



Consolidated Financial Results

for the 3rd Quarter of the Fiscal Year Ending March 31, 2015

February 10, 2015

I . Financial Summary

II . Consolidated Quarterly Financial Statements

(i) Consolidated Quarterly Balance Sheets

(ii) Consolidated Quarterly Statements of Income
and Consolidated Quarterly Statements of Comprehensive Income

III . Consolidated Quarterly Financial Results by Business Segments

DISCLAIMER

This document is a translation of the cover page of the original “Kessan Tanshin ” in Japanese.

HAPPINET CORPORATION provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy, the original “Kessan Tanshin” in Japanese shall prevail.

This document contains forward-looking statements that are based on management’s estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectation.

Consolidated Financial Results
for the 3rd Quarter of the Fiscal Year Ending March 31, 2015 [Japanese GAAP]

Company name HAPPINET CORPORATION
 Stock listing Tokyo Stock Exchange
 Code No. 7552 URL: <http://www.happinet.co.jp/>
 Representative Kazuhiko Note, President and COO
 Contact Hideo Asatsu, Board Director and CFO
 Scheduled filing date of the quarterly report February 12, 2015
 Scheduled starting date for dividend payments: -
 The additional materials of the financial results: No
 The information session of the financial results: No

(Figures are in millions of yen, rounded down)

1. Consolidated Results for the 3rd Quarter of the Fiscal Year Ending March 31, 2015
(April 1, 2014 - December 31, 2014)

(1) Consolidated Operating Results (For the nine months Ended December 31, 2015)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
3rd Quarter of the Fiscal Year Ending March 31, 2015	174,327	5.4	5,149	28.0	5,219	28.5	3,995	52.3
3rd Quarter of the Fiscal Year Ended March 31, 2014	165,461	20.2	4,023	34.9	4,062	32.0	2,623	31.5

Note: Comprehensive income: As of December 31, 2014 4,144million yen [45.2%]
 As of December 31, 2013 2,855million yen [47.6%]

	Earnings per share	Earnings per share (diluted)
	¥	¥
3rd Quarter of the Fiscal Year Ending March 31, 2015	176.53	173.81
3rd Quarter of the Fiscal Year Ended March 31, 2014	116.46	115.06

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of December 31, 2014	87,616	29,375	33.2
As of March 31, 2014	53,879	25,694	47.4

(Reference)

Shareholder's equity: As of December 31, 2014 29,064million yen
 As of March 31, 2014 25,519million yen

2. Dividend

Dividend record dates	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Fiscal Year-end	Total
	¥	¥	¥	¥	¥
Fiscal Year Ended March 31, 2014	—	11.25	—	13.50	24.75
Fiscal Year Ended March 31, 2015	—	13.50	—		
(Projection) Fiscal Year Ending March 31, 2015				15.00	28.50

Note: Revision of the last projections we showed: Yes

3. Consolidated Projections for the Fiscal Year ending March 31, 2015 (April 1, 2014 - March 31, 2015)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full Year	215,000	3.9	5,000	28.6	5,000	27.6	3,500	41.9	154.62

※ Other Information

- (1) Significant changes in consolidated subsidiaries during the period: No
- (2) Application of special accounting methods for quarterly consolidated financial statements: No
- (3) Changes in accounting principles, accounting estimation change and error correction.
 - a) Changes in accounting principles due to revisions to accounting standards and other regulations: Yes
 - b) Changes in accounting principles due to revisions to other reasons: No
 - c) Changes in accounting estimation: No
 - d) Error correction: No
- (4) Number of shares issued (common shares)
 - a) Number of shares issued at the end of the period (including treasury shares)

3rd quarter of the fiscal year ending March 31, 2015	24,050,000shares
Fiscal year ended March 31, 2014	24,050,000shares
 - b) Number of treasury shares at the end of the period

3rd quarter of the fiscal year ending March 31, 2015	1,413,310shares
Fiscal year ended March 31, 2014	1,431,310shares
 - c) Average number of shares during the period

For the 3rd quarter of the fiscal year ending March 31, 2015	22,631,051shares
For the 3rd quarter of the fiscal year ended March 31, 2014	22,528,002shares

* Information regarding the implementation of quarterly review procedures

This Report was exempt from quarterly review which was based on "Financial Instruments and Exchange Act." At the time of release of this report, the quarterly review procedures based on "Financial Instruments and Exchange Act." have not been completed.

*Proper use of earnings projections, and other special matters

The above projections are based on information available to the Company as of the date of the announcement of these materials. Actual business results may differ from the projections due to a number of factors in the future.

