



HAPPINET CORPORATION

Stock Listing :Tokyo Stock Exchange  
Code Number :7552

# Fiscal Year 2016 First Half Results Briefing

November 17, 2016



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# **FY2016 First Half Results Summary**

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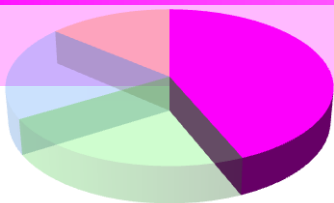
**Seichi Enomoto**

**Representative Director**

**President and Chief Operating Officer**

(¥ million)

	First Half of FY2015	First Half of FY2016	YOY
Net sales	83,993	72,448	– 13.7%
Operating income	1,837	844	– 54.0%
Ordinary income	1,857	741	– 60.1%
Profit attributable to owners of parent	1,185	329	– 72.2%



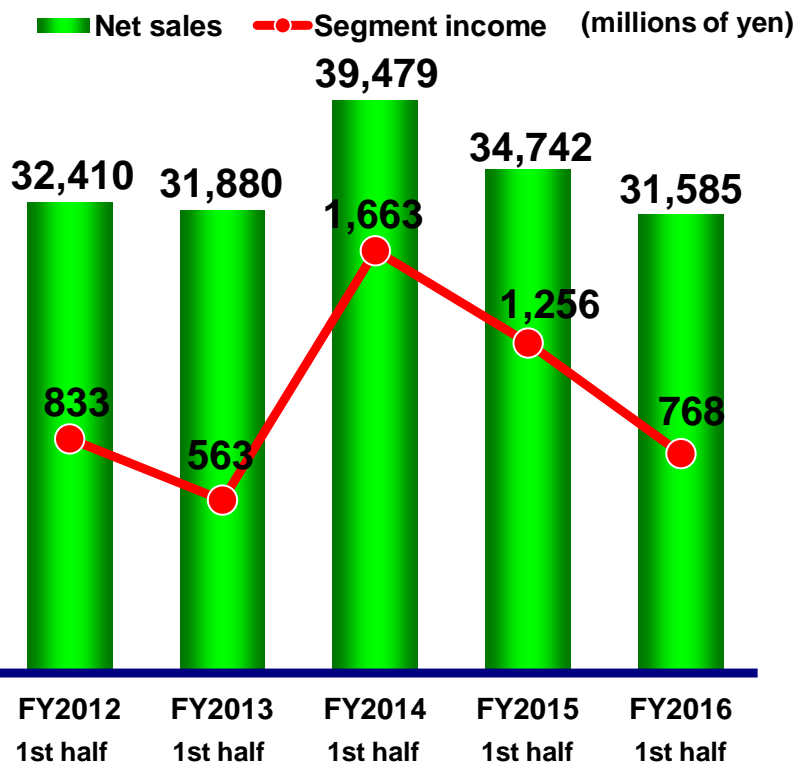
## Toy Business

### ■ FY2016 First Half Results Summary

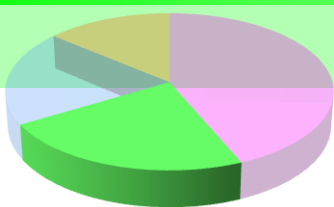
Certain Bandai character goods, including goods associated with “*KAMEN RIDER GHOST*” and “*MAHO TSUKAI PRECURE!*”, performed well, but results fell short of the year-ago level.

The Toy Business overall lagged both in sales and income.

### ■ First Half Results for Each Fiscal Year



	1st half of FY2012	1st half of FY2013	1st half of FY2014	1st half of FY2015	1st half of FY2016
Clearance amounts	0.29 billion yen	0.48 billion yen	0.63 billion yen	0.52 billion yen	0.34 billion yen
Inventory amounts	3.2 billion yen	3.8 billion yen	3.4 billion yen	4.6 billion yen	3.3 billion yen
Inventory turnover rate	23.2	20.2	26.6	19.8	22.9



## Visual and Music Business

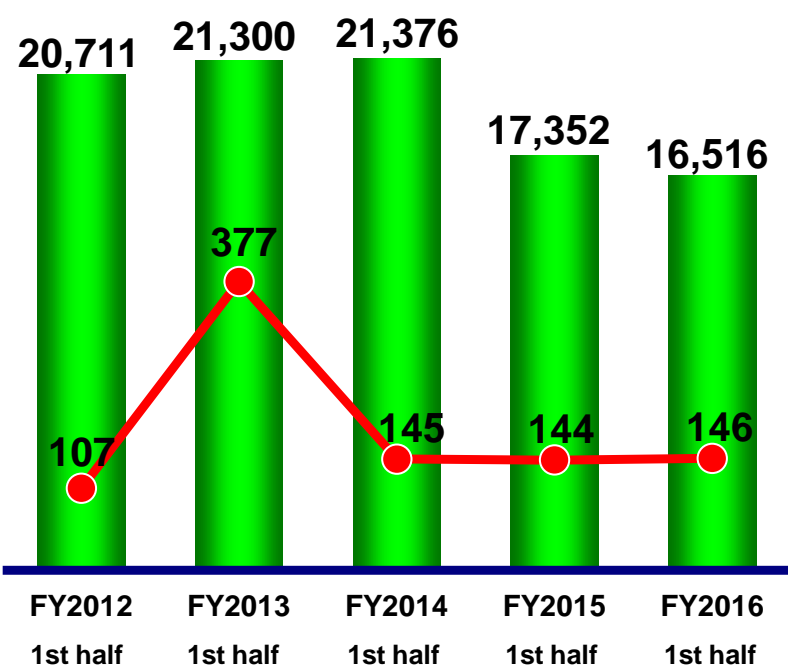
### ■ FY2016 First Half Results Summary

In an environment where the package market remains sluggish as a whole due to effects of the distribution of software via the Internet, net sales of the Group in this business segment also remained weak.

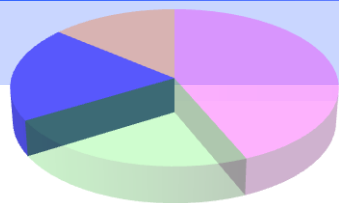
However, segment income increased year on year thanks to the strong performance of in-house titles, particularly anime titles.

