



HAPPINET CORPORATION

Stock Listing :Tokyo Stock Exchange

Code Number :7552



Fiscal Year 2017

Results / Mid-term Management Plan

Briefing

May 16, 2018



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Full Fiscal Year 2017 Results Summary

Seiichi Enomoto
Representative Director
President and Chief Operating Officer

Full Fiscal Year 2017 Results Summary



(millions of Yen)

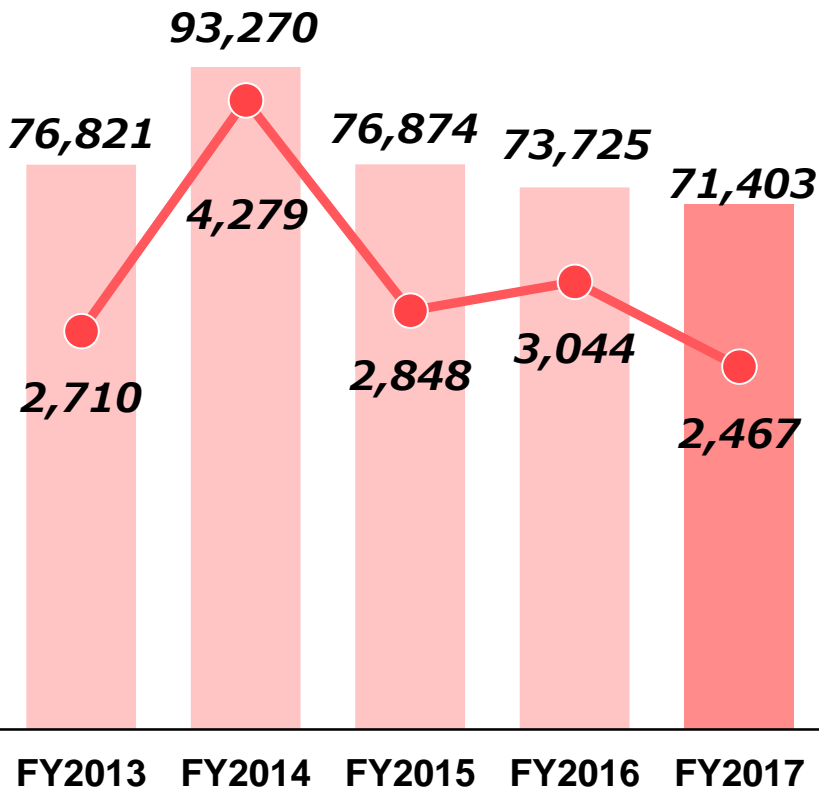
	Full Fiscal Year 2016	Full Fiscal Year 2017	YOY
Net sales	174,059	197,607	13.5%
Operating profit	3,698	4,806	30.0%
Ordinary profit	3,479	4,701	35.1%
Profit attributable to owners of parent	2,040	4,031	97.6%

Toy Business



Net sales ratio
36.1%

Net sales Segment income
(millions of yen)



■ FY2017 Results Summary

Bandai products, including “*KAMEN RIDER BUILD*” and “*HUGTTO! PRECURE*,” performed well. However, in the year-end shopping season, which is the largest shopping season, toys were affected by the strong performance of visual games, resulting in a year-on-year decline in net sales and segment income.

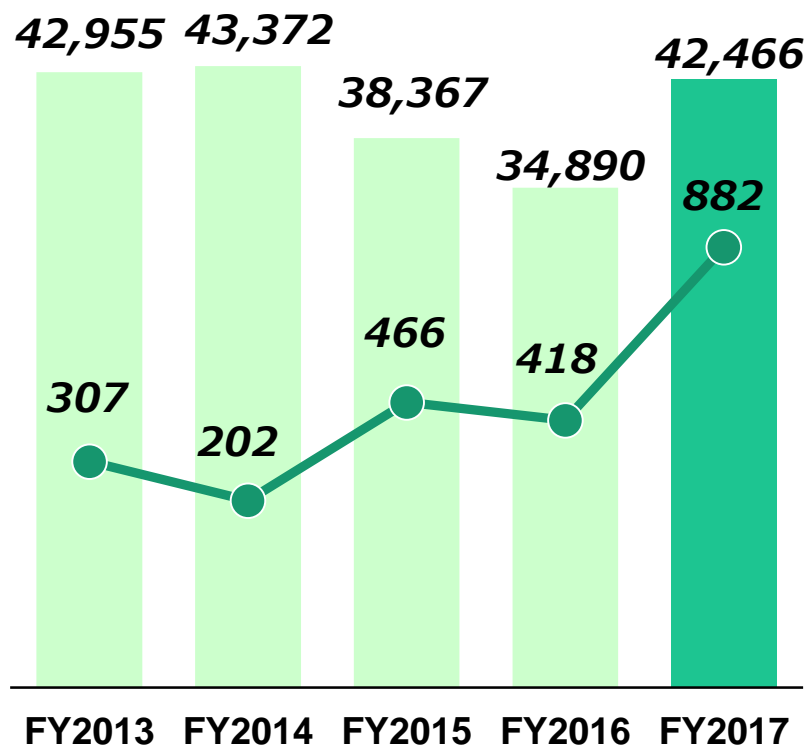
	FY2013	FY2014	FY2015	FY2016	FY2017
Clearance amounts	1.0 billion yen	1.6 billion yen	1.8 billion yen	0.7 billion yen	1.3 billion yen
Inventory amounts	2.4 billion yen	2.3 billion yen	2.2 billion yen	2.7 billion yen	2.9 billion yen
Inventory turnover rate	31.0	38.7	33.6	29.6	25.1

Visual and Music Business



Net sales ratio
21.5%

Net sales Segment income
(millions of yen)



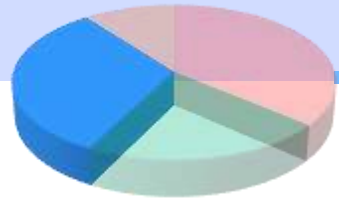
■ FY2017 Results Summary

Both net sales and segment income increased year on year with the inheritance of part of the rights and duties related to SEIKODO Co., Ltd.'s music & visual package wholesale for the company split and the strong performance of the movie "Your Name" and Happinet's managed title "KISEKI Sobito of That Day," etc.

	FY2013	FY2014	FY2015	FY2016	FY2017
Clearance amounts	0.1 billion yen	0.1 billion yen	0.1 billion yen	0.1 billion yen	0.2 billion yen
Inventory amounts	1.5 billion yen	1.6 billion yen	1.7 billion yen	1.6 billion yen	3.1 billion yen※
Inventory turnover rate	26.0	27.1	22.7	20.8	17.6

* Including the inventory amounts of Seikodo Marketing Corporation of 1.8 billion yen

Video-Game Business

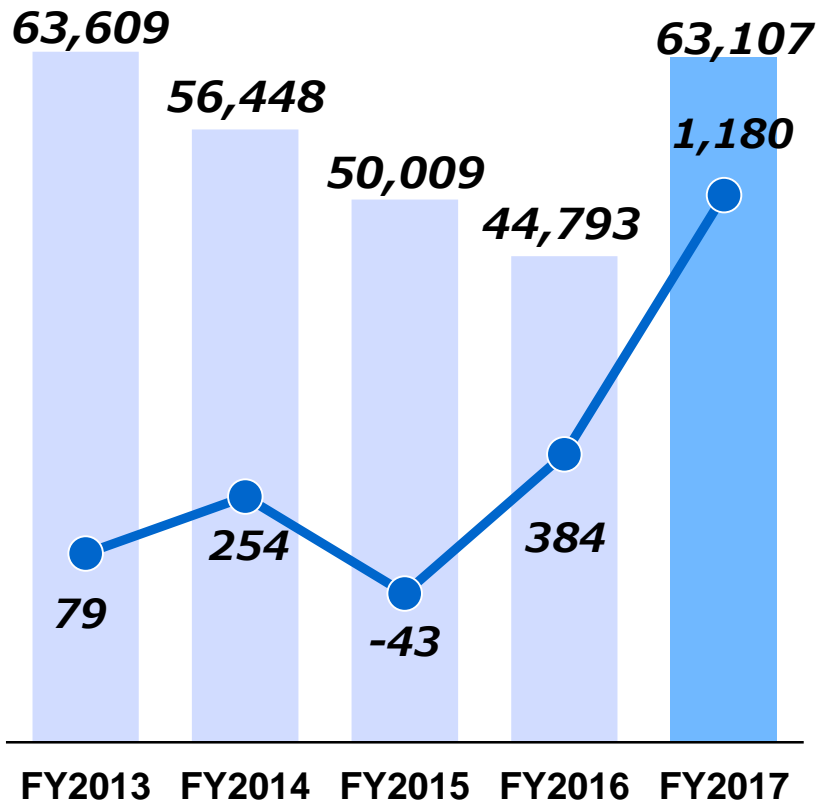


Net sales ratio
31.9%

Net sales

Segment income

(millions of yen)



■ FY2017 Results Summary

Both sales and segment income significantly exceeded the previous fiscal year's results thanks to the big hits of the hardware of "Nintendo Switch," which was launched in March 2017, and related software including "Splatoon 2" and "Super Mario Odyssey" and the strong performance of "Monster Hunter: World," which is software for the PlayStation 4.

