



# Consolidated Financial Results

for the 2nd Quarter of the Fiscal Year Ending March 31, 2016

November 11, 2015

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## DISCLAIMER

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**Consolidated Financial Results**  
**for the 2nd Quarter of the Fiscal Year Ending March 31, 2016 [Japanese GAAP]**

Company name HAPPINET CORPORATION  
 Stock listing Tokyo Stock Exchange  
 Code No. 7552 URL: <http://www.happinet.co.jp/>  
 Representative Tetsuo Ishikawa, President and Representative Director  
 Contact Toru Shibata, Executive Officer, Head of the Corporate Management Division  
 Scheduled filing date of the quarterly report November 12, 2015  
 Scheduled starting date for dividend payments: December 4, 2015  
 The additional materials of the financial results: Yes  
 The information session of the financial results: Yes (For analysts)

(Figures are in millions of yen, rounded down)

**1. Consolidated Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2016**

(April 1, 2015 - September 30, 2015)

**(1) Consolidated Operating Results (For the six months Ended September 30, 2015)**

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
<b>2nd Quarter of the Fiscal Year Ending March 31, 2016</b>	83,993	(10.1)	1,837	(22.2)	1,857	(23.1)	1,185	(34.7)
2nd Quarter of the Fiscal Year Ended March 31, 2015	93,437	6.9	2,362	52.3	2,413	52.8	1,814	31.9

Note: Comprehensive income: As of September 30, 2015 1,291million yen [(34.0)%]  
 As of September 30, 2014 1,957million yen [36.5%]

	Earnings per share	Earnings per share (diluted)
	¥	¥
<b>2nd Quarter of the Fiscal Year Ending March 31, 2016</b>	52.33	51.62
2nd Quarter of the Fiscal Year Ended March 31, 2015	80.21	79.29

**(2) Consolidated Financial Position**

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
<b>As of September 30, 2016</b>	62,443	30,535	48.5
As of March 31, 2015	59,893	29,580	48.9

(Reference)

Shareholder's equity: As of September 30, 2016 30,260million yen  
 As of March 31, 2015 29,269million 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, 2015	—	13.50	—	15.00	28.50
Fiscal Year Ending March 31, 2016	—	15.00			
(Projection) Fiscal Year Ending March 31, 2016			—	15.00	30.00

## 3. Consolidated Projections for the Fiscal Year ending March 31, 2016 (April 1, 2015 - March 31, 2016)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full Year	200,000	(7.9)	4,500	(11.0)	4,500	(12.2)	3,000	(25.9)	132.53

### ※ 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)
 

2nd quarter of the fiscal year ending March 31, 2016	24,050,000shares
Fiscal year ended March 31, 2015	24,050,000shares
  - b) Number of treasury shares at the end of the period
 

2nd quarter of the fiscal year ending March 31, 2016	1,367,810shares
Fiscal year ended March 31, 2015	1,413,310shares
  - c) Average number of shares during the period
 

For the 2nd quarter of the fiscal year ending March 31, 2016	22,662,261shares
For the 2nd quarter of the fiscal year ended March 31, 2015	22,628,216shares

\* 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 March 31, 2015)	Current Fiscal Year (As of Sept. 30, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	15,867	14,992
Notes and accounts receivable - trade	25,682	25,573
Inventories	6,746	9,643
Other	4,154	4,565
Allowance for doubtful accounts	(1)	(1)
Total current assets	52,449	54,772
Non-current assets		
Property, plant and equipment	688	707
Intangible assets	854	970
Investments and other assets	5,900	5,993
Total non-current assets	7,443	7,670
Total assets	59,893	62,443
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	20,118	24,387
Income taxes payable	1,038	212
Provision for bonuses	775	255
Provision for directors' bonuses	121	—
Other provision	16	12
Other	4,886	3,645
Total current liabilities	26,957	28,514
Non-current liabilities		
Net defined benefit liability	2,528	2,550
Other	826	844
Total non-current liabilities	3,355	3,394
Total liabilities	30,312	31,908
<b>Net assets</b>		
Shareholders' equity		
Capital stock	2,751	2,751
Capital surplus	2,775	2,784
Retained earnings	23,999	24,846
Treasury shares	(936)	(906)
Total shareholders' equity	28,590	29,475
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	678	789
Deferred gains or losses on hedges	0	(4)
Total accumulated other comprehensive income	678	785
Subscription rights to shares	310	274
Total net assets	29,580	30,535
Total liabilities and net assets	59,893	62,443

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

(¥million)