### ■ First Half Results for Each Fiscal Year

■ Net sales ■ Segment income (millions of yen)



	1st half of FY2012	1st half of FY2013	1st half of FY2014	1st half of FY2015	1st half of FY2016
Rejection rate	5.2%	4.4%	4.9%	5.7%	5.3%
Inventory amounts	2.2 billion yen	2.1 billion yen	2.0 billion yen	1.9 billion yen	2.0 billion yen
Inventory turnover rate	19.9	21.9	23.9	19.1	17.6



## Video-Game Business

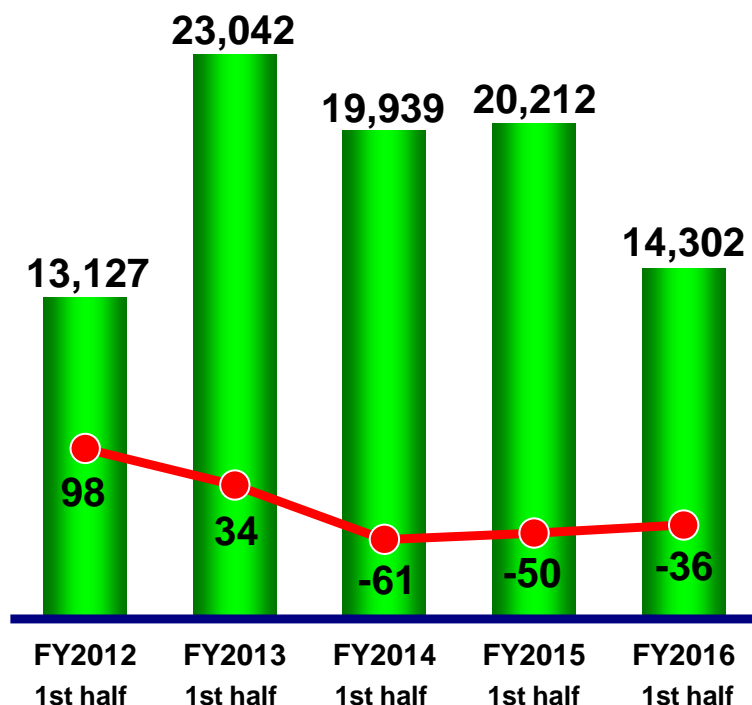
### ■ FY2016 First Half Results Summary

In the face of the stagnation of the package market as a whole due primarily to the popularity of software distribution and smartphone games, net sales of the Group in this segment fell short of the year-ago level.

Segment income improved due to a decrease in inventory clearance.

### ■ First Half Results for Each Fiscal Year

■ Net sales ■ Segment income (millions of yen)



	1st half of FY2012	1st half of FY2013	1st half of FY2014	1st half of FY2015	1st half of FY2016
Clearance amounts	0.03 billion yen	0.15 billion yen	0.09 billion yen	0.14 billion yen	0.02 billion yen
Inventory amounts	1.1 billion yen	1.5 billion yen	1.2 billion yen	1.0 billion yen	0.8 billion yen
Inventory turnover rate	32.1	38.6	26.6	34.1	38.6



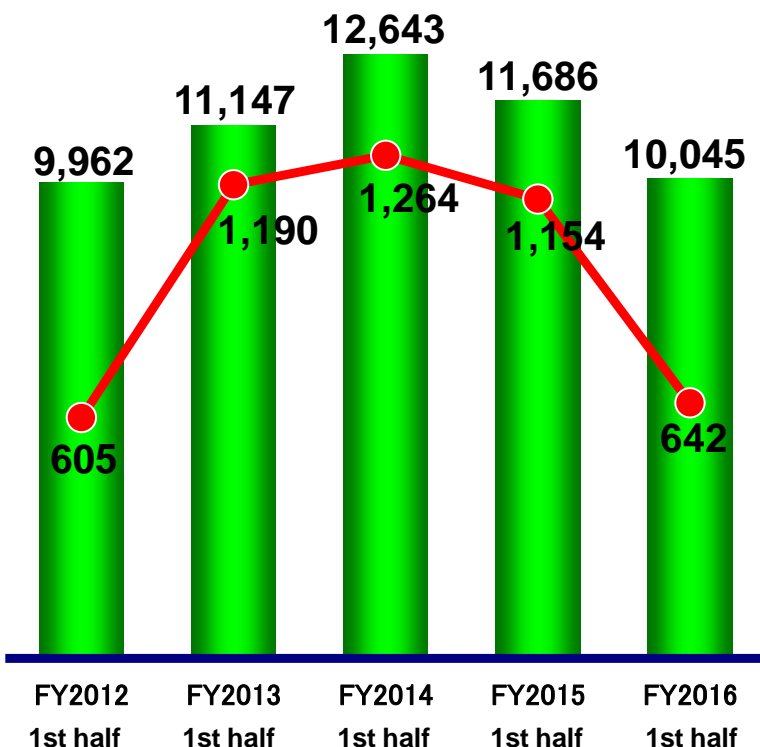
## Amusement Business

### ■ FY2016 First Half Results Summary

Capsule toy products for automatic vending machines and products for kids' card game machines showed weak results mainly due to few leading products. Both sales and income declined from a year ago.

### ■ First Half Results for Each Fiscal Year

■ Net sales ■ Segment income (millions of yen)



	1st half of FY2012	1st half of FY2013	1st half of FY2014	1st half of FY2015	1st half of FY2016
Clearance amounts	0.35 billion yen	0.19 billion yen	0.10 billion yen	0.12 billion yen	0.11 billion yen
Inventory amounts	1.7 billion yen	1.5 billion yen	1.7 billion yen	1.8 billion yen	1.7 billion yen
Inventory turnover rate	12.7	15.1	14.8	13.8	12.3



# **FY2016 First Half Financial Results**

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**Toru Shibata**

**Director  
Executive Officer**

**Head of the Corporate Management Division**

# Change of business results

		1st half of FY2012	1st half of FY2013	1st half of FY2014	1st half of FY2015	1st half of FY2016	FY2012	FY2013	FY2014	FY2015
Net sales	¥ million	76,211	87,371	93,437	83,993	<b>72,448</b>	176,757	206,867	217,232	187,274
Operating income	¥ million	1,007	1,551	2,362	1,837	<b>844</b>	2,973	3,888	5,056	3,450
Ordinary income	¥ million	1,072	1,579	2,413	1,857	<b>741</b>	3,081	3,917	5,124	3,497
Profit attributable to owners of parent	¥ million	709	1,375	1,814	1,185	<b>329</b>	2,011	2,466	4,049	2,359
Comprehensive income	¥ million	698	1,434	1,957	1,291	<b>699</b>	2,075	2,654	4,349	2,328
Net assets	¥ million	22,136	24,522	27,356	30,535	<b>30,623</b>	23,289	25,694	29,580	31,355
Total assets	¥ million	51,003	60,264	61,985	62,443	<b>58,329</b>	53,003	53,879	59,893	56,793
Net assets per share	¥	987.05	1,086.78	1,200.85	1,334.12	<b>1,394.01</b>	1,036.23	1,128.25	1,293.00	1,364.82
Net income per share	¥	31.68	61.13	80.21	52.33	<b>14.63</b>	89.75	109.40	178.91	104.06
Dividends per share (Interim dividends)	¥	(11.25)	(11.25)	(13.50)	(15.00)	<b>(15.00)</b>	22.50 (11.25)	24.75 (11.25)	28.50 (13.50)	30.00 (15.00)
No. of employees	people	935	981	959	904	<b>865</b>	918	972	933	883

- Notes:
1. Consolidated sales figures do not include consumption tax.
  2. Happinet Corporation acquired shares of TOYS UNION CO.,LTD.(now MAXGAMES Corporation) on July 16, 2013, making it a subsidiary.
  3. On December 9, 2015, the Company purchased shares in Broccoli Co., Ltd. to make it an equity-method affiliate.