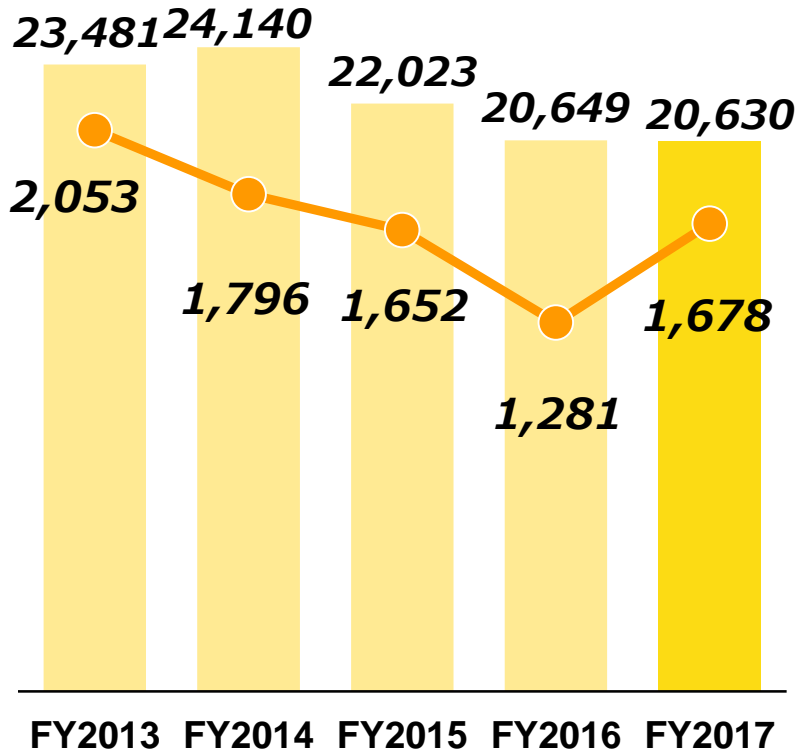
	FY2013	FY2014	FY2015	FY2016	FY2017
Clearance amounts	0.8 billion yen	0.3 billion yen	0.5 billion yen	0.1 billion yen	0.09 billion yen
Inventory amounts	1.7 billion yen	1.2 billion yen	0.6 billion yen	0.3 billion yen	0.3 billion yen
Inventory turnover rate	49.5	38.2	54.8	92.7	172.3

Amusement Business



Net sales ratio
10.5%

Net sales Segment income
(millions of yen)



■ FY2017 Results Summary

Although card game products experienced a slump, capsule toys acquired excellent locations such as expressway service areas, stations, and large-scale shopping malls. “*KAMEN RIDER*”-related products, etc. performed well, resulting in almost the same net sales as the previous fiscal year. Segment profit was higher year on year due to streamlined operations and the results of the efforts to review locations.

	FY2013	FY2014	FY2015	FY2016	FY2017
Clearance amounts	0.4 billion yen	0.3 billion yen	0.3 billion yen	0.3 billion yen	0.2 billion yen
Inventory amounts	1.6 billion yen	1.4 billion yen	1.4 billion yen	1.5 billion yen	1.5 billion yen
Inventory turnover rate	15.4	15.4	14.8	13.8	13.6

Full Fiscal Year 2017 Financial Results

Toru Shibata

Director

Executive Officer

Head of the Corporate Management Division

Changes in business results



		FY2013	FY2014	FY2015	FY2016	FY2017	notes
Net sales	¥million	206,867	217,232	187,274	174,059	197,607	
Operating profit	¥million	3,888	5,056	3,450	3,698	4,806	
Ordinary profit	¥million	3,917	5,124	3,497	3,479	4,701	
Profit attributable to owners of parent	¥million	2,466	4,049	2,359	2,040	4,031	
Comprehensive income	¥million	2,654	4,349	2,328	2,559	5,043	
Net assets	¥million	25,694	29,580	31,355	32,311	36,698	
Total assets	¥million	53,879	59,893	56,793	61,337	75,323	FY2017 Total assets include ¥13 billion for Seikodo Marketing Co., Ltd.
Net assets per share	¥	1,128.25	1,293.00	1,364.82	1,464.82	1,659.28	
Earnings per share	¥	109.40	178.91	104.06	92.32	185.31	
Dividends per share (Interim dividends)	¥	24.75 (11.25)	28.50 (13.50)	30.00 (15.00)	35.00 (15.00)	40.00 (15.00)	FY2017 Dividends include a special dividends of ¥10 per share.
No. of employees	people	972	933	883	843	964	FY2017 No. of employees include 134 people for Seikodo Marketing Co., Ltd.

- Notes:
1. Consolidated sales figures do not include consumption tax.
 2. In December 2015, creates capital and business alliance with BROCCOLI Co., Ltd. (now an affiliated company accounted for by the equity-method)
 3. FY2016 dividends include a commemorative dividends of ¥5 per share.
 4. In March 2018, Seikodo Marketing Co., Ltd. joined Happinet Group.

Consolidated results (1) Profit & loss statement



(millions of Yen,%)

	Full Fiscal Year 2016 (from Apr.1,2016 to Mar.31,2017)			Full Fiscal Year 2017 (from Apr.1,2017 to Mar.31,2018)		
		% of total	YoY		% of total	YoY
Net sales	174,059	100.0	-7.1	197,607	100.0	13.5
Cost of sales *	152,087	87.4	-8.0	174,726	88.4	14.9
Gross profit	21,971	12.6	-0.1	22,880	11.6	4.1
SG&A expenses	18,273	10.5	-1.5	18,074	9.1	-1.1
logistics cost	3,542	2.0	-2.9	3,634	1.8	2.6
Personnel cost	7,911	4.5	-6.4	8,096	4.1	2.3
Depreciation cost	386	0.2	13.2	302	0.2	-21.9
Amortization of goodwill	-	-	-	11	0.0	-
Operating profit	3,698	2.1	7.2	4,806	2.4	30.0
Non-operating income	70	0.0	-4.7	202	0.1	188.7
interest and dividend income	38	0.0	-16.1	64	0.0	65.9
Compensation income	-	-	-	107	0.1	-
Other	31	0.0	14.4	31	0.0	0.3
Non-operating expenses	288	0.2	985.4	308	0.2	6.8
interest expenses	0	0.0	-97.9	0	0.0	185.9
Share of loss of entities accounted for using equity method	283	0.2	-	302	0.2	6.6
Other	4	0.0	102.2	5	0.0	17.6
Ordinary profit	3,479	2.0	-0.5	4,701	2.4	35.1
Extraordinary income **	0	0.0	-99.3	1,226	0.6	-
Extraordinary losses	433	0.2	-	104	0.1	-75.9
Profit before income taxes	3,047	1.8	-13.9	5,823	2.9	91.1
Income taxes	1,006	0.6	-14.6	1,792	0.9	78.0
Profit attributable to owners of parent	2,040	1.2	-13.5	4,031	2.0	97.6

*including stock clearances of ¥1,396m in FY2016, ¥1,872m in FY2017.