II . Consolidated Quarterly Financial Statements
 (i) Consolidated Quarterly Balance Sheets

(¥ million)

	Prior Fiscal Year (As of Mar. 31, 2014)	Current Fiscal Year (As of Dec.31, 2014)
Assets		
Current assets		
Cash and deposits	9,996	7,910
Notes and accounts receivable - trade	24,104	58,172
Inventories	7,404	9,792
Other	5,533	4,323
Allowance for doubtful accounts	(12)	(11)
Total current assets	47,025	80,187
Non-current assets		
Property, plant and equipment	1,342	897
Intangible assets	446	770
Investments and other assets	5,065	5,761
Total non-current assets	6,854	7,429
Total assets	53,879	87,616
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,099	41,844
Short-term loans payable	—	6,000
Income taxes payable	1,104	910
Provision for bonuses	477	116
Other provision	21	18
Other	3,333	5,723
Total current liabilities	25,036	54,613
Non-current liabilities		
Provision for directors' retirement benefits	24	—
Net defined benefit liability	2,103	2,682
Other	1,020	944
Total non-current liabilities	3,148	3,627
Total liabilities	28,185	58,241
Net assets		
Shareholders' equity		
Capital stock	2,751	2,751
Capital surplus	2,775	2,775
Retained earnings	20,562	23,945
Treasury shares	(948)	(936)
Total shareholders' equity	25,141	28,536
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	378	527
Deferred gains or losses on hedges	(0)	0
Total accumulated other comprehensive income	378	528
Subscription rights to shares	175	310
Total net assets	25,694	29,375
Total liabilities and net assets	53,879	87,616

(ii) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income
(Consolidated Quarterly Statements of Income)

(¥ million)

	Prior Fiscal Year (Apr. 1, 2013 - Dec. 31, 2013)	Current Fiscal Year (Apr. 1, 2014 - Dec. 31, 2014)
Net sales	165,461	174,327
Cost of sales	146,654	153,609
Gross profit	18,806	20,717
Selling, general and administrative expenses	14,782	15,568
Operating income	4,023	5,149
Non-operating income		
Interest income	1	1
Dividend income	28	28
Amortization of negative goodwill	1	—
Other	48	48
Total non-operating income	80	78
Non-operating expenses		
Interest expenses	15	1
Loss on cancellation of leases	0	5
Provision of allowance for doubtful accounts	25	0
Other	0	1
Total non-operating expenses	41	8
Ordinary income	4,062	5,219
Extraordinary income		
Gain on sales of non-current assets	2	6
Gain on sales of investment securities	—	4
Gain on bargain purchase	409	—
Total extraordinary income	411	11
Extraordinary losses		
Loss on sales of non-current assets	1	—
Loss on retirement of non-current assets	3	12
Loss on sales of investment securities	—	0
Loss on valuation of investment securities	7	14
Impairment loss	117	125
Loss on sales of membership	—	0
Loss on revision of retirement benefit plan	—	379
Directors' retirement benefits	110	—
loss on withdrawal from pension fund	166	—
Total extraordinary losses	405	532
Income before income taxes and minority interests	4,068	4,699
Income taxes - current	1,557	1,351
Income taxes - deferred	(113)	(646)
Total income taxes	1,444	704
Income before minority interests	2,624	3,995
Minority interests in income	0	—
Net income	2,623	3,995

(Consolidated Quarterly Statements of Comprehensive Income)

(¥ million)

	Prior Fiscal Year (Apr. 1, 2013 - Dec. 31, 2013)	Current Fiscal Year (Apr. 1, 2014 - Dec. 31, 2014)
Income before minority interests	2,624	3,995
Other comprehensive income		
Valuation difference on available-for-sale securities	231	149
Deferred gains or losses on hedges	(0)	0
Total other comprehensive income	231	149
Comprehensive income	2,855	4,144
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,854	4,144
Comprehensive income attributable to minority interests	0	—

III. Consolidated Quarterly Financial Results by Business Segments

(1) 3rd Quarter of the Fiscal Year Ended March 31, 2014 (April 1, 2013 - December 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	60,994	33,024	54,302	17,138	165,461	—	165,461
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	60,994	33,024	54,302	17,138	165,461	—	165,461
Segment income	2,667	313	351	1,641	4,975	(952)	4,023

*1 The 952 million 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 Segment income is adjusted to be consistent with operating income shown on the consolidated quarterly statements of income.

(2) 3rd Quarter of the Fiscal Year Ending March 31, 2015 (April 1, 2014 - December 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	74,911	32,379	48,571	18,464	174,327	—	174,327
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	74,911	32,379	48,571	18,464	174,327	—	174,327
Segment income(loss)	4,258	27	427	1,475	6,187	(1,037)	5,149

*1 The 1,037million 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 Segment income is adjusted to be consistent with operating income shown on the consolidated quarterly statements of income.