(millions of yen, %)

	1st half of FY2015			1st half of FY2016		
		% of total	YoY		% of total	YoY
<b>Net sales</b>	<b>83,993</b>	<b>100.0</b>	<b>-10.1</b>	<b>72,448</b>	<b>100.0</b>	<b>-13.7</b>
<b>Cost of sales</b>	<b>73,386</b>	<b>87.4</b>	<b>-9.9</b>	<b>62,911</b>	<b>86.8</b>	<b>-14.3</b>
<b>Gross profit</b>	<b>10,606</b>	<b>12.6</b>	<b>-11.7</b>	<b>9,537</b>	<b>13.2</b>	<b>-10.1</b>
<b>Selling general and administrative expenses</b>	<b>8,769</b>	<b>10.4</b>	<b>-9.2</b>	<b>8,693</b>	<b>12.0</b>	<b>-0.9</b>
logistics cost	1,689	2.0	-7.5	1,584	2.2	-6.2
Personnel	4,012	4.8	-6.6	3,808	5.3	-5.1
Depreciation	151	0.2	-9.5	192	0.3	27.5
<b>Operating income</b>	<b>1,837</b>	<b>2.2</b>	<b>-22.2</b>	<b>844</b>	<b>1.2</b>	<b>-54.0</b>
<b>Non-operating income</b>	<b>50</b>	<b>0.1</b>	<b>-11.4</b>	<b>43</b>	<b>0.1</b>	<b>-13.8</b>
interest and dividends income	34	0.0	54.7	28	0.0	-16.9
Other	16	0.0	-53.2	15	0.0	-7.3
<b>Non-operating expenses</b>	<b>31</b>	<b>0.0</b>	<b>389.2</b>	<b>146</b>	<b>0.2</b>	<b>371.9</b>
interest expenses	0	0.0	-52.2	0	0.0	-51.5
Equity in losses of affiliates	-	-	-	142	0.2	-
Other	31	0.0	393.7	4	0.0	-85.4
<b>Ordinary income</b>	<b>1,857</b>	<b>2.2</b>	<b>-23.1</b>	<b>741</b>	<b>1.0</b>	<b>-60.1</b>
<b>Extraordinary income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>0.0</b>	<b>-</b>
<b>Extraordinary losses</b>	<b>4</b>	<b>0.0</b>	<b>-99.2</b>	<b>80</b>	<b>0.1</b>	<b>1881.9</b>
<b>Quarterly income before income taxes and others</b>	<b>1,853</b>	<b>2.2</b>	<b>-2.2</b>	<b>661</b>	<b>0.9</b>	<b>-64.3</b>
<b>Income taxes</b>	<b>667</b>	<b>0.8</b>	<b>735.6</b>	<b>331</b>	<b>0.5</b>	<b>-50.3</b>
<b>Profit attributable to owners of parent</b>	<b>1,185</b>	<b>1.4</b>	<b>-34.7</b>	<b>329</b>	<b>0.5</b>	<b>-72.2</b>

\*including inventory clearances of ¥825m in FY2015, ¥515m in FY2016.

<b>Net income per share (¥)</b>	<b>52.33</b>	<b>-</b>	<b>-34.8</b>	<b>14.63</b>	<b>-</b>	<b>-72.0</b>
<b>No. of employees at end of period (people) **</b>	<b>904</b>	<b>-</b>	<b>-5.7</b>	<b>865</b>	<b>-</b>	<b>-4.3</b>

\*\*The number of employees includes employees temporarily transferred from other companies and contract employees, but excludes employees temporarily transferred to other companies and temporary employees.

<b>Capital expenditures</b>	<b>258</b>	<b>-</b>	<b>-42.5</b>	<b>347</b>	<b>-</b>	<b>34.2</b>
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## ①Change by business segment

### ■ Net sales

(millions of yen,%)

Segment	Period	1st half of FY2015			1st half of FY2016			FY2015		
			% of total	YOY		% of total	YOY		% of total	YOY
Toy business		34,742	41.4	-12.0	31,585	43.6	-9.1	76,874	41.0	-17.6
Visual and Music business		17,352	20.6	-18.8	16,516	22.8	-4.8	38,367	20.5	-11.5
Video-game business		20,212	24.1	1.4	14,302	19.7	-29.2	50,009	26.7	-11.4
Amusement business		11,686	13.9	-7.6	10,045	13.9	-14.0	22,023	11.8	-8.8
Total		83,993	100.0	-10.1	72,448	100.0	-13.7	187,274	100.0	-13.8

### ■ Segment income

(millions of yen,%)

Segment	Period	1st half of FY2015			1st half of FY2016			FY2015		
			% of total	YOY		% of total	YOY		% of total	YOY
Toy business		1,256	68.4	-24.5	768	91.0	-38.9	2,848	82.6	-33.4
Visual and Music business		144	7.8	-0.9	146	17.4	1.6	466	13.5	130.9
Video-game business		-50	-2.7	-	-36	-4.4	-	-43	-1.3	-
Amusement business		1,154	62.8	-8.7	642	76.0	-44.4	1,652	47.9	-8.0
Adjustments		-667	-36.3	-	-675	-80.0	-	-1,473	-42.7	-
Total		1,837	100.0	-22.2	844	100.0	-54.0	3,450	100.0	-31.8

## ②Main business summary

### ■ Toy business

(100millions of yen,%)

Manufacturer	Period	1st half of FY2015			1st half of FY2016			FY2015		
			% of total	YOY		% of total	YOY		% of total	YOY
Bandai Co.,Ltd		190	54.9	-14.7	154	48.9	-18.9	419	54.6	-24.2
Tomy Co.,Ltd		18	5.4	1.7	30	9.7	61.2	49	6.5	20.4
Happinet originals		5	1.6	-53.1	8	2.8	59.0	15	2.1	-16.3
Other manufacturers		132	38.1	-6.1	122	38.6	-7.8	282	36.8	-11.1
Total		347	100.0	-12.0	315	100.0	-9.1	768	100.0	-17.6