**including compensation for damages (¥1,198m) from Software Research Associates, Inc..

Earnings per share (¥)	92.32	-	-11.3	185.31	-	100.7
No. of employees at end of period (people) ***	843	-	-4.5	964	-	14.4

***FY2017 No. of employees include 134 people for Seikodo Marketing Co., Ltd.

Capital expenditures	701	-	-8.1	1,151	-	64.1
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① Changes by business segment

■ Net sales

(millions of Yen,%)

Segment	Period	Full Fiscal Year 2015 (from Apr.1,2015 to Mar.31,2016)			Full Fiscal Year 2016 (from Apr.1,2016 to Mar.31,2017)			Full Fiscal Year 2017 (from Apr.1,2017 to Mar.31,2018)		
			% of total	YoY		% of total	YoY		% of total	YoY
Toy business		76,874	41.0	-17.6	73,725	42.4	-4.1	71,403	36.1	-3.2
Visual and Music business		38,367	20.5	-11.5	34,890	20.0	-9.1	42,466	21.5	21.7
Video-game business		50,009	26.7	-11.4	44,793	25.7	-10.4	63,107	31.9	40.9
Amusement business		22,023	11.8	-8.8	20,649	11.9	-6.2	20,630	10.5	-0.1
Total		187,274	100.0	-13.8	174,059	100.0	-7.1	197,607	100.0	13.5

■ Segment income

(millions of Yen,%)

Segment	Period	Full Fiscal Year 2015 (from Apr.1,2015 to Mar.31,2016)			Full Fiscal Year 2016 (from Apr.1,2016 to Mar.31,2017)			Full Fiscal Year 2017 (from Apr.1,2017 to Mar.31,2018)		
			% of total	YoY		% of total	YoY		% of total	YoY
Toy business		2,848	82.6	-33.4	3,044	82.3	6.9	2,467	51.3	-19.0
Visual and Music business		466	13.5	130.9	418	11.3	-10.4	882	18.4	110.9
Video-game business		-43	-1.3	-	384	10.4	-	1,180	24.6	207.0
Amusement business		1,652	47.9	-8.0	1,281	34.7	-22.4	1,678	34.9	31.0
Eliminations and corporate		-1,473	-42.7	-	-1,430	-38.7	-	-1,402	-29.2	-
Total		3,450	100.0	-31.8	3,698	100.0	7.2	4,806	100.0	30.0

② Main business summary

■ Toy business

(100millions of Yen,%)

Manufacturer	Full Fiscal Year 2015 (from Apr.1,2015 to Mar.31,2016)			Full Fiscal Year 2016 (from Apr.1,2016 to Mar.31,2017)			Full Fiscal Year 2017 (from Apr.1,2017 to Mar.31,2018)		
	period	% of total	YoY	% of total	YoY	% of total	YoY		
BANDAI CO.,Ltd	419	54.6	-24.2	376	51.0	-10.4	365	51.1	-3.0
TOMY COMPANY,LTD	49	6.5	20.4	70	9.6	41.6	73	10.3	4.0
Happinet originals	15	2.1	-16.3	17	2.4	10.6	16	2.3	-6.8
Other manufactures	282	36.8	-11.1	272	37.0	-3.6	259	36.3	-5.0
Total	768	100.0	-17.6	737	100.0	-4.1	714	100.0	-3.2

■ Visual and Music business

(100millions of Yen,%)

Division	Full Fiscal Year 2015 (from Apr.1,2015 to Mar.31,2016)			Full Fiscal Year 2016 (from Apr.1,2016 to Mar.31,2017)			Full Fiscal Year 2017 (from Apr.1,2017 to Mar.31,2018)		
	period	% of total	YoY	% of total	YoY	% of total	YoY		
Wholesale	248	64.7	-4.9	222	63.8	-10.2	280	66.1	26.1
Exclusive titles	47	12.4	-31.2	44	12.8	-5.8	44	10.5	-0.1
Visual	295	77.1	-10.4	267	76.6	-9.5	325	76.6	21.7
Music	87	22.9	-15.3	81	23.4	-7.7	99	23.4	21.8
Total	383	100.0	-11.5	348	100.0	-9.1	424	100.0	21.7

■ Sales of video game platform

(100millions of Yen,%)

Manufacturer	period	Full Fiscal Year 2015 (from Apr.1,2015 to Mar.31,2016)			Full Fiscal Year 2016 (from Apr.1,2016 to Mar.31,2017)			Full Fiscal Year 2017 (from Apr.1,2017 to Mar.31,2018)		
			% of total	YoY		% of total	YoY		% of total	YoY
Nintendo		405	81.1	-12.1	338	75.6	-16.5	539	85.6	59.4
S I E *		79	15.9	6.5	99	22.1	24.8	83	13.3	-15.3
Other		15	3.0	-46.5	10	2.3	-33.6	7	1.1	-28.9
Total		500	100.0	-11.4	447	100.0	-10.4	631	100.0	40.9

※ S I E . . . Sony Interactive Entertainment LLC

■ Amusement Business

(100millions of Yen,%)

Division	period	Full Fiscal Year 2015 (from Apr.1,2015 to Mar.31,2016)			Full Fiscal Year 2016 (from Apr.1,2016 to Mar.31,2017)			Full Fiscal Year 2017 (from Apr.1,2017 to Mar.31,2018)		
			% of total	YoY		% of total	YoY		% of total	YoY
Capsule toy		103	47.1	2.0	94	45.8	-8.6	109	52.9	15.2
Kid's card game		93	42.3	-11.5	91	44.4	-1.7	80	39.2	-11.7
Other		23	10.6	-32.2	20	9.8	-13.9	16	7.9	-19.1
Total		220	100.0	-8.8	206	100.0	-6.2	206	100.0	-0.1

■ Breakdown of Nintendo sales

(100millions of Yen,%)

Item	period	Full Fiscal Year 2015 (from Apr.1,2015 to Mar.31,2016)			Full Fiscal Year 2016 (from Apr.1,2016 to Mar.31,2017)			Full Fiscal Year 2017 (from Apr.1,2017 to Mar.31,2018)		
			% of total	YoY		% of total	YoY		% of total	YoY
Stationary	console	63	15.7	60.8	52	15.5	-17.6	239	44.4	356.8
	Software	44	11.1	9.1	27	8.2	-38.0	102	18.9	266.4
	Accessories	16	4.0	53.3	7	2.2	-53.3	27	5.2	270.4
Portable	console	85	21.2	-35.4	76	22.7	-10.7	55	10.2	-28.3
	Software	170	42.0	-24.3	144	42.6	-15.1	83	15.4	-42.3
	Accessories	12	3.0	-2.6	6	1.9	-47.2	2	0.4	-63.0
Other		12	3.0	-	23	6.9	82.9	29	5.5	27.6
Total		405	100.0	-12.1	338	100.0	-16.5	539	100.0	59.4

■ Breakdown of *SIE sales

(100millions of Yen,%)

Item	period	Full Fiscal Year 2015 (from Apr.1,2015 to Mar.31,2016)			Full Fiscal Year 2016 (from Apr.1,2016 to Mar.31,2017)			Full Fiscal Year 2017 (from Apr.1,2017 to Mar.31,2018)		
			% of total	YoY		% of total	YoY		% of total	YoY
Stationary	console	10	13.8	-2.7	23	23.3	109.3	22	26.8	-3.4
	Software	22	28.4	18.7	32	32.7	43.3	35	42.2	9.2
	Accessories	1	1.8	25.9	2	2.3	58.4	2	2.6	-2.9
Portable	console	11	14.2	17.0	9	9.1	-19.2	3	4.5	-57.7
	Software	31	39.8	-2.2	30	31.1	-2.4	19	22.9	-37.5
	Accessories	1	2.0	26.4	1	1.5	-3.5	0	1.0	-44.2
Total		79	100.0	6.5	99	100.0	24.8	83	100.0	-15.3

Consolidated results (2)Balance Sheet



(millions of Yen,%)

	Full Fiscal Year 2016 (As Mar.31,2017)	Full Fiscal Year 2017 (As Mar.31,2018)	Changes
(Assets)			
Cash and deposits	11,605	11,458	-147
Notes and accounts receivable - trade	28,258	36,979	8,720
Inventories	6,300	8,028	1,728
Advance payments-trade	782	1,025	242
Deferred tax assets	736	1,010	273
Other	1,294	1,986	691
Allowance for doubtful accounts	-1	-3	-1
Total current assets	48,975	60,484	11,509
Property, plant and equipment	777	758	-18
Buildings and structures	432	424	-7
Land	65	65	-
Other	279	268	-11
Intangible assets	1,005	2,465	1,459
Goodwill	-	658	658
Other	1,005	1,807	801
Investments and other assets	10,579	11,614	1,034
Investment securities	7,105	8,323	1,217
Deferred tax assets	947	556	-391
Other	2,535	2,738	202
Allowance for doubtful accounts	-9	-3	5
Total non-current assets	12,361	14,838	2,476
Total assets	61,337	75,323	13,985

※FY2017 Total current assets include ¥11.4 billion, Total non-current assets include ¥1.6 billion for Seikodo Marketing Co., Ltd.

