



Consolidated Financial Results

for the Fiscal Year Ended March 31, 2016

May 13, 2016

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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 Fiscal Year Ended 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
 Date of general meeting of stockholders: June 23, 2016
 Scheduled filing date of the annual security report: June 24, 2016
 Scheduled starting date for dividend payments: June 24, 2016
 The additional materials of the financial results: Yes
 The information session of the financial results: Yes (For Analyst)

(Figures are in millions of yen, rounded down)

I . Consolidated Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 - March 31, 2016)**(1) Consolidated Operating Results**

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Fiscal Year Ended March 31, 2016	187,274	△ 13.8	3,450	△ 31.8	3,497	△ 31.8	2,359	△ 41.7
Fiscal Year Ended March 31, 2015	217,232	5.0	5,056	30.0	5,124	30.8	4,049	64.2

Note: Comprehensive income: As of March 31, 2016 2,328million yen [△46.5%]
 As of March 31, 2015 4,349million yen [63.9%]

	Earnings per share	Earnings per share (diluted)
	¥	¥
Fiscal Year Ended March 31, 2016	104.06	102.15
Fiscal Year Ended March 31, 2015	178.91	176.16

(Reference)

Equity in earning of affiliates: FY2016.3 △22million yen FY2015.3 - million yen

	Return on Equity (ROE)	Return on Asset (ROA)	Operating income margin
	%	%	%
Fiscal Year Ended March 31, 2016	7.8	6.0	1.8
Fiscal Year Ended March 31, 2015	14.8	9.0	2.3

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net asset per share
	¥ million	¥ million	%	¥
Fiscal Year Ended March 31, 2016	56,793	31,355	54.5	1,364.82
Fiscal Year Ended March 31, 2015	59,893	29,580	48.9	1,293.00

(Reference)

Shareholder's equity: As of March 31, 2016 30,956million yen
 As of March 31, 2015 29,269million yen

(3) Consolidated Statement of Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at year-end
	¥ million	¥ million	¥ million	¥ million
Fiscal Year Ended March 31, 2016	978	△4,752	△677	11,412
Fiscal Year Ended March 31, 2015	6,658	△158	△628	15,867

II. Dividend

Dividend record dates	Dividend per share					Total dividend payment (Full Year) ¥ million	Payout Ratio (Consolidated) %	Dividend / Net Assets (Consolidated) %
	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	645	15.9	2.4
Fiscal Year Ended March 31, 2016 (Projection)	—	15.00	—	15.00	30.00	680	28.8	2.3
Fiscal Year Ending March 31, 2017	—	15.00	—	15.00	30.00		26.2	

III. Consolidated Projections for the Fiscal Year ending March 31, 2017 (April 1, 2016 - March 31, 2017)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Interim Year	80,000	△4.8	1,500	△18.4	1,500	△19.2	1,000	△15.7	44.09
Full Year	190,000	1.5	4,000	15.9	4,000	14.4	2,600	10.2	114.63

※ Other Information

- (1) Significant changes in consolidated subsidiaries during the period: No
- (2) Changes in accounting principles, accounting estimation change and error correction.
- Changes in accounting principles due to revisions to accounting standards and other regulations: Yes
 - Changes in accounting principles due to revisions to other reasons: No
 - Changes in accounting estimation: No
 - Error correction: No
- (3) Number of shares issued (common shares)
- Number of shares issued at the end of the period (including treasury shares)

Fiscal year ended March 31, 2016	24,050,000shares
Fiscal year ended March 31, 2015	24,050,000shares
 - Number of treasury shares at the end of the period

Fiscal year ended March 31, 2016	1,367,870shares
Fiscal year ended March 31, 2015	1,413,310shares
 - Average number of shares during the period

For the fiscal year ended March 31, 2016	22,672,204shares
For the fiscal year ended March 31, 2015	22,632,442shares

* 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

*The way to access the Results Presentation material

We will post the presentation material in the site(http://www.happinet.co.jp/happinet_english/index.html) after results briefing(May 20, 2016) .

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥million)

