



# Consolidated Financial Statements

for the Fiscal Year Ended March 31, 2014

May 13, 2014

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## 1. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(¥ million)

|   | Prior Fiscal Year<br>(As of March 31, 2013) | Current Fiscal Year<br>(As of March 31, 2014) |
|---|---|---|
| <b>Assets</b>                                 |   |   |
| <b>Current assets</b>                         |   |   |
| Cash and deposits                             | 10,155                                      | 9,996   |
| Notes and accounts receivable - trade         | 27,234                                      | 24,104  |
| Inventories                                   | 6,529                                       | 7,404   |
| Deferred tax assets                           | 910   | 980   |
| Other   | 3,164                                       | 4,552   |
| Allowance for doubtful accounts               | (63)  | (12)  |
| <b>Total current assets</b>                   | <b>47,930</b>                               | <b>47,025</b>                                 |
| <b>Non-current assets</b>                     |   |   |
| <b>Property, plant and equipment</b>          |   |   |
| Buildings and structures                      | 1,159                                       | 750   |
| Accumulated depreciation                      | (845)                                       | (460)   |
| <b>Buildings and structures, net</b>          | <b>314</b>                                  | <b>289</b>                                    |
| Machinery, equipment and vehicles             | 965   | 964   |
| Accumulated depreciation                      | (844)                                       | (860)   |
| <b>Machinery, equipment and vehicles, net</b> | <b>121</b>                                  | <b>104</b>                                    |
| Tools, furniture and fixtures                 | 1,164                                       | 1,354   |
| Accumulated depreciation                      | (958)                                       | (1,042)                                       |
| <b>Tools, furniture and fixtures, net</b>     | <b>206</b>                                  | <b>311</b>                                    |
| Land  | 464   | 632   |
| Leased assets                                 | 10  | 15  |
| Accumulated depreciation                      | (6)   | (11)  |
| <b>Leased assets, net</b>                     | <b>3</b>                                    | <b>4</b>                                      |
| <b>Total property, plant and equipment</b>    | <b>1,110</b>                                | <b>1,342</b>                                  |
| <b>Intangible assets</b>                      |   |   |
| Goodwill                                      | 246   | —   |
| Other   | 738   | 446   |
| <b>Total intangible assets</b>                | <b>985</b>                                  | <b>446</b>                                    |
| <b>Investments and other assets</b>           |   |   |
| Investment securities                         | 1,439                                       | 1,925   |
| Long-term loans receivable                    | 55  | 30  |
| Deferred tax assets                           | 688   | 749   |
| Other   | 810   | 2,458   |
| Allowance for doubtful accounts               | (17)  | (97)  |
| <b>Total investments and other assets</b>     | <b>2,976</b>                                | <b>5,065</b>                                  |
| <b>Total non-current assets</b>               | <b>5,072</b>                                | <b>6,854</b>                                  |
| <b>Total assets</b>                           | <b>53,003</b>                               | <b>53,879</b>                                 |