Consolidated results (2)Balance Sheet



(millions of Yen,%)

	Full Fiscal Year 2016 (As Mar.31,2017)	Full Fiscal Year 2017 (As Mar.31,2018)	Changes
(Liabilities)			
Notes and accounts payable-trade	21,550	27,785	6,234
Accounts payable-other	2,184	3,447	1,262
Income taxes payable	624	1,476	851
Provision for bonuses	242	505	262
Other	586	1,140	554
Total current liabilities	25,188	34,354	9,165
Net defined benefit liability	2,906	2,993	86
Deferred tax liabilities	-	101	101
Other	931	1,175	244
Total non-current liabilities	3,837	4,269	432
Total liabilities	29,026	38,624	9,597
(Net assets)			
Capital stock	2,751	2,751	-
Capital surplus	2,784	2,795	11
Retained earnings	27,054	30,325	3,271
Treasury shares	-1,997	-1,917	79
Total shareholder's equity	30,592	33,954	3,362
Valuation difference on available-for-sale securities	1,167	2,181	1,013
Deferred gains or losses on hedges	-0	-2	-1
Total accumulated other comprehensive income	1,167	2,179	1,012
Subscription rights to shares	551	564	13
Total Net assets	32,311	36,698	4,387
Total liabilities and Net assets	61,337	75,323	13,985
Net assets per share(¥)	1,464.82	1,659.28	194.46

※FY2017 Total current liabilities include ¥7.4 billion, Total non-current liabilities include ¥0.2 billion, Total Net assets include ¥0.1 billion for Seikodo Marketing Co., Ltd.

(millions of Yen,%)

	Full Fiscal Year 2016	Full Fiscal Year 2017	Changes
profit before income taxes	3,047	5,823	2,776
Depreciation	440	350	-90
Impairment loss	18	-	-18
Amortization of goodwill	-	11	11
Share of loss of entities accounted for using equity method	283	302	18
Decrease (increase) in notes and accounts receivable - trade	-5,356	-8,719	-3,362
Decrease (increase) in inventories	-256	-98	158
Increase (decrease) in notes and accounts payable - trade	3,268	6,234	2,966
Increase (decrease) in accounts payable - other	-215	1,235	1,451
Decrease (increase) in accounts receivable - other	374	-660	-1,034
Other	2,113	812	-1,300
Income taxes paid	-662	-839	-177
Net cash provided by (used in) operating activities	3,055	4,453	1,398
Purchase of property, plant and equipment and intangible assets	-701	-755	-54
Proceeds from sales of property, plant and equipment and intangible assets	0	3	2
Purchase of investment securities	-370	-163	206
Proceeds from sales of investment securities	0	78	78
Payments for transfer of business	-	-3,000	-3,000
Other, net	-35	0	36
Net cash provided by (used in) investing activities	-1,107	-3,837	-2,729
Proceeds from disposal of treasury shares	-	0	0
Purchase of treasury shares	-1,090	-0	1,090
Cash dividends paid	-663	-761	-97
Other, net	-0	-1	-0
Net cash provided by (used in) financing activities	-1,754	-762	991
Effect of exchange rate change on cash and cash equivalents	-0	-0	-0
Net increase (decrease) in cash and cash equivalents	192	-147	-339
Cash and cash equivalents at beginning of period	11,412	11,605	192
Cash and cash equivalents at end of period	11,605	11,458	-147

8th Mid-term Management Plan

Seiichi Enomoto

Representative Director

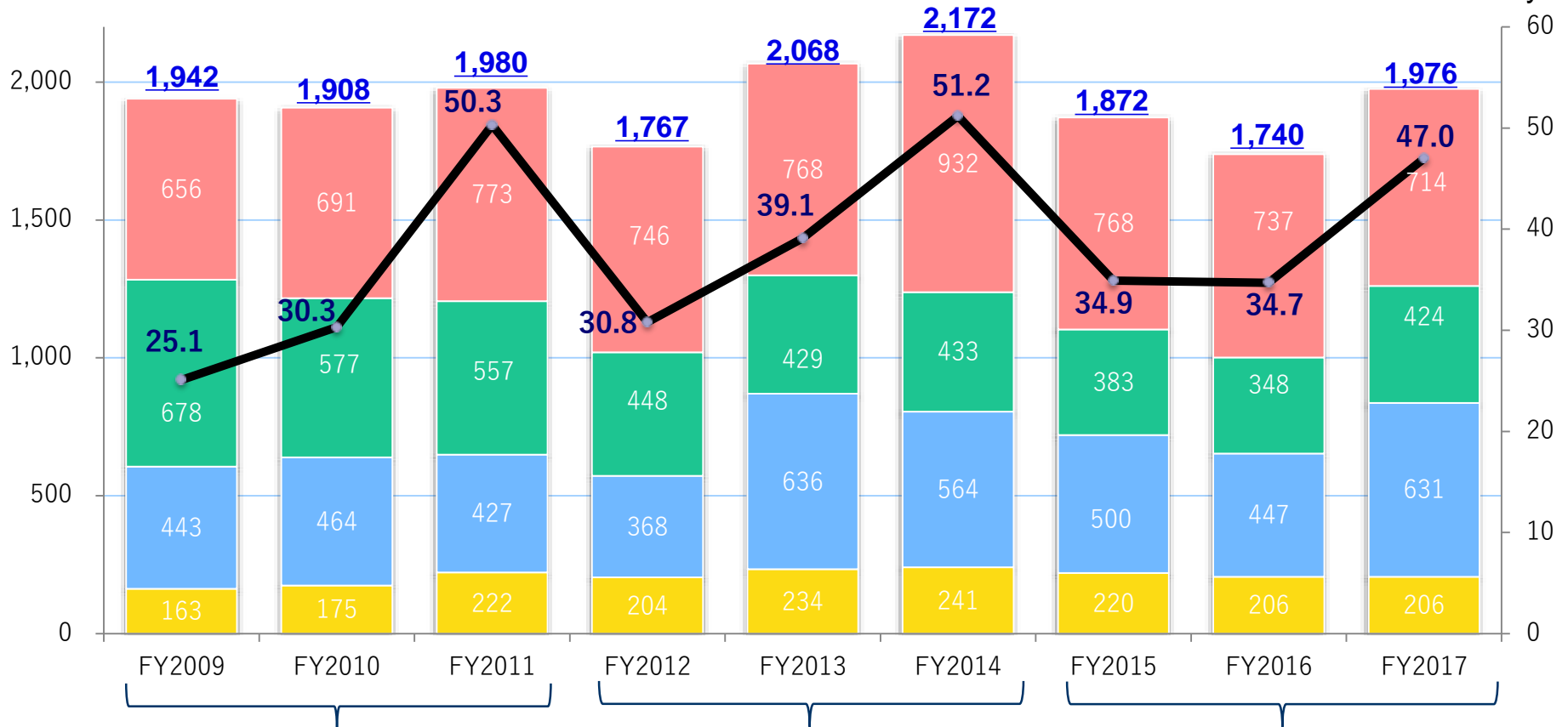
President and Chief Operating Officer

Past Performances



Amusement Video-game Visual and Music Toy Ordinary Profit

100 millions of yen



5th mid-term

- The net sales level approached 200 billion yen.
- WINT became a subsidiary and entered the music industry.

