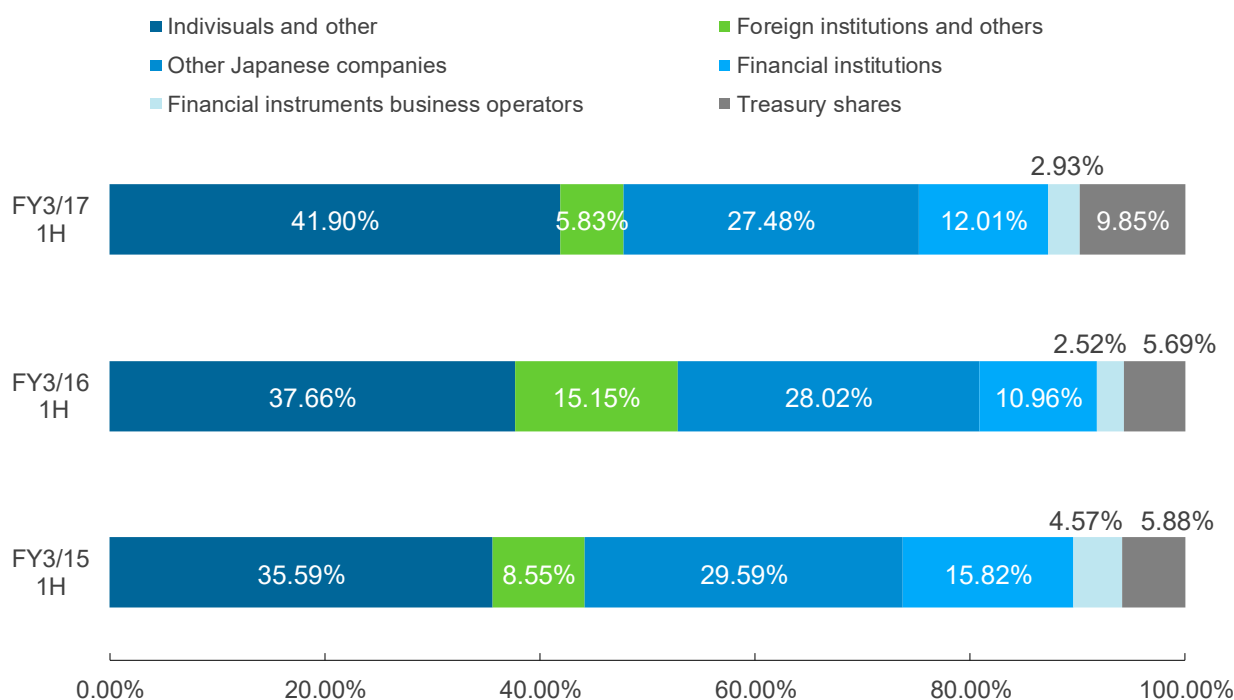
As of September 30, 2016

Major Shareholders (Top 10)

	Number of Shares	Shareholding Ratio
BANDAI NAMCO Holdings Inc.	5,883,408	27.13%
Japan Trustee Services Bank, Limited (trust account for Sumitomo Mitsui Trust Bank, Limited and employee retirement benefit of Sumitomo Mitsui Banking Corporation)	676,000	3.12%
Yasuhiko Idaira	563,000	2.60%
JAPAN SECURITIES FINANCE CO., LTD.	444,700	2.05%
Hiroshi Kawai	300,000	1.38%
Happinet employee shareholders association	296,040	1.37%
Takashi Nishimura	286,400	1.32%
Tachibana Securities Co., Ltd.	284,000	1.31%
ICHIGO TRUST PTE.LTD.	240,900	1.11%
Japan Trustee Services Bank, Limited (trust account)	213,700	0.99%

Note: Shareholding ratio was calculated based on the total number of the issued shares excluding the number of treasury shares (2,367,930 shares).

Breakdown of Type of Shareholder





HAPPINET CORPORATION

Corporate Management Division, 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