## 1. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(¥ million)

|   | Prior Fiscal Year<br>(As of March 31, 2013) | Current Fiscal Year<br>(As of March 31, 2014) |
|---|---|---|
| <b>Liabilities</b>                                    |   |   |
| <b>Current liabilities</b>                            |   |   |
| Notes and accounts payable - trade                    | 22,672                                      | 20,099  |
| Lease obligations                                     | 2   | 6   |
| Accounts payable - other                              | 2,656                                       | 2,545   |
| Income taxes payable                                  | 678   | 1,104   |
| Provision for bonuses                                 | 378   | 477   |
| Provision for point card certificates                 | 7   | 7   |
| Provision for sales returns                           | 16  | 13  |
| Other   | 471   | 781   |
| <b>Total current liabilities</b>                      | <b>26,883</b>                               | <b>25,036</b>                                 |
| <b>Non-current liabilities</b>                        |   |   |
| Lease obligations                                     | 1   | 22  |
| Provision for retirement benefits                     | 1,830                                       | —   |
| Net defined benefit liability                         | —   | 2,103   |
| Provision for directors' retirement benefits          | —   | 24  |
| Deferred tax liabilities                              | 5   | 60  |
| Asset retirement obligations                          | 49  | 50  |
| Negative goodwill                                     | 1   | —   |
| Other   | 941   | 886   |
| <b>Total non-current liabilities</b>                  | <b>2,829</b>                                | <b>3,148</b>                                  |
| <b>Total liabilities</b>                              | <b>29,713</b>                               | <b>28,185</b>                                 |
| <b>Net assets</b>                                     |   |   |
| <b>Shareholders' equity</b>                           |   |   |
| Capital stock   | 2,751                                       | 2,751   |
| Capital surplus                                       | 2,775                                       | 2,775   |
| Retained earnings                                     | 18,607                                      | 20,562  |
| Treasury shares                                       | (1,055)                                     | (948)   |
| <b>Total shareholders' equity</b>                     | <b>23,078</b>                               | <b>25,141</b>                                 |
| <b>Accumulated other comprehensive income</b>         |   |   |
| Valuation difference on available-for-sale securities | 189   | 378   |
| Deferred gains or losses on hedges                    | 1   | (0)   |
| <b>Total accumulated other comprehensive income</b>   | <b>191</b>                                  | <b>378</b>                                    |
| Subscription rights to shares                         | 17  | 175   |
| Minority interests                                    | 1   | —   |
| <b>Total net assets</b>                               | <b>23,289</b>                               | <b>25,694</b>                                 |
| <b>Total liabilities and net assets</b>               | <b>53,003</b>                               | <b>53,879</b>                                 |

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

(¥ million)

|  | Prior Fiscal Year<br>(April 1, 2012 -<br>March 31, 2013) | Current Fiscal Year<br>(April 1, 2013 -<br>March 31, 2014) |
|--|--|--|
| Net sales  | 176,757  | 206,867  |
| Cost of sales                                      | 154,256  | 182,828  |
| Gross profit                                       | 22,501   | 24,039   |
| Selling, general and administrative expenses       |  |  |
| Warehouse deposit expenses                         | 1,530  | 1,472  |
| Freightage expenses                                | 2,379  | 2,497  |
| Promotion expenses                                 | 943  | 1,111  |
| Directors' compensations, salaries and allowances  | 7,566  | 7,575  |
| Provision for bonuses                              | 375  | 462  |
| Retirement benefit expenses                        | 500  | 488  |
| Provision for directors' retirement benefits       | —  | 2  |
| Supplies expenses                                  | 1,059  | 1,060  |
| Rents  | 1,270  | 1,313  |
| Depreciation                                       | 629  | 573  |
| Amortization of goodwill                           | 292  | 246  |
| Provision for point card certificates              | 7  | 7  |
| Other  | 2,975  | 3,337  |
| Total selling, general and administrative expenses | 19,527   | 20,150   |
| Operating income                                   | 2,973  | 3,888  |
| Non-operating income                               |  |  |
| Interest income                                    | 2  | 1  |
| Dividend income                                    | 21   | 28   |
| Amortization of negative goodwill                  | 17   | 1  |
| Other  | 76   | 45   |
| Total non-operating income                         | 119  | 77   |
| Non-operating expenses                             |  |  |
| Interest expenses                                  | 5  | 21   |
| Provision of allowance for doubtful accounts       | —  | 24   |
| Other  | 5  | 3  |
| Total non-operating expenses                       | 10   | 49   |
| Ordinary income                                    | 3,081  | 3,917  |
| Extraordinary income                               |  |  |
| Gain on sales of non-current assets                | 67   | 8  |
| Gain on sales of investment securities             | 6  | 0  |
| Gain on bargain purchase                           | —  | 409  |
| Total extraordinary income                         | 73   | 417  |
| Extraordinary losses                               |  |  |
| Loss on sales of non-current assets                | 21   | 1  |
| Loss on retirement of non-current assets           | 24   | 6  |
| Loss on sales of investment securities             | 7  | —  |
| Loss on valuation of investment securities         | 31   | 53   |
| Impairment loss                                    | 89   | 154  |
| Loss on valuation of membership                    | 7  | —  |
| Directors' retirement benefits                     | —  | 110  |
| Special retirement expenses                        | —  | 120  |
| loss on withdrawal from pension fund               | —  | 166  |
| Other  | —  | 13   |
| Total extraordinary losses                         | 182  | 628  |
| Income before income taxes and minority interests  | 2,972  | 3,706  |
| Income taxes - current                             | 952  | 1,322  |
| Income taxes - deferred                            | 7  | △83  |
| Total income taxes                                 | 960  | 1,238  |
| Income before minority interests                   | 2,012  | 2,467  |
| Minority interests in income                       | 0  | 0  |
| Net income   | 2,011  | 2,466  |