6th mid-term

- With a large number of Hit products, the toy business went well.
- Toys Union became a subsidiary and the video game business increased its market share.

7th mid-term

- Agreed on capital and business alliance with BROCCOLI.
- Inherited SEIKODO's music and visual products wholesale division.

<Group-wide Main Policy>

Further expand the growth of the distribution business and select and concentrate on the manufacturing business

Main policy 1 (distribution business)

By making use of the strength of the business unit, aim for sustainable growth and the expansion of business domains

Main policy 2 (manufacturing business)

Improve profits by focusing on competitive markets to step up to a new growth stage

Main policy 3 (administration and management system)

Implement system innovations to respond to changes in the management and business environments

Main policy 1 (distribution business)

By making use of the strength of the business unit, aim for sustainable growth and the expansion of business domains

In the toy business, we focused on expanding our dealings with hobby and apparel products.

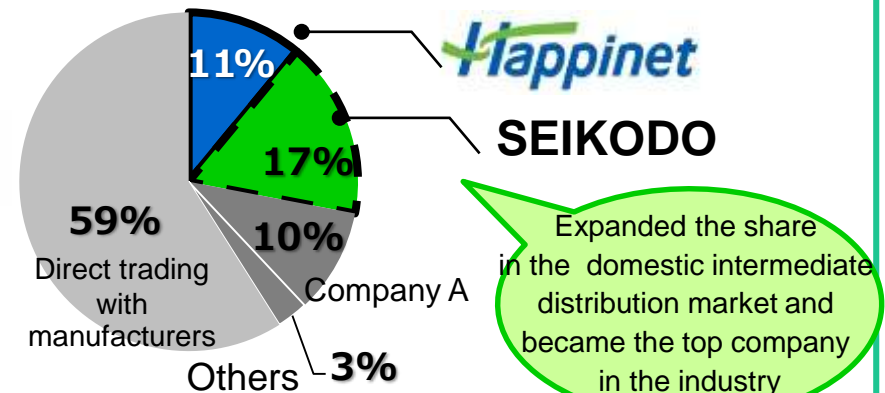


In the visual and music business, we inherited the music & visual products wholesale division from SEIKODO Co., Ltd., the industry-leading company.

Outline of SEIKODO Co., Ltd.

Line of business	Sales of music and visual products
Capital	74 million yen (as of June 15, 2017)
Sales	53,327 million yen (as of June 2017)

In the amusement business, we strengthened development in excellent locations including stations, airports, and expressway PA.



Main policy 2 (manufacturing business)

Improve profits by focusing on competitive markets to step up to a new growth stage

In the visual and music business, we focused on animations and Japanese movies and created a theater hit we managed ourselves.



Released on December 6, 2016
"KISEKI Sobito of That Day"

Box office income
1.48 billion yen

Blu-ray & DVD released in July 2017

© Film "KISEKI Sobito of That Day" Production committee

In the video game business, we actively took on the challenge of producing original products.



3DS software "12 Years Old" series



"HYAKKI CASTLE" distributed via "Steam"

Through the capital and business alliance with BROCCOLI, we undertook the development of new contents and explored new customers and distribution channels.

BROCCOLI

Purpose of business	(1) Planning and production of contents (animation, game, music, video, and card game) (2) Planning, production, sale of character products
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Acquired shares, value of acquired shares, and ownership percentage after the acquisition

Acquired shares 11,000,000 shares (ownership percentage: 25.15%)

Value of acquired shares 4,059 million yen

Alliance start date November 20, 2015



Undertook campaign at convenience stores and launched new labels

Main policy 3 (administration and management system) Implement system innovations to respond to changes in the management and business environments

Achieved more efficient delivery operation due to the relocation of the distribution base.



East Japan Second Logistics Center

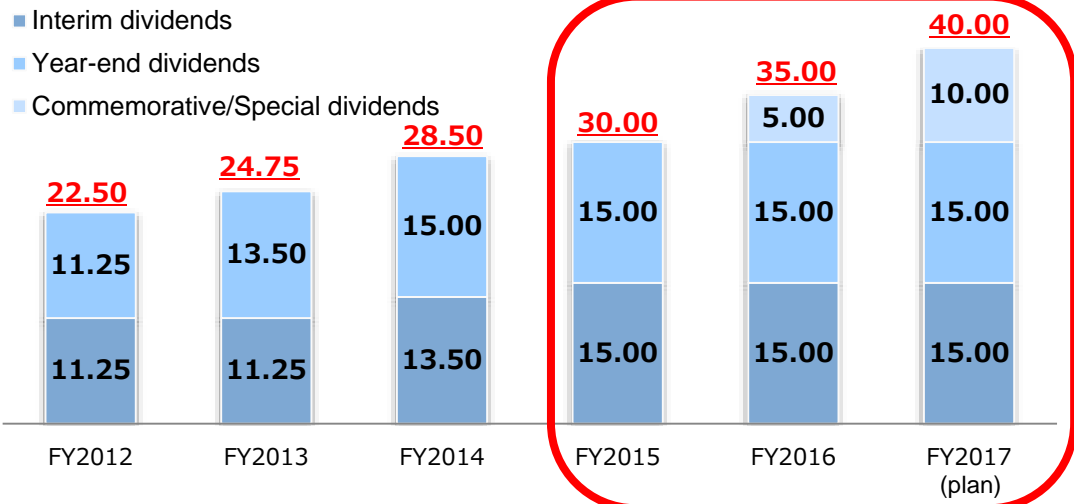
Location MFLP Funabashi I F7, 5-7, Hama-cho 2-chome, Funabashi City, Chiba Prefecture

Floor area 20,093m²

- One-floor structure achieved efficient operation.
- The inspection and packaging lines were increased.

Implemented shareholder return policies.

■ Past dividends



■ Other shareholder return policies

Acquisition of treasury shares	Acquired 1 million shares of common stock during the period from August 25 to September 1, 2016. (4.41% of the total number of issued shares [excluding treasury stock]; total amount acquired of 1,090,524,700 yen)
Enhancement of shareholder benefits	Present shareholders holding 500 shares with children's gift certificates based on the number of shares held, in addition to the conventional shareholder benefits

Evaluation of the 7th mid-term management plan

Aiming for the 8th Mid-term management plan

Results

The earning rate was improved due to the strengthening of existing business domains.

- Distribution business
The distribution share was expanded.
- Manufacturing business
The foundation was established by focusing on competitive markets.

Further strengthen the efforts made in the 7th mid-term management plan to improve profitability and productivity

Issues

In a situation where significant growth cannot be expected in the existing business segments, we failed to develop a business that can be a new primary source of revenue in the future.

With entertainment as a core business, work on the research and development of new businesses that can satisfy various market needs.

“Shinka2020”

Improve corporate value through “Shinka”
(advancement, deepening, and true value of
business style)

Under the belief of “Contribute to the realization of people’s happiness,” Happinet Group aims to provide prosperous lifestyles while actively communicating (networking) with various involved parties surrounding the Group.

In the 8th mid-term management plan, we will have the slogan “Shinka2020” and aim for further “Shinka” (advancement, deepening, and true value) of the distribution business through expanded product lines and distribution share as well as advanced operations.

Furthermore, we will deepen the existing network that we have established and aim to create true value as an entertainment company and improve our corporate value through the establishment of new networks, efforts that make use of the synergy effects among our four main businesses, and the strengthening of the manufacturing business.