### ■ Visual and Music business

(100millions of yen,%)

Division	Period	1st half of FY2015			1st half of FY2016			FY2015		
			% of total	YOY		% of total	YOY		% of total	YOY
Visual	Distribution department	111	64.3	-11.5	107	65.0	-3.9	248	64.7	-4.9
	Manufacturer department	18	10.5	-44.9	19	11.6	5.4	47	12.4	-31.2
Visual		129	74.8	-18.4	126	76.6	-2.6	295	77.1	-10.4
Music		43	25.2	-20.0	38	23.4	-11.5	87	22.9	-15.3
Total		173	100.0	-18.8	165	100.0	-4.8	383	100.0	-11.5

## ■ Sales of video game platform

(100millions of yen,%)

Platform	Period	1st half of FY2015			1st half of FY2016			FY2015		
			% of total	YOY		% of total	YOY		% of total	YOY
Nintendo		156	77.7	2.9	101	71.2	-35.2	392	78.5	-14.9
S I E *		33	16.4	16.5	37	26.0	11.8	79	15.9	6.5
Other		11	5.9	-35.2	4	2.8	-65.9	27	5.6	-2.5
Total		202	100.0	1.4	143	100.0	-29.2	500	100.0	-11.4

\* S I E . . . Sony Interactive Entertainment LLC

(From this results briefing material, the categories have been changed partially.)

## ■ Breakdown of Nintendo sales

(100millions of yen,%)

Item		Period	1st half of FY2015			1st half of FY2016			FY2015		
				% of total	YOY		% of total	YOY		% of total	YOY
Stationary	console		24	15.9	96.2	10	10.7	-56.1	63	16.2	60.8
	Software		19	12.1	5.7	8	7.9	-57.8	44	11.4	9.1
	Accessories		6	4.0	66.1	2	2.1	-65.2	16	4.1	53.3
Portable	console		32	20.5	-3.5	30	29.6	-6.4	85	21.9	-35.4
	Software		71	45.4	-12.0	43	42.8	-38.9	170	43.3	-24.3
	Accessories		3	2.1	-11.3	2	2.3	-30.7	12	3.1	-2.6
Other			—	—	—	4	4.6	—	—	—	—
Total			156	100.0	2.9	101	100.0	-35.2	392	100.0	-14.9

## ■ Breakdown of \*SIE sales

(100millions of yen,%)

Item		Period		1st half of FY2015			1st half of FY2016			FY2015		
					% of total	YOY		% of total	YOY		% of total	YOY
Stationary	console		4	13.4	5.7		5	15.5	29.7	10	13.8	-2.7
	Software		9	29.3	67.2		12	33.8	29.2	22	28.4	18.7
	Accessories		0	1.2	-29.8		0	1.6	44.8	1	1.8	25.9
Portable	console		3	10.7	-9.9		3	8.8	-8.2	11	14.2	17.0
	Software		14	43.7	7.0		14	38.4	-1.5	31	39.8	-2.2
	Accessories		0	1.7	23.5		0	1.9	17.2	1	2.0	26.4
Total			33	100.0	16.3		37	100.0	11.8	79	100.0	6.5

\* S I E . . . Sony Interactive Entertainment LLC

(millions of yen)

		1st half of FY2015	FY2015	1st half of FY2016	Change
<b>(Assets)</b>					
	Cash and deposits	14,992	11,412	12,021	608
	Notes and accounts receivable-trade	25,573	22,899	22,767	-131
	Inventories	9,643	6,043	8,008	1,964
	Advance payments	1,412	1,204	1,010	-194
	Deferred tax assets	920	841	692	-149
	Other	2,231	2,503	1,508	-995
	Allowance for doubtful accounts	-1	-0	-1	-0
<b>Total current assets</b>		<b>54,772</b>	<b>44,905</b>	<b>46,006</b>	<b>1,100</b>
	Property, plant and equipment	707	753	761	7
	Buildings and structures	333	362	378	16
	Land	65	65	65	-
	Other	308	325	316	-8
	Intangible assets	970	1,086	1,182	95
	Investments and other assets	5,993	10,047	10,379	332
	Investment securities	2,472	6,387	6,727	340
	Deferred tax assets	1,186	1,220	1,059	-161
	Other	2,426	2,474	2,616	141
	Allowance for doubtful accounts	-91	-34	-22	11
<b>Total non-current assets</b>		<b>7,670</b>	<b>11,887</b>	<b>12,323</b>	<b>435</b>
<b>Total assets</b>		<b>62,443</b>	<b>56,793</b>	<b>58,329</b>	<b>1,536</b>



(millions of yen)

	1st half of FY2015	FY2015	1st half of FY2016	Change
<b>(Liabilities)</b>				
Notes and accounts payable-trade	24,387	18,282	21,039	2,756
Accounts payable-other	2,356	2,461	2,142	-319
Income taxes payable	212	380	183	-197
Provision for bonuses	255	304	213	-90
Other	1,301	387	344	-43
<b>Total current liabilities</b>	<b>28,514</b>	<b>21,817</b>	<b>23,923</b>	<b>2,105</b>
Provision for retirement benefits	2,550	2,763	2,848	85
Deferred tax liabilities	14	0	0	0
Other	829	857	934	76
<b>Total non-current liabilities</b>	<b>3,394</b>	<b>3,621</b>	<b>3,782</b>	<b>161</b>
<b>Total liabilities</b>	<b>31,908</b>	<b>25,438</b>	<b>27,706</b>	<b>2,267</b>
<b>(Net assets)</b>				
Capital stock	2,751	2,751	2,751	0
Capital surplus	2,784	2,784	2,784	0
Retained earnings	24,846	25,679	25,668	-10
Treasury share	-906	-906	-1,996	-1,090
<b>Total shareholder's equity</b>	<b>29,475</b>	<b>30,308</b>	<b>29,207</b>	<b>-1,101</b>
Valuation difference on available-for-sale securities	789	657	1,019	362
Deferred gains or losses on hedges	-4	-9	-1	7
<b>Total accumulated other comprehensive income</b>	<b>785</b>	<b>648</b>	<b>1,017</b>	<b>369</b>
Subscription rights to shares	274	398	398	0
<b>Total net assets</b>	<b>30,535</b>	<b>31,355</b>	<b>30,623</b>	<b>-731</b>
<b>Total liabilities and net assets</b>	<b>62,443</b>	<b>56,793</b>	<b>58,329</b>	<b>1,536</b>
<b>Net assets per share( ¥ )</b>	<b>1,334.12</b>	<b>1,364.82</b>	<b>1,394.01</b>	<b>29.20</b>

(millions of yen)