## (Consolidated statements of comprehensive income)

(¥ million)

|   | Prior Fiscal Year<br>(April 1, 2012 -<br>March 31, 2013) | Current Fiscal Year<br>(April 1, 2013 -<br>March 31, 2014) |
|---|--|--|
| Income before minority interests                        | 2,012  | 2,467  |
| Other comprehensive income                              |  |  |
| Valuation difference on available-for-sale securities   | 61   | 189  |
| Deferred gains or losses on hedges                      | 1  | (2)  |
| Total other comprehensive income                        | 62   | 187  |
| Comprehensive income                                    | 2,075  | 2,654  |
| Comprehensive income attributable to                    |  |  |
| Comprehensive income attributable to owners of parent   | 2,074  | 2,653  |
| Comprehensive income attributable to minority interests | 0  | 0  |

## (3) Consolidated statements of changes in net assets

Prior Fiscal Year(April 1, 2012 - March 31, 2013) ( ¥ million)

|  | shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period               | 2,751                | 2,775           | 17,213            | (1,091)         | 21,649                     |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (616)             |                 | (616)                      |
| Net income   |                      |                 | 2,011             |                 | 2,011                      |
| Purchase of treasury shares                          |                      |                 |                   | (0)             | (0)                        |
| Disposal of treasury shares                          |                      | (1)             |                   | 36              | 34                         |
| Transfer of loss on disposal of treasury shares      |                      | 1               | (1)               |                 | —                          |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | —                    | —               | 1,393             | 36              | 1,429                      |
| Balance at end of current period                     | 2,751                | 2,775           | 18,607            | (1,055)         | 23,078                     |

|  | accumulated other comprehensive income                |                                    |  | Subscription rights to shares | Minority interests | Total net assets |
|--|---|------------------------------------|--|-------------------------------|--------------------|------------------|
|  | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total accumulated other comprehensive income |                               |                    |                  |
| Balance at beginning of current period               | 128   | 0                                  | 128  | 17                            | 1                  | 21,795           |
| Changes of items during period                       |   |                                    |  |                               |                    |                  |
| Dividends of surplus                                 |   |                                    |  |                               |                    | (616)            |
| Net income   |   |                                    |  |                               |                    | 2,011            |
| Purchase of treasury shares                          |   |                                    |  |                               |                    | (0)              |
| Disposal of treasury shares                          |   |                                    |  |                               |                    | 34               |
| Transfer of loss on disposal of treasury shares      |   |                                    |  |                               |                    | —                |
| Net changes of items other than shareholders' equity | 61  | 1                                  | 62   | 0                             | 0                  | 63               |
| Total changes of items during period                 | 61  | 1                                  | 62   | 0                             | 0                  | 1,493            |
| Balance at end of current period                     | 189   | 1                                  | 191  | 17                            | 1                  | 23,289           |

## (3) Consolidated statements of changes in net assets

Current Fiscal Year(April 1, 2013 - March 31, 2014) (¥ million)

|  | shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period               | 2,751                | 2,775           | 18,607            | (1,055)         | 23,078                     |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (506)             |                 | (506)                      |
| Net income   |                      |                 | 2,466             |                 | 2,466                      |
| Purchase of treasury shares                          |                      |                 |                   | (0)             | (0)                        |
| Disposal of treasury shares                          |                      | (5)             |                   | 107             | 102                        |
| Transfer of loss on disposal of treasury shares      |                      | 5               | (5)               |                 | —                          |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | —                    | —               | 1,954             | 107             | 2,062                      |
| Balance at end of current period                     | 2,751                | 2,775           | 20,562            | (948)           | 25,141                     |