“Shinka2020”

Improve corporate value through “Shinka”
(advancement, deepening, and true value of business style)

Main policy 1

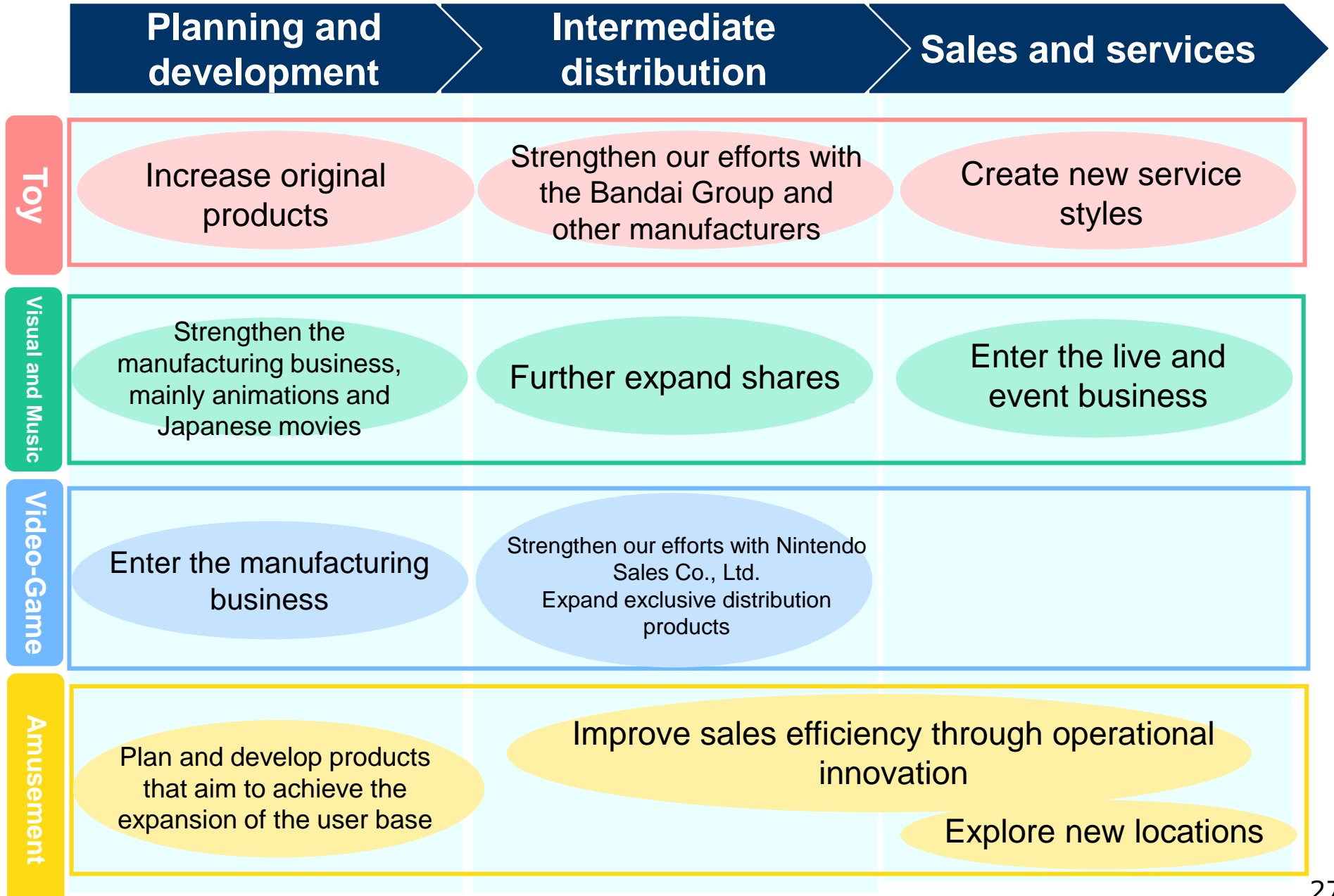
Achieve “Shinka” in the distribution business,
aiming for further growth

Main policy 2

Create business networks
to strengthen the manufacturing business

Main policy 3

Actively try new businesses



Toy Business

Deepen strategic partnerships with partner companies to expand the distribution share

Strengthen sales capabilities/Strengthen cooperation with manufacturers/Strengthen planning of optimal selling spaces and sales promotion plans

Promote development of new products that use new functions



Explore sales channels



Expand exclusive distribution products in which we deal



Expand sales of CVS distribution



Increase original products



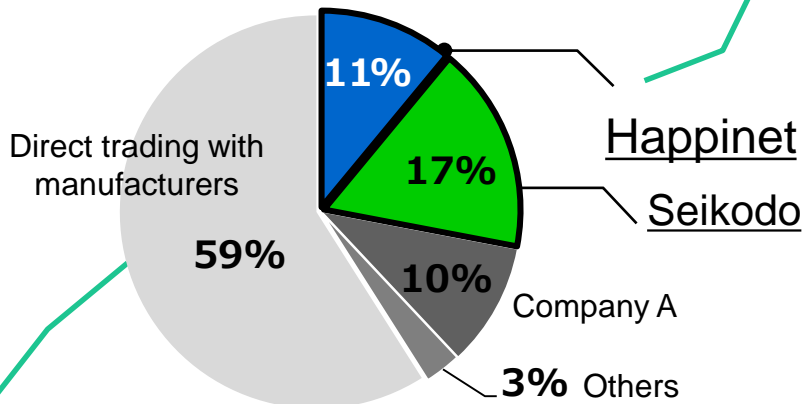
Strengthen our efforts with Bandai Group and other manufacturers

Visual and Music Business

Aim for the advanced visual and music business through distribution business model innovation, the strengthening of the manufacturing business, and challenges for the expansion of business domains

Domestic visual and music (packages)
Intermediate distribution market share (investigated by us)

Streamlining by integrated wholesale and synergy effects



Strengthen our efforts with manufacturers, aiming to expand our share within the manufacturers

Expand intermediate distribution share



“YUZAI”
Preview in Japan on May 25 (Fri)
© 2018 Film "YUZAI" Production committee



“KAKURIYO NO KADOMESHI”
TV animation has been broadcast on TOKYO MX BS Fuji, etc. since April 2 (Mon).
(C) 2018 Midori Yuma and Laruha / KADOKAWA / “KAKURIYO NO KADOMESHI” Production committee

Strengthen the manufacturing business, mainly animations and Japanese movies



Enter surrounding businesses such as the live and events business

Video-Game Business

To achieve the transition of the revenue model, strengthen cooperation with partners outside the company and deepen the business model



© Nintendo / Creatures / GAME FREAK / TV Tokyo / ShoPro / JR Kikaku © Pokémon

© 2017 Nintendo

Minecraft products

Accessories for Nintendo Switch

© 2017 Nintendo

Nintendo Switch and the logo of Nintendo Switch are trademarks of Nintendo Co., Ltd.

Maximize sales of Nintendo Switch

Expand the peripheral businesses of games



VR goggles for smartphones

AQUAPLUS



Expand exclusive distribution products

©2018 AQUAPLU



Asakusa Studios

Happinet's new game brand that will expand to the world

Strengthen the manufacturing business
Strengthen alliances

Amusement Business

Strengthen and enhance the business foundation through the creation of new demand and an advanced operating style



Have products **permanently installed** in traffic-related locations
 ⇒ Expand the installation locations to new business types and business categories