	Prior Fiscal Year (As of Mar. 31, 2015)	Current Fiscal Year (As of Mar. 31, 2016)
Assets		
Current assets		
Cash and deposits	15,867	11,412
Notes and accounts receivable - trade	25,682	22,899
Inventories	6,746	6,043
Deferred tax assets	1,315	841
Other	2,839	3,708
Allowance for doubtful accounts	△1	△0
Total current assets	52,449	44,905
Non-current assets		
Property, plant and equipment		
Buildings and structures	518	755
Accumulated depreciation	△356	△393
Buildings and structures, net	162	362
Machinery, equipment and vehicles	960	963
Accumulated depreciation	△877	△893
Machinery, equipment and vehicles, net	83	70
Tools, furniture and fixtures	1,310	1,254
Accumulated depreciation	△1,033	△1,000
Tools, furniture and fixtures, net	277	254
Land	65	65
Construction in progress	98	-
Other	0	0
Total property, plant and equipment	688	753
Intangible assets	854	1,086
Investments and other assets		
Investment securities	2,304	6,387
Deferred tax assets	1,261	1,220
Other	2,402	2,474
Allowance for doubtful accounts	△68	△34
Total investments and other assets	5,900	10,047
Total non-current assets	7,443	11,887
Total assets	59,893	56,793
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,118	18,282
Accounts payable - other	3,679	2,461
Income taxes payable	1,038	380
Provision for bonuses	775	304
Provision for directors' bonuses	121	-
Provision for point card certificates	5	2
Provision for sales returns	11	11
Other	1,206	373
Total current liabilities	26,957	21,817
Non-current liabilities		
Deferred tax liabilities	0	-
Net defined benefit liability	2,528	2,763
Asset retirement obligations	51	143
Other	774	713
Total non-current liabilities	3,355	3,621
Total liabilities	30,312	25,438
Net assets		
Shareholders' equity		
Capital stock	2,751	2,751
Capital surplus	2,775	2,784
Retained earnings	23,999	25,679
Treasury shares	△936	△906
Total shareholders' equity	28,590	30,308
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	678	657
Deferred gains or losses on hedges	0	△9
Total accumulated other comprehensive income	678	648
Subscription rights to shares	310	398
Total net assets	29,580	31,355
Total liabilities and net assets	59,893	56,793

2. Consolidated Financial Statements

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

	(¥ million)	
	Prior Fiscal Year (April 1, 2014 - March 31, 2015)	Current Fiscal Year (April 1, 2015 - March 31, 2016)
Net sales	217,232	187,274
Cost of sales	191,080	165,276
Gross profit	26,152	21,997
Selling, general and administrative expenses		
Warehouse deposit expenses	1,325	1,256
Freightage expenses	2,689	2,392
Promotion expenses	1,246	833
Directors' compensations, salaries and allowances	7,689	7,240
Provision for bonuses	774	300
Provision for directors' bonuses	121	-
Retirement benefit expenses	859	646
Supplies expenses	989	769
Rents	1,438	1,521
Depreciation	342	341
Provision for point card certificates	5	2
Other	3,611	3,241
Total selling, general and administrative expenses	21,095	18,547
Operating income	5,056	3,450
Non-operating income		
Interest income	2	3
Dividend income	28	42
Other	46	27
Total non-operating income	78	73
Non-operating expenses		
Interest expenses	2	1
Loss on cancellation of leases	5	-
Share of loss of entities accounted for using equity method	-	22
Other	2	2
Total non-operating expenses	10	26
Ordinary income	5,124	3,497
Extraordinary income		
Gain on sales of non-current assets	2	-
Gain on sales of investment securities	4	-
Gain on change of leasehold contracts	-	56
Total extraordinary income	7	56
Extraordinary losses		
Loss on sales of non-current assets	18	4
Loss on retirement of non-current assets	23	11
Loss on valuation of investment securities	14	-
Impairment loss	126	-
Special retirement expenses	60	-
Loss on revision of retirement benefit plan	379	-
Other	0	-
Total extraordinary losses	623	15
Profit before income losses	4,508	3,538
Income taxes - current	1,469	626
Income taxes - deferred	△1,009	552
Total income taxes	459	1,178
Profit	4,049	2,359
Profit attributed to owners of parent	4,049	2,359

2. Consolidated Financial Statements

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

	(¥ million)	
	Prior Fiscal Year (Apr. 1, 2014 - Mar. 31, 2015)	Current Fiscal Year (Apr. 1, 2015 - Mar. 31, 2016)
Profit	4,049	2,359
Other comprehensive income		
Valuation difference on available-for-sale securities	299	△21
Deferred gains or losses on hedges	0	△9
Share of other comprehensive income of entities accounted for using equity method	-	△0
Total other comprehensive income	300	△30
Comprehensive income	4,349	2,328
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	4,349	2,328

2. Consolidated Financial Statements

(3) Consolidated statements of changes in net assets

Prior Fiscal Year(April 1, 2014 - March 31, 2015)						(¥ million)
	shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	
Balance at beginning of current period	2,751	2,775	20,562	△948	25,141	
Changes of items during period						
Dividends of surplus			△610		△610	
Profit attribute to owners of parent			4,049		4,049	
Purchase of treasury shares				△0	△0	
Disposal of treasury shares		△0		12	11	
Transfer of loss on disposal of treasury shares		0	△0		-	
Net changes of items other than shareholders' equity						
Total changes of items during period	-	-	3,437	11	3,449	
Balance at end of current period	2,751	2,775	23,999	△936	28,590	

	accumulated other comprehensive income			Subscription rights to shares	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	378	△0	378	175	25,694
Changes of items during period					
Dividends of surplus					△610
Profit attribute to owners of parent					4,049
Purchase of treasury shares					△0
Disposal of treasury shares					11
Transfer of loss on disposal of treasury shares					-
Net changes of items other than shareholders' equity	299	0	300	135	435
Total changes of items during period	299	0	300	135	3,885
Balance at end of current period	678	0	678	310	29,580

2. Consolidated Financial Statements

(3) Consolidated statements of changes in net assets

Current Fiscal Year(April 1, 2015- March 31, 2016)