	1st half of FY2015	1st half of FY2016	Change
<b>Net cash provided by (used in) operating activities</b>	<b>-167</b>	<b>2,470</b>	<b>2,638</b>
Income before income taxes and others	1,853	661	-1,191
Depreciation and amortization	164	213	49
equity in net income of affiliates	-	142	142
Decrease (increase) in trade accounts receivable	108	133	24
Decrease (increase) in inventories	-2,897	-1,964	932
Increase (decrease) in trade payables	4,269	2,772	-1,497
Increase (decrease) in accounts payable-other	-1,216	-234	982
Increase (decrease) in guarantee deposits	-0	-15	-14
Other	-1,394	1,159	2,554
Income taxes paid	-1,054	-396	657
<b>Net cash provided by (used in) investing activities</b>	<b>-371</b>	<b>-418</b>	<b>-46</b>
Purchase of property, plant and equipment and intangible assets	-365	-412	-47
Purchase of investment securities	-5	-5	0
Other	-0	0	0
<b>Net cash provided by (used in) financing activities</b>	<b>-336</b>	<b>-1,430</b>	<b>-1,094</b>
Cash dividends paid	-338	-339	-1
Proceeds from sales of treasury stock	2	-	-2
Purchase of treasury stock	-	-1,090	-1,090
Other	-0	-0	0
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>-0</b>	<b>-13</b>	<b>-13</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>-875</b>	<b>608</b>	<b>1,484</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>15,867</b>	<b>11,412</b>	<b>-4,455</b>
<b>Cash and cash equivalents at end of period</b>	<b>14,992</b>	<b>12,021</b>	<b>-2,970</b>

- ◆ In order to increase shareholder return through the implementation of a flexible capital policy and an improvement in capital efficiency in response to changes in the business environment, the Company purchased treasury stock.

## Description of the purchase of treasury stock

Class of shares purchased	Common stock
Number of shares purchased	1,000,000
Value of shares purchased	1,090,524,700 yen
Period of the purchase	From August 25, 2016 to September 1, 2016
Number of treasury shares after the purchase	2,367,930 (9.8% of the number of issued shares)

- ◆ The Company's basic policy is to pay dividends twice a year.  
The Company has decided to pay a dividend per share of 15 yen for the first half of the fiscal year under review.

## Dividends

	End of Q2	Year-end	Total	Total amount of dividends
FY2015	¥15.00	¥15.00	¥30.00	¥680 million
FY2016	¥15.00	¥15.00 (forecast)	¥30.00 (forecast)	¥650 million (forecast)

# **Future Measures for Distribution Business**

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**Yoshiyuki Takahashi**

**Director  
Executive Officer**

## Toy Business

### Second-half measures

- ◆ Enhance demand forecasting and the buying function to maintain proper stock and reduce disposal losses
- ◆ Expand sales of major products using original furniture at stores and secure points of sales at prime locations

### Noteworthy products for the second half

#### “KAMEN RIDER EX-AID”

Broadcast from October 2, 2016 on the TV Asahi network.



#### DX Gamer Driver

If you set the accompanying Rider Gashatt in the DX Gamer Driver, light is emitted, and level 1 transformation sound is made.

If you open the lever, the level is raised.

Light is emitted, and level 2 transformation sound is made.

© 2016 Ishimori Production, TV Asahi, ADK, Toei

#### “DIGIMON UNIVERSE APPLI MONSTERS”

Broadcast from October 1, 2016 on the TV Tokyo network.



#### Appli Drive

The Digimon series has been loved since 1999, when Digimon Adventure started.

Digimon Universe Appli Monsters, an entirely new story in the series, finally began in October 2016.

© Akiyoshi Hongo, AppMon PROJECT, TV Tokyo

## Toy Business

### Noteworthy products for the second half

#### “YOKAI WATCH ”

Broadcast from 18:30 on every Friday on the TV Tokyo network.



#### DX YOKAI WATCH Dream



#### DX Enma Blade

This is the third year since the first Yo-kai Watch product was launched, and users have been coming back gradually since new 3DS software was launched in the summer.

Ties between 3DS and toys have been strengthened, and sales of watches, medals, and related products have been strong.

© LMYWP2016 © L5/YWP・TX

#### “ULTRAMAN ORB”

Broadcast from 9 in the morning every Saturday on the TV Tokyo network.



#### DX Orb Ring



#### DX Orb Calibur



Ultraman Orb, a new Ultraman, emerged in 2016 and has become a character that can entertain both parents and children 50 years from the start of the broadcasting of the Ultraman series.

Ultraman Orb has begun to fight, using the power that the ultra heroes before him had.

© Tsuburaya Productions © Ultraman Orb Production Committee, TV Tokyo



## Visual and Music Business

### Second-half measures

- ◆ **Expand sales through sales and the promotion sales at home centers and GMSs**
  - A winter sale for major companies from November to January
  - Special points of sales through VMI in 350 stores nationwide
- ◆ **Promote orders for major titles to be released from the second half**

VMI: Vendor managed inventory

### Second-half measures



Special points of sales at 350 locations nationwide

For the purpose of stimulating demand, we will install special furniture at GMSs, home centers, and more to sell CDs and DVDs through VMI.

### Noteworthy products for the second half

#### Exclusive distribution product

We have produced 3-nen D-gumi Glass no Kamen, a new short anime spin-off of Glass no Kamen, a popular manga work, jointly with DLE Inc. A package will be released in the second half.

© Suzue Miuchi 2016 ©DLE/Happinet



#### NBC Universal

To be released on December 21, 2016

The latest popular work (a Universal Studios film) of the Minions staff. Pets do not necessarily behave themselves when they are asked to look after the house.

© 2015 Universal Studios. All Rights Reserved.



#### Walt Disney

To be released on November 22, 2016

A touching Disney-Pixar fantasy adventure film. The story unfolds at a fast pace in a wilderness of sea and the world of human beings.

© Disney/Pixar



## Video-Game Business

### Second-half measures

- ◆ Promote orders for major titles in the year-end and New Year shopping season
- ◆ Propose sales with special benefits to major companies to maximize sales
  - Plan and propose sales with special benefits only for companies
  - Plan and propose special benefits for customers that buy PSV hardware and software at the same time

### Noteworthy products for the second half

#### [3DS] “Pokémon Sun and Pokémon Moon”



The latest title in the series. A new adventure takes place in the Arora World, which consists of islands in the tropical region. You will encounter Pokémons that you have never seen.



**To be released on Nov. 18**

© 2016 Pokémon. © 1995-2016 Nintendo/Creatures Inc./GAME FREAK inc.

#### [PS4/XboxONE] “Final Fantasy XV”



The latest title in the series. An Open World is introduced for the first time in the series. Exhilarating, action-packed battles are also introduced. You can experience freedom and realistic atmospheres that you have never experienced before.