Strengthen product development

Perform events

Introduce products according to the characteristics of each location



Streamline the circulation operation for replenishment



Use of IT



Office

Obtain stock data remotely

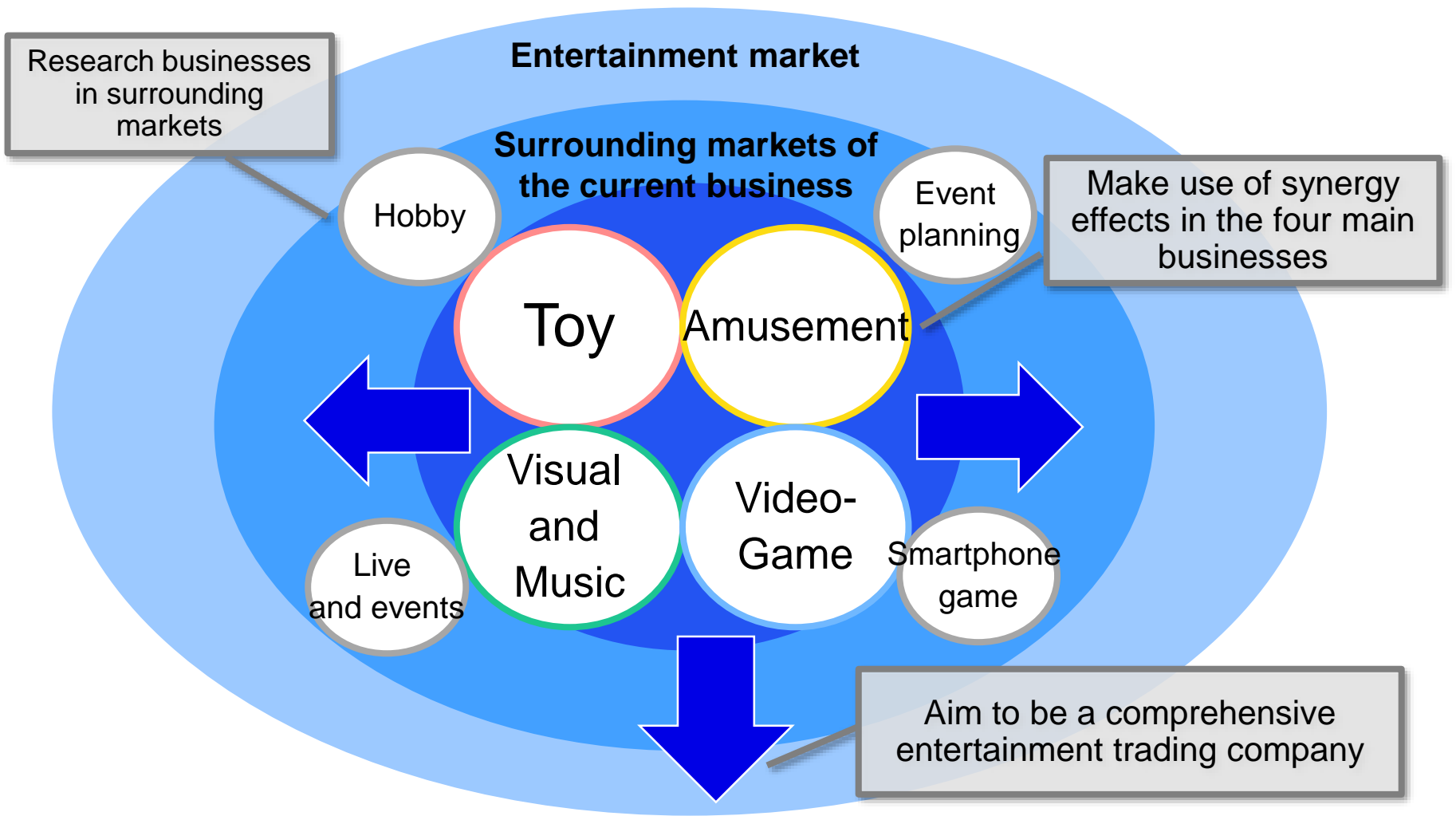


Analyze sales at each introduced store/area

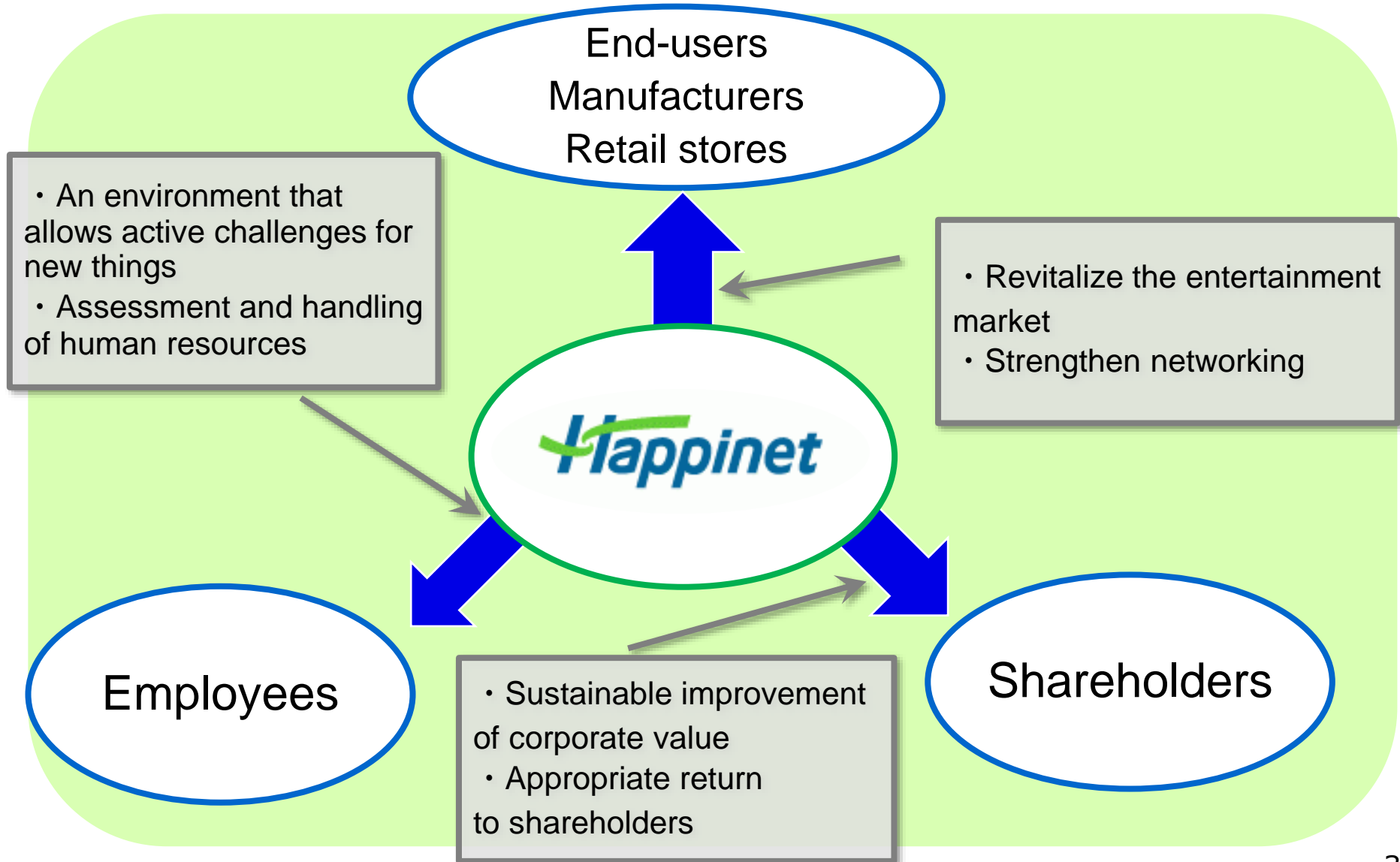
Expand the user base by planning and developing locations and products