|  | accumulated other comprehensive income                |                                    |  | Subscription rights to shares | Minority interests | Total net assets |
|--|---|------------------------------------|--|-------------------------------|--------------------|------------------|
|  | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total accumulated other comprehensive income |                               |                    |                  |
| Balance at beginning of current period               | 189   | 1                                  | 191  | 17                            | 1                  | 23,289           |
| Changes of items during period                       |   |                                    |  |                               |                    |                  |
| Dividends of surplus                                 |   |                                    |  |                               |                    | (506)            |
| Net income   |   |                                    |  |                               |                    | 2,466            |
| Purchase of treasury shares                          |   |                                    |  |                               |                    | (0)              |
| Disposal of treasury shares                          |   |                                    |  |                               |                    | 102              |
| Transfer of loss on disposal of treasury shares      |   |                                    |  |                               |                    | —                |
| Net changes of items other than shareholders' equity | 189   | (2)                                | 187  | 157                           | (1)                | 343              |
| Total changes of items during period                 | 189   | (2)                                | 187  | 157                           | (1)                | 2,405            |
| Balance at end of current period                     | 378   | (0)                                | 378  | 175                           | —                  | 25,694           |

## (4) Consolidated statements of cash flows

(¥ million)

|  | Prior Fiscal Year<br>(April 1, 2012 -<br>March 31, 2013) | Current Fiscal Year<br>(April 1, 2013 -<br>March 31, 2014) |
|--|--|--|
| Cash flows from operating activities   |  |  |
| Income before income taxes and minority interests  | 2,972  | 3,706  |
| Depreciation   | 644  | 615  |
| Impairment loss  | 89   | 154  |
| Amortization of goodwill   | 274  | 245  |
| Gain on bargain purchase   | —  | (409)  |
| Increase (decrease) in allowance for doubtful accounts   | (15)   | (4)  |
| Share-based compensation expenses  | 5  | 173  |
| Increase (decrease) in provision for bonuses   | (94)   | 52   |
| Increase (decrease) in provision for retirement benefits                                       | 49   | —  |
| Increase (decrease) in net defined benefit liability   | —  | 119  |
| Increase (decrease) in provision for directors' retirement benefits                            | —  | 2  |
| Interest and dividend income   | (24)   | (30)   |
| Interest expenses  | 5  | 21   |
| Foreign exchange losses (gains)  | 0  | (1)  |
| Loss (gain) on sales and retirement of non-current assets                                      | (21)   | 0  |
| Loss (gain) on sales of investment securities  | 1  | (0)  |
| Loss (gain) on valuation of investment securities  | 31   | 53   |
| Loss on valuation of membership  | 7  | —  |
| Decrease (increase) in notes and accounts receivable - trade                                   | (477)  | 5,028  |
| Decrease (increase) in inventories   | (360)  | 81   |
| Increase (decrease) in notes and accounts payable - trade                                      | (369)  | (3,725)  |
| Increase (decrease) in accounts payable - other  | (657)  | (182)  |
| Decrease (increase) in guarantee deposits  | (5)  | (1,249)  |
| Decrease (increase) in other assets  | (946)  | (1,444)  |
| Increase (decrease) in other liabilities   | (759)  | 230  |
| Subtotal   | 349  | 3,436  |
| Interest and dividend income received  | 24   | 30   |
| Interest expenses paid   | (5)  | (21)   |
| Income taxes paid  | (1,874)  | (898)  |
| Net cash provided by (used in) operating activities  | (1,505)  | 2,547  |
| Cash flows from investing activities   |  |  |
| Purchase of property, plant and equipment  | (121)  | (308)  |
| Proceeds from sales of property, plant and equipment   | 195  | 276  |
| Purchase of intangible assets  | (97)   | (117)  |
| Purchase of investment securities  | (8)  | (12)   |
| Proceeds from sales of investment securities   | 48   | 0  |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | —  | 5  |
| Purchase of shares of subsidiaries   | —  | (1)  |
| Payments of long-term loans receivable   | (30)   | —  |
| Other, net   | (95)   | 69   |
| Net cash provided by (used in) investing activities  | (108)  | (87)   |
| Cash flows from financing activities   |  |  |
| Net increase (decrease) in short-term loans payable  | —  | (2,000)  |
| Repayments of long-term loans payable  | —  | (194)  |
| Proceeds from disposal of treasury shares  | 29   | 86   |
| Purchase of treasury shares  | (0)  | (0)  |
| Cash dividends paid  | (615)  | (506)  |
| Other, net   | (2)  | (4)  |
| Net cash provided by (used in) financing activities  | (588)  | (2,618)  |
| Effect of exchange rate change on cash and cash equivalents                                    | (0)  | (0)  |
| Net increase (decrease) in cash and cash equivalents   | (2,203)  | (159)  |
| Cash and cash equivalents at beginning of period   | 12,359   | 10,155   |
| Cash and cash equivalents at end of period   | 10,155   | 9,996  |