	Prior Fiscal Year (Apr. 1, 2014 - Sept. 30, 2014)	Current Fiscal Year (Apr. 1, 2015 - Sept. 30, 2015)
Net sales	93,437	83,993
Cost of sales	81,421	73,386
Gross profit	12,016	10,606
Selling, general and administrative expenses	9,653	8,769
Operating income	2,362	1,837
Non-operating income		
Interest income	1	2
Dividend income	21	31
Other	35	16
Total non-operating income	57	50
Non-operating expenses		
Interest expenses	0	0
Loss on cancellation of leases	5	—
Provision of allowance for doubtful accounts	0	30
Other	0	0
Total non-operating expenses	6	31
Ordinary income	2,413	1,857
Extraordinary income		
Gain on sales of non-current assets	2	—
Gain on sales of investment securities	4	—
Total extraordinary income	6	—
Extraordinary losses		
Loss on sales of non-current assets	—	4
Loss on retirement of non-current assets	6	0
Loss on sales of investment securities	0	—
Loss on valuation of investment securities	14	—
Impairment loss	125	—
Loss on revision of retirement benefit plan	379	—
Total extraordinary losses	525	4
Income before income taxes and minority interests	1,894	1,853
Income taxes - current	600	232
Income taxes - deferred	(520)	434
Total income taxes	79	667
Profit	1,814	1,185
Profit attributable to owners of parent	1,814	1,185

## (Consolidated Quarterly Statements of Comprehensive Income)

(¥ million)

	Prior Fiscal Year (Apr. 1, 2014 - Sept. 30, 2014)	Current Fiscal Year (Apr. 1, 2015 - Sept. 30, 2015)
Profit	1,814	1,185
Other comprehensive income		
Valuation difference on available-for-sale securities	140	110
Deferred gains or losses on hedges	2	(4)
Total other comprehensive income	<u>143</u>	<u>106</u>
Comprehensive income	<u>1,957</u>	<u>1,291</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,957	1,291

## (iii) Consolidated Quarterly Statements of Cash Flows

(¥ million)

	Prior Fiscal Year (Apr. 1, 2014 - Sept. 30, 2014)	Current Fiscal Year (Apr. 1, 2015 - Sept. 30, 2015)
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interest:	1,894	1,853
Depreciation	184	164
Impairment loss	125	—
Increase (decrease) in allowance for doubtful accounts:	(8)	23
Increase (decrease) in provision for bonuses:	(227)	(519)
Increase (decrease) in provision for directors' benefit	—	(121)
Increase (decrease) in net defined benefit liability	319	21
Interest and dividend income	(22)	(34)
Interest expenses	(0)	0
Loss (gain) on sales and retirement of non-current assets:	3	4
Loss (gain) on sales of investment securities:	(3)	—
Loss (gain) on valuation of investment securities:	14	—
Foreign exchange losses (gains)	(0)	0
Decrease (increase) in notes and accounts receivable - trade:	(6,062)	108
Decrease (increase) in inventories:	(1,152)	(2,897)
Increase (decrease) in notes and accounts payable - trade:	6,441	4,269
Other, net	1,898	(2,019)
<b>Subtotal</b>	<b>3,406</b>	<b>852</b>
Interest and dividend income received	22	34
Interest expenses paid	(0)	(0)
Income taxes paid	(1,103)	(1,054)
<b>Net cash provided by (used in) operating activities:</b>	<b>2,325</b>	<b>(167)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(95)	(117)
Proceeds from sales of property, plant and equipment:	183	—
Purchase of intangible assets	(360)	(247)
Purchase of investment securities:	(6)	(5)
Proceeds from sales of investment securities:	10	—
Other, net	66	0
<b>Net cash provided by (used in) investing activities:</b>	<b>(201)</b>	<b>(371)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from disposal of treasury shares:	9	2
Purchase of treasury shares	(0)	—
Cash dividends paid	(305)	(338)
Other, net	(27)	(0)
<b>Net cash provided by (used in) financing activities:</b>	<b>(323)</b>	<b>(336)</b>
Effect of exchange rate change on cash and cash equivalents:	(0)	(0)
<b>Net increase (decrease) in cash and cash equivalents:</b>	<b>1,799</b>	<b>(875)</b>
Cash and cash equivalents at beginning of period	9,996	15,867
<b>Cash and cash equivalents at end of period</b>	<b>11,795</b>	<b>14,992</b>

### III. Consolidated Quarterly Financial Results by Business Segments

(1) 2nd Quarter of the Fiscal Year Ended March 31, 2014 (April 1, 2014 - September 30, 2014)

Information on net sales and profits or losses by reported segment

(¥ million)

	Segments					Adjustment *1	Consolidated Total *2
	Toy business	Visual and Music business	Video-game business	Amusement business	Total		
Net sales							
To external customers	39,479	21,376	19,939	12,643	93,437	—	93,437
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	30,479	21,376	19,939	12,643	93,437	—	93,437
Segment income	1,663	145	(61)	1,264	3,011	(648)	2,362

\*1 The (648) 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 o

(2) 2nd Quarter of the Fiscal Year Ending March 31, 2016 (April 1, 2015 - September 30, 2015)

Information on net sales and profits or losses by reported segment

(¥ million)

	Segments					Adjustment *1	Consolidated Total *2
	Toy business	Visual and Music business	Video-game business	Amusement business	Total		
Net sales							
To external customers	34,742	17,352	20,212	11,686	83,993	—	83,993
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	34,742	17,352	20,212	11,686	83,993	—	83,993
Segment income(loss)	1,256	144	(50)	1,154	2,504	(667)	1,837

\*1 The (667) 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 o