**To be released on Nov. 29**

© 2016 SQUARE ENIX CO., LTD. All Rights Reserved.  
MAIN CHARACTER DESIGN: TETSUYA NOMURA



## Video-Game Business

### Second-half measures

#### ◆ Maximize sales of Nintendo Switch



### Noteworthy products for the second half



#### Home-use stationary game console that can be taken out

Nintendo Switch is a home-use stationary game console but can be used at places away from the TV. If you use two removable controllers, you can use the console by yourself or with other people, both at home and outside. In this way, you can change play styles. It is a game console based on a completely new concept. The involvement of major software makers in Japan and abroad has been announced.

**To be launched in March 2017**

**Shipment plan (worldwide) = 2 million units (by March 2017)**

#### (Schedule)

- |                  |  |
|------------------|--|
| October 20, 2016 | Formal worldwide announcement  |
| January 13, 2017 | Nintendo Switch Presentation 2017 to be held<br>(for the media and business community in Japan)<br>The details of the hardware and the lineup of software products to be announced |
| January 14, 15   | Nintendo Switch Trial 2017 (for general users)   |
| February 11, 12  | Trial booths to be installed in the venue of Niconico Tokaigi 2017   |

## Amusement Business

### Second-half measures

#### ◆ Promote sales at event venues

- Promote sales of capsule toys at event sites in station buildings.  
Find new locations.



### Second-half measures

- Examples of new locations



5F of Terminal 1  
Center Building of  
Narita International  
Airport



Arrival Floor on F1 of  
Terminal 1 of Kansai  
International Airport



## Amusement Business

### Second-half measures

◆ Facilitate the launch of four new kids' card game machines.

### Noteworthy products for the second half

#### Super Dragonball Heroes



The total number of cards shipped has exceeded 0.4 billion.  
A new series of Dragonball Heroes, the No. 1 title in the digital kids' card game market.  
To be operated from November 17

#### Data Carddass APPLI MONSTERS



A Data Carddass of Appli Monsters, which has been broadcast from October 1 on the TV Tokyo network, has been launched.  
To be operated from November 10

#### Disney Magic Castle



The first Data Carddass that is combined with a GASHAPON. If the player is chosen by lottery during the game, a special free gift will be given by the capsule toy machine.  
To be operated from December 8

#### Data Carddass Dream Festival!



A new IP Data Carddass in which a new group of five male 2D idols is accompanied by real-life cast members to make 2.5D idols.  
To be operated from November 24

# **Future Measures for Content Business**

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**Shigeki Suzuki**

**Director**

**Managing Executive Officer  
Head of Content Business Division**



Visual and Music Business

Second-half measures

- ◆ Strengthen Happinet’s managed titles as in the first half.
- ◆ Expand the rights business and maximize profits, making the most of content ownership.

Noteworthy products for the second half



**“KISEKI”**  
To be released nationwide on January 28, 2017  
Starring Tori Matsuzaka and Masaki Suda  
Miracles can occur to anyone and can expand endlessly.  
A story of *kiseki* (trajectory), *kiseki* (miracle), and *kiseki* (pyroxene) associated with the creation of a famous song of GReeeeN.  
Director: Atsushi Kaneshige  
Cast members: Tori Matsuzaka, Masaki Suda, Shiori Kutsuna, Yuna Taira  
Screenplay: *Himitsu* and *Yomigaeri* by Hiroshi Saito  
Music: GReeeeN

A first CD will be released.



GReeeeN generated from the film  
Masaki Suda, Ryusei Yokohama, Ryo Narita, Yosuke Sugino  
The release of their first CD has been determined.  
Release date: January 24, 2017  
Title: GReeeeN Boys  
Songs: *Koe*, *Michi*, and *Kiseki*

## Visual and Music Business

### Noteworthy products for the second half

#### “Shinjuku Swan II”

Nationwide release  
on January 21, 2017

Director:  
Shion Sono

Cast members:  
Go Ayano  
Tadanobu Asano  
Yusuke Iseya

Original work:  
Shijuku Swan  
by Ken Wakui



The cast include famous actors, old and new. Men explode, and women ignite. A drama of the strongest vs. the scariest begins. A long-awaited sequel to a blockbuster.

© Shinjuku Swan II Production Committee

#### “Flip Flappers”



Broadcast from October 6, from 22:00 every Thursday on  
TOKYO MX and other channels

Girls meet each other and transform themselves.  
An SF adventure drama in a different world featuring two  
heroines and many highlights.

© FliFla Project



## Video-Game Business

### Second-half measures

- ◆ **Continue to promote the new game “Age 12” to maximize sales**
  - The second season of the animation program started in October.  
Advertise the game in TV commercials as a sponsor of the program.
  - Place tie-in articles on *Ciao*, a magazine published by SHOGAKUKAN, over the long term.

### Noteworthy products for the second half



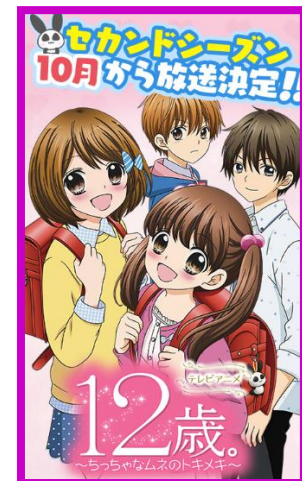
#### Display at the Ciao Summer Festival



© Happinet

#### Animation “Age 12”

Broadcast from 19:30 on every Monday  
on TOKYO MX and other channels



#### Selling well (released on August 4, 2016)

Manga “Age 12” appears in *Ciao* magazine of SHOGAKUKAN serially, and the TV animation is very popular. The second “Age 12” game has been released.

The story of the game is completely original. The main cast members are voice actors for the TV animation “Age 12, Chicchana Mune no Tokimeki.”



## Toy Business

### Second-half measures

- ◆ Focus on girls' standard toys and standard radio control toys in the Christmas and New Year shopping season, the biggest shopping season of the year, to maximize sales

### Noteworthy products for the second half

#### “Gemmies”



Adorable three-dimensional artworks made of rubber and beads. Create sparkling three-dimensional artworks simply by putting dedicated beads on silicone bands.

Gemmies include a light up stand and a storage chest for beads.

© Happinet

#### “Wing Racer W”



A radio control flying car for transportation by both road and air. By attaching or detaching two types of wings for the front and rear parts of the body, you can choose between a high-speed mode and a stable mode.

Have fun with races using two flying cars.