(¥ million)

	shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,751	2,775	23,999	△936	28,590
Changes of items during period					
Dividends of surplus			△679		△679
Profit attribute to owners of parent			2,359		2,359
Purchase of treasury shares				△0	△0
Disposal of treasury shares		8		30	38
Transfer of loss on disposal of treasury shares					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	8	1,679	30	1,718
Balance at end of current period	2,751	2,784	25,679	△906	30,308

	accumulated other comprehensive income			Subscription rights to shares	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	678	0	678	310	29,580
Changes of items during period					
Dividends of surplus					△679
Profit attribute to owners of parent					2,359
Purchase of treasury shares					△0
Disposal of treasury shares					38
Transfer of loss on disposal of treasury shares					-
Net changes of items other than shareholders' equity	△21	△9	△30	87	56
Total changes of items during period	△21	△9	△30	87	1,774
Balance at end of current period	657	△9	648	398	31,355

2. Consolidated Financial Statements

(4) Consolidated Statements of Cash Flows

(¥ million)

	Prior Fiscal Year (April 1, 2014 - March 31, 2015)	Current Fiscal Year (April 1, 2015 - March 31, 2016)
Cash flows from operating activities		
Profit before income taxes	4,508	3,538
Depreciation	393	381
Impairment loss	126	-
Increase (decrease) in allowance for doubtful accounts	△11	△24
Share-based compensation expenses	137	123
Increase (decrease) in provision for bonuses	298	△470
Increase (decrease) in provision for directors' bonuses	121	△121
Increase (decrease) in net defined benefit liability	425	234
Interest and dividend income	△31	△46
Interest expenses	2	1
Foreign exchange losses (gains)	0	1
Loss (gain) on sales and retirement of non-current assets	39	15
Loss (gain) on sales of investment securities	△4	-
Loss (gain) on valuation of investment securities	14	-
Share if (profit) loss of entities accounted for using equity method	-	22
Decrease (increase) in notes and accounts receivable - trade	△1,579	2,783
Decrease (increase) in inventories	658	702
Increase (decrease) in notes and accounts payable - trade	18	△1,832
Increase (decrease) in accounts payable - other	1,040	△1,195
Decrease (increase) in guarantee deposits	△17	△107
Decrease (increase) in other assets	1,738	△880
Increase (decrease) in other liabilities	307	△909
Subtotal	8,187	2,216
Interest and dividend income received	31	46
Interest expenses paid	△2	△1
Income taxes paid	△1,558	△1,282
Net cash provided by (used in) operating activities	6,658	978
Cash flows from investing activities		
Purchase of property, plant and equipment	△247	△172
Proceeds from sales of property, plant and equipment	564	-
Purchase of intangible assets	△550	△448
Purchase of investment securities	△42	△4,160
Proceeds from sales of investment securities	54	-
Other, net	64	29
Net cash provided by (used in) investing activities	△158	△4,752
Cash flows from financing activities		
Proceeds from disposal of treasury shares	9	2
Purchase of treasury shares	△0	△0
Cash dividends paid	△609	△679
Other, net	△28	△0
Net cash provided by (used in) financing activities	△628	△677
Effect of exchange rate change on cash and cash equivalents	△0	△3
Net increase (decrease) in cash and cash equivalents	5,871	△4,455
Cash and cash equivalents at beginning of period	9,996	15,867
Cash and cash equivalents at end of period	15,867	11,412

3. Consolidated Quarterly Financial Results by Business Segments

(1) Fiscal Year Ended March 31, 2015 (April 1, 2014 - March 31, 2015)

(¥million)

	Segments					Adjustment *1	Consolidated Total *2
	Toy business	Visual and Music business	Video-game business	Amusement business	Total		
Net sales							
To external customers	93,270	43,372	56,448	24,140	217,232	—	217,232
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	93,270	43,372	56,448	24,140	217,232	—	217,232
Segment income	4,279	202	254	1,796	6,532	△ 1,475	5,056
Segment assets	16,584	11,282	9,979	4,995	42,841	17,051	59,893
Others							
Depreciation	157	154	32	30	375	18	393
Increase in Property, plant and equipment and Intangible assets	342	200	74	105	722	160	883

*1 (1) The 1,475million 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 17,051million 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, 2016 (April 1, 2015 - March 31, 2016)

(¥million)

	Segments					Adjustment *1	Consolidated Total *2
	Toy business	Visual and Music business	Video-game business	Amusement business	Total		
Net sales							
To external customers	76,874	38,367	50,009	22,023	187,274	—	187,274
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	76,874	38,367	50,009	22,023	187,274	—	187,274
Segment income(loss)	2,848	466	△ 43	1,652	4,923	△ 1,473	3,450
Segment assets	15,150	10,625	9,332	4,550	39,659	17,134	56,793
Others							
Depreciation	159	118	29	35	342	39	381
Increase in Property, plant and equipment and Intangible assets	306	147	65	51	570	192	763

*1 (1) The △1,473million 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 17,134million 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.