## 2. Consolidated Financial Results by Business Segments

(1) Fiscal Year Ended March 31, 2013 (April 1, 2012 - March 31, 2013)

( ¥ million)

|   | Segments     |                           |                     |                    |         | Adjustment *1 | Consolidated Total *2 |
|---|--------------|---------------------------|---------------------|--------------------|---------|---------------|-----------------------|
|   | Toy business | Visual and Music business | Video-game business | Amusement business | Total   |               |                       |
| Net sales   |              |                           |                     |                    |         |               |                       |
| To external customers   | 74,660       | 44,810                    | 36,839              | 20,447             | 176,757 | —             | 176,757               |
| Inter-segment sales and transfers                               | —            | —                         | —                   | —                  | —       | —             | —                     |
| Total   | 74,660       | 44,810                    | 36,839              | 20,447             | 176,757 | —             | 176,757               |
| Segment income  | 2,055        | 309                       | 678                 | 1,265              | 4,309   | (1,335)       | 2,973                 |
| Segment assets  | 17,063       | 12,901                    | 8,498               | 4,625              | 43,089  | 9,913         | 53,003                |
| Others  |              |                           |                     |                    |         |               |                       |
| Depreciation  | 318          | 196                       | 72                  | 18                 | 604     | 24            | 629                   |
| Amortization of goodwill  | —            | 246                       | —                   | 45                 | 292     | —             | 292                   |
| Increase in Property, plant and equipment and Intangible assets | 111          | 33                        | 19                  | 11                 | 176     | 13            | 190                   |

\*1 (1) The 1,335million yen adjustment to segment income includes unallocated operating expenses.

The expenses cannot be assigned to any particular segment and are mostly administrative expenses incurred by the administration sector of the HAPPINET CORPORATION.

(2) The 9,913million yen adjustment to segment assets includes unallocated operating assets.

The assets cannot be assigned to any particular segment and are mostly administrative assets incurred by the administration sector of the HAPPINET CORPORATION.

\*2 Segment income is adjusted to be consistent with operating income shown on the consolidated statements of income.

(2) Fiscal Year Ended March 31, 2014 (April 1, 2013 - March 31, 2014)

(¥ million)

|   | Segments     |                           |                     |                    |         | Adjustment *1 | Consolidated Total *2 |
|---|--------------|---------------------------|---------------------|--------------------|---------|---------------|-----------------------|
|   | Toy business | Visual and Music business | Video-game business | Amusement business | Total   |               |                       |
| Net sales   |              |                           |                     |                    |         |               |                       |
| To external customers   | 76,821       | 42,955                    | 63,609              | 23,481             | 206,867 | —             | 206,867               |
| Inter-segment sales and transfers                               | —            | —                         | —                   | —                  | —       | —             | —                     |
| Total   | 76,821       | 42,955                    | 63,609              | 23,481             | 206,867 | —             | 206,867               |
| Segment income  | 2,710        | 307                       | 79                  | 2,053              | 5,151   | (1,263)       | 3,888                 |
| Segment assets  | 16,675       | 12,410                    | 12,441              | 3,714              | 45,241  | 8,638         | 53,879                |
| Others  |              |                           |                     |                    |         |               |                       |
| Depreciation  | 319          | 169                       | 79                  | 19                 | 589     | 26            | 615                   |
| Amortization of goodwill  | —            | 246                       | —                   | —                  | 246     | —             | 246                   |
| Increase in Property, plant and equipment and Intangible assets | 260          | 39                        | 96                  | 9                  | 405     | 53            | 458                   |

\*1 (1) The 1,263million yen adjustment to segment income includes unallocated operating expenses.

The expenses cannot be assigned to any particular segment and are mostly administrative expenses incurred by the administration sector of the HAPPINET CORPORATION.

(2) The 8,638million yen adjustment to segment assets includes unallocated operating assets.

The assets cannot be assigned to any particular segment and are mostly administrative assets incurred by the administration sector of the HAPPINET CORPORATION.

\*2 Segment income is adjusted to be consistent with operating income shown on the consolidated statements of income.