© Happinet



# **FY2016 Full-Year Projection**

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**Seiichi Enomoto**

**Representative Director**

**President and Chief Operating Officer**

(¥ million)

	FY2015	FY2016 projection	YOY
Net sales	187,274	190,000	1.5%
Operating income	3,450	4,000	15.9%
Ordinary income	3,497	4,000	14.4%
Profit attributable to owners of parent	2,359	2,600	10.2%

## ■ Sales projection by business segment

(¥ million)

	FY2015			FY2016		
		% of total	YoY		% of total	YoY
Toy business	76,874	41.0	-17.6	78,000	41.1	1.5
Visual and Music business	38,367	20.5	-11.5	38,000	20.0	-1.0
Video-game business	50,009	26.7	-11.4	50,000	26.3	-0.0
Amusement business	22,023	11.8	-8.8	24,000	12.6	9.0
Total	187,274	100.0	-13.8	190,000	100.0	1.5

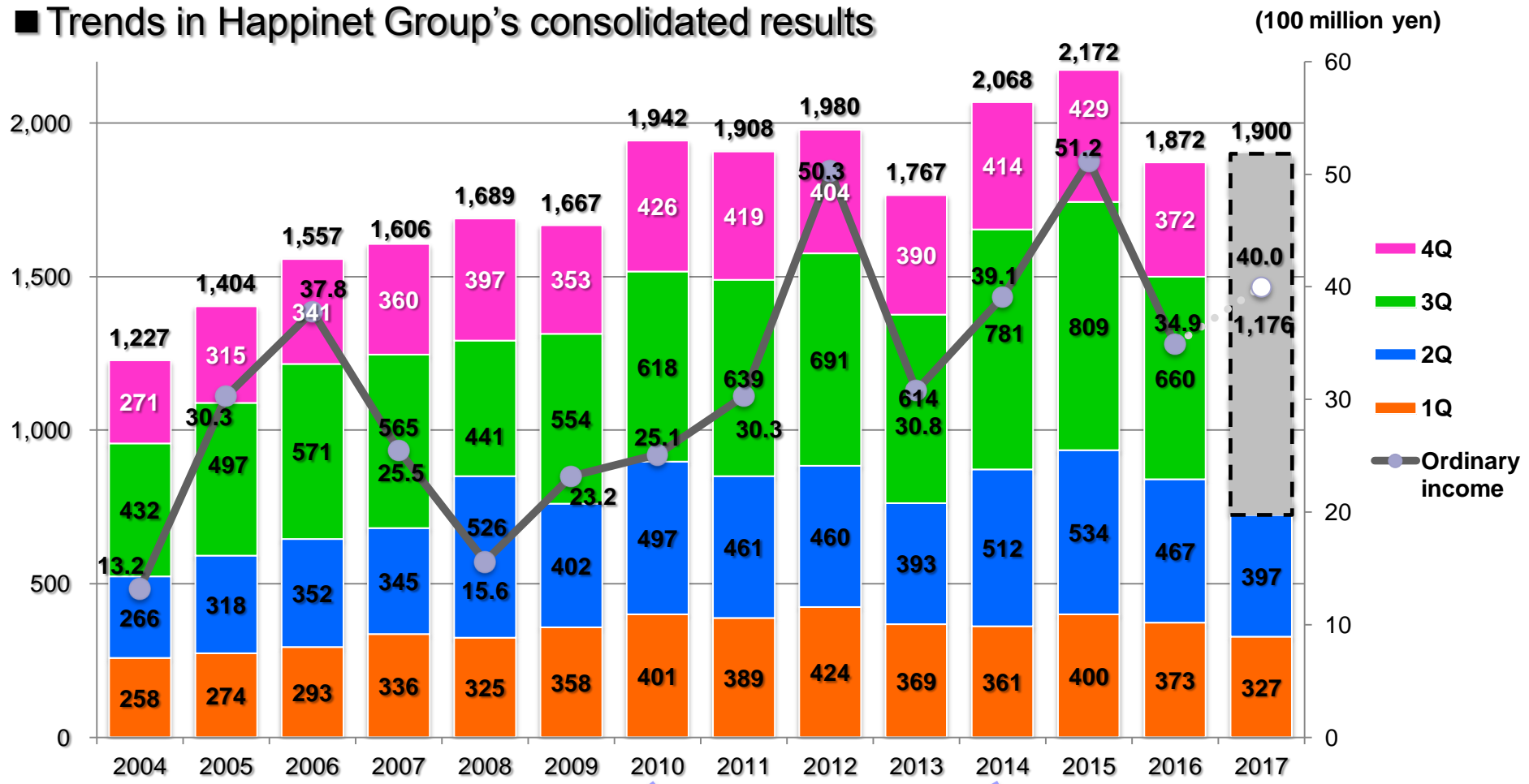
## ■ Income projection by business segment

(¥ million)

	FY2015			FY2016		
		% of total	YoY		% of total	YoY
Toy business	2,848	82.6	-33.4	2,900	72.5	1.8
Visual and Music business	466	13.5	130.9	500	12.5	7.3
Video-game business	-43	-1.3	—	500	12.5	—
Amusement business	1,652	47.9	-8.0	1,500	37.5	-9.2
Eliminations and corporate	-1,473	-42.7	—	-1,400	-35.0	—
Total	3,450	100.0	-31.8	4,000	100.0	15.9

# (Reference) Trends in Results

■ Trends in Happinet Group's consolidated results



**MORI TOYS**

The toy and game wholesaler became a subsidiary. Started to deal in Nintendo products.

**SUNLINK  
APPLE**

The two capsule toy wholesalers became subsidiaries.

**WINT**

The CD and DVD wholesaler became a subsidiary.