Improve sale efficiency with continuous operational innovations

Main policy 3 Actively try new businesses

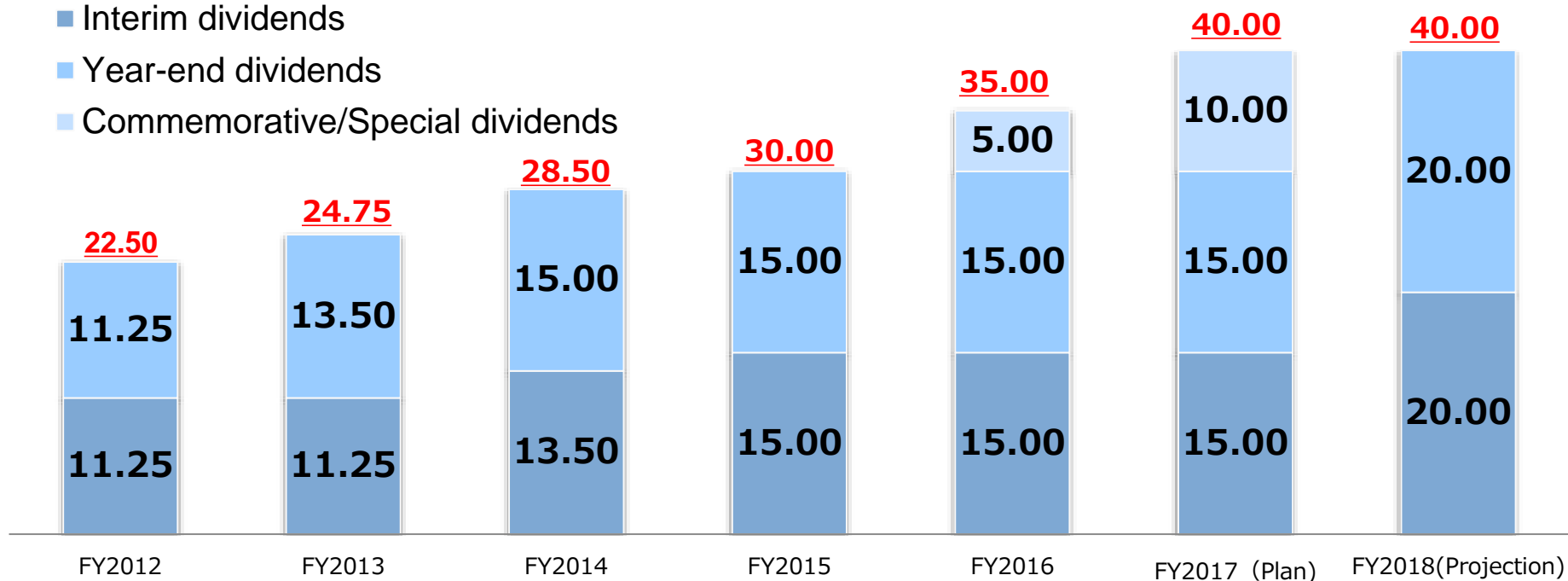


Happinet will aim for further growth together with stakeholders

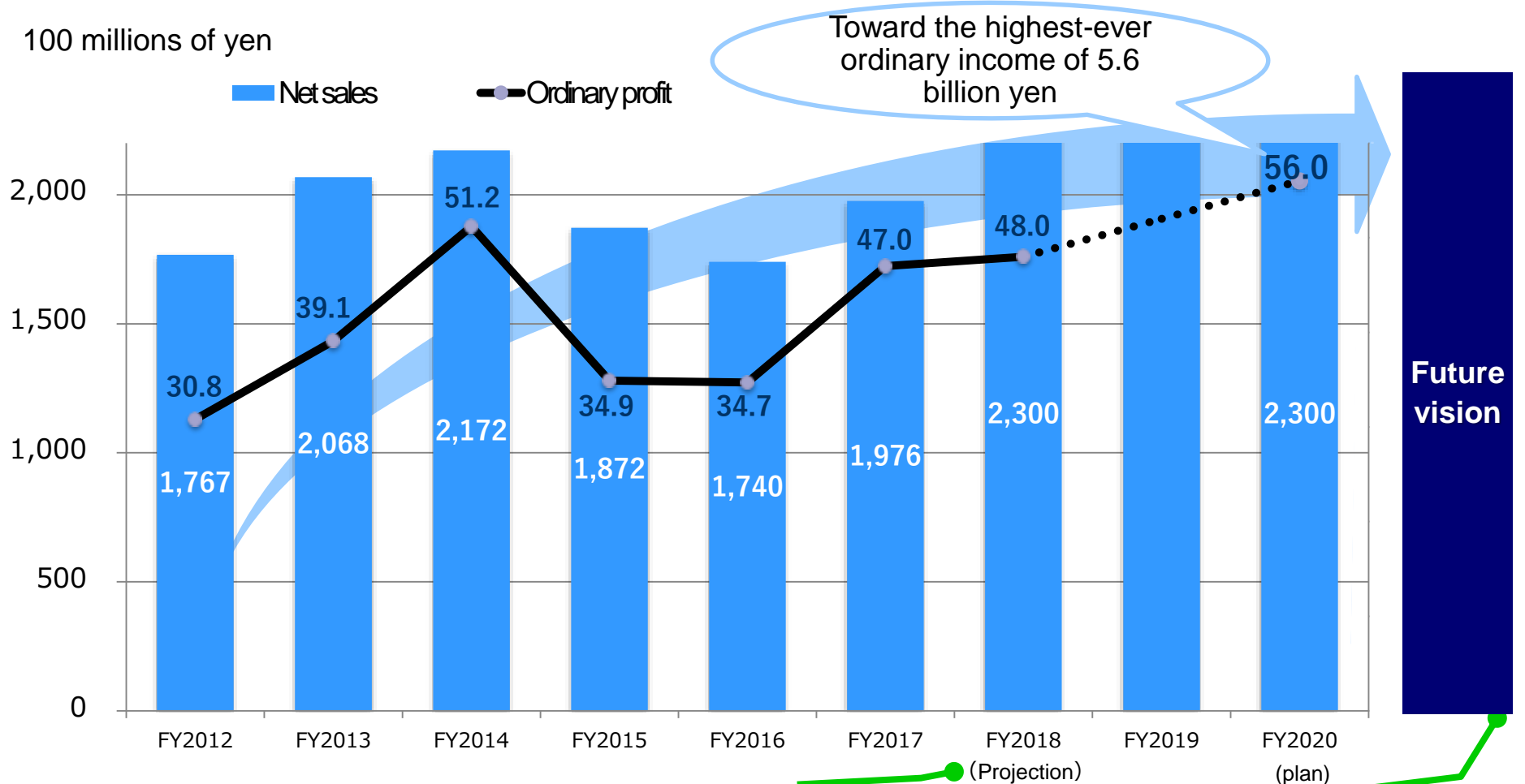


Dividend policies

- Interim dividends
- Year-end dividends
- Commemorative/Special dividends



Considering the income situations in each business year and the future business deployment in a comprehensive manner and from mid- and long-term perspectives, we will perform active investments in domains with high future prospects and profitability, such as business alliances and development investments for new business deployment, and will enhance internal reserves and implement appropriate dividend distribution with the aim of establishing stronger management foundations.



Positioning of the 8th mid-term management plan

- Establish a stable revenue base in the shrinking markets
- Actively perform business that leads to increased profits
- Look for businesses that can become new revenue bases

- Aim to be a comprehensive entertainment trading company
- Aim for the continuous improvement of ROE by creating stable income

We will pursue our efforts with the aim of achieving the highest-ever gains in FY2020.

(millions of Yen)

	Full Fiscal Year 2017	Full Fiscal Year 2018	Full Fiscal Year 2020
Net sales	197,607	230,000	230,000
Operating profit	4,806	5,000	5,800
Ordinary profit	4,701	4,800	5,600
Profit attributable to owners of parent	2.38%	2.09%	2.43%

■ Net sales projection by business segment

(millions of Yen,%)

	Full Fiscal Year 2017 (from Apr.1,2017 to Mar.31,2018)			Full Fiscal Year 2018 (from Apr.1,2018 to Mar.31,2019)		
		% of total	YoY		% of total	YoY
Toy business	71,403	36.1	-3.2	72,000	31.3	0.8
Visual and Music business	42,466	21.5	21.7	78,000	33.9	83.7
Video-game business	63,107	32.0	40.9	60,000	26.1	-4.9
Amusement business	20,630	10.4	-0.1	20,000	8.7	-3.1
Total	197,607	100.0	13.5	230,000	100.0	16.4

■ Income projection by business segment

(millions of Yen,%)

	Full Fiscal Year 2017 (from Apr.1,2017 to Mar.31,2018)			Full Fiscal Year 2018 (from Apr.1,2018 to Mar.31,2019)		
		% of total	YoY		% of total	YoY
Toy business	2,467	51.3	-19.0	2,850	57.0	15.5
Visual and Music business	882	18.4	110.9	700	14.0	-20.7
Video-game business	1,180	24.6	207.0	1,200	24.0	1.6
Amusement business	1,678	34.9	31.0	1,650	33.0	-1.7
Eliminations and corporate	-1,402	-29.2	-2.0	-1,400	-28.0	-
Total	4,806	100.0	30.0	5,000	100.0	4.0

Notes

This material is for informational purposes only, and is not intended to solicit any action.

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