**TOYS UNION**

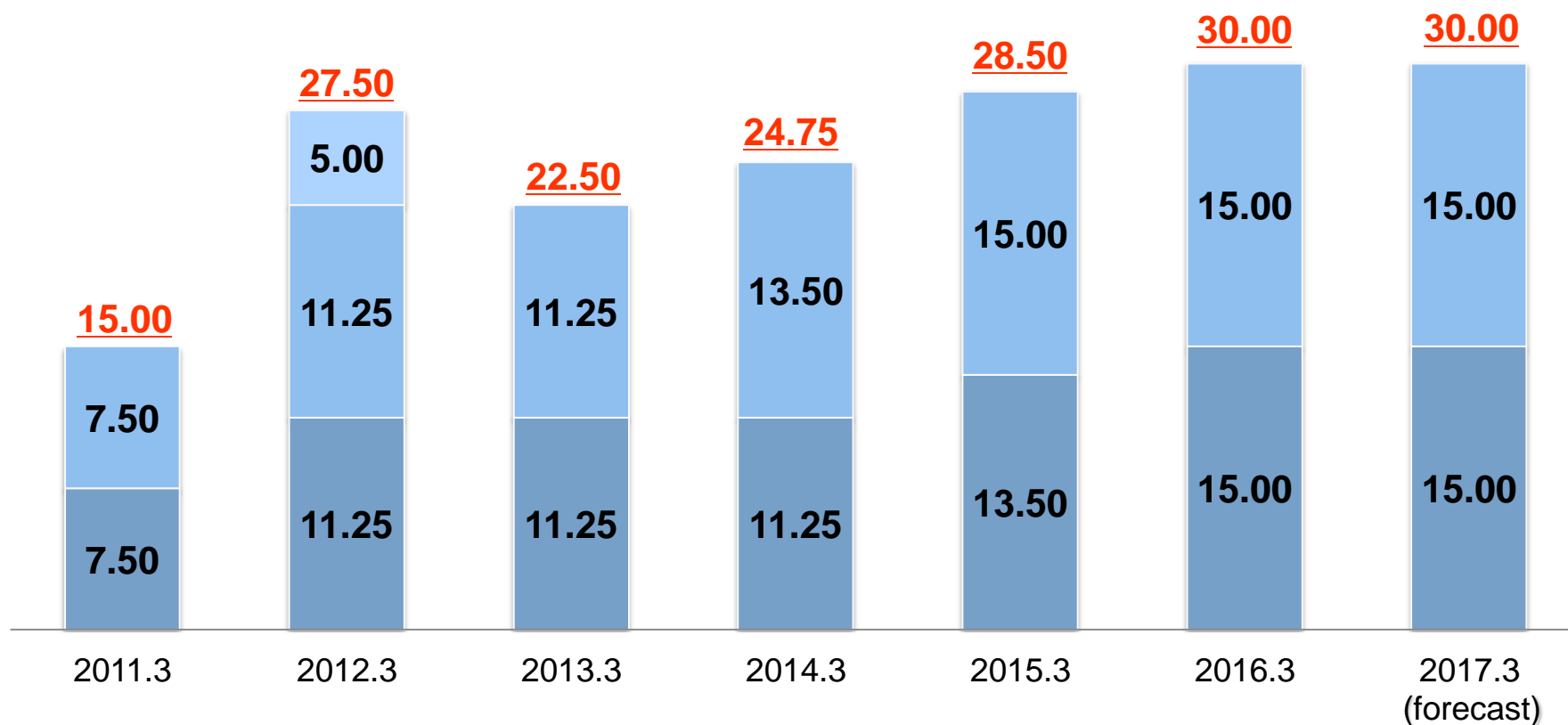
The game wholesaler became a subsidiary.

# (Reference) Return to Shareholders

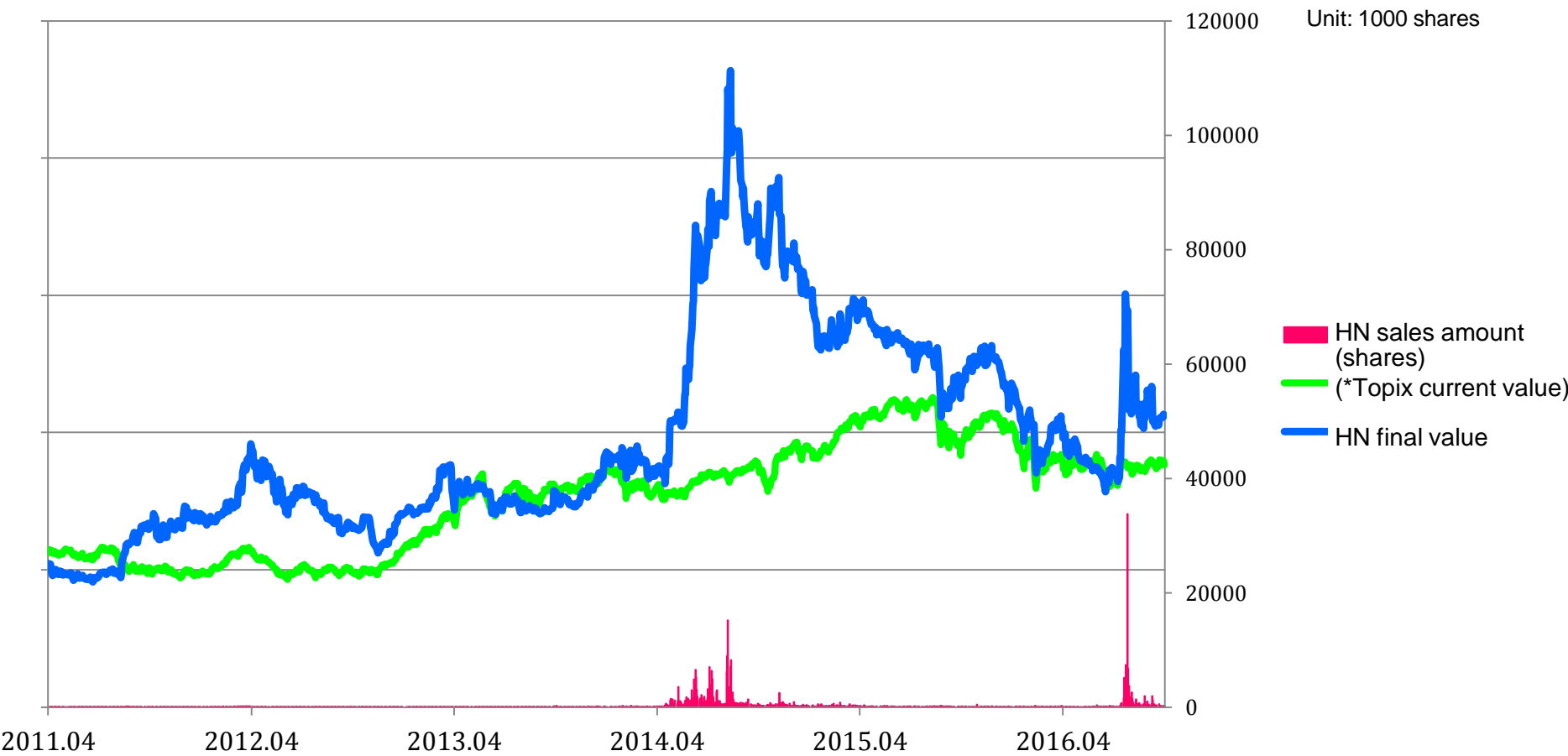
## Change in the annual dividends per share

(¥)

■ Interim dividends ■ Year-end dividends ■ Memorial dividends



\* The data prior to 2011 have been retroactively adjusted to reflect a two-for-one stock split carried out for our common stock effective December 1, 2011.



	FY2011	FY2012	FY2013	FY2014	FY2015
PBR	1.0	0.7	0.8	1.1	0.7
ROE	11.8	8.9	10.1	14.8	7.8