



Consolidated Financial Results

for the 3rd Quarter of the Fiscal Year Ending March 31, 2017

February 9, 2017

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) Notes to the Consolidated Financial Statements

III . Consolidated Quarterly Financial Results by Business Segments

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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 3rd Quarter of the Fiscal Year Ending March 31, 2017 [Japanese GAAP]

Company name HAPPINET CORPORATION
 Stock listing Tokyo Stock Exchange
 Code No. 7552 URL: <http://www.happinet.co.jp/>
 Representative Seiichi Enomoto, Representative Director, President and COO
 Contact Toru Shibata, Director, Executive Officer, Head of the Corporate Management Division
 Scheduled filing date of the quarterly report February 10, 2017
 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, 2017
(April 1, 2016 - December 31, 2016)

(1) Consolidated Operating Results (For the nine months Ended December 31, 2016)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Quarterly Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
3rd Quarter of the Fiscal Year Ending March 31, 2017	133,902	△ 10.7	3,270	1.8	3,090	△ 4.9	1,793	△ 15.1
3rd Quarter of the Fiscal Year Ended March 31, 2016	150,028	△ 13.9	3,213	△ 37.6	3,251	△ 37.7	2,111	△ 47.1

Note: Comprehensive income: As of December 31, 2016 2,254million yen (1.3%)
 As of December 31, 2015 2,225million yen (△46.3%)

	Quarterly earnings per share	Quarterly earnings per share (diluted)
	¥	¥
3rd Quarter of the Fiscal Year Ending March 31, 2017	80.64	79.09
3rd Quarter of the Fiscal Year Ended March 31, 2016	93.16	91.44

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of December 31, 2016	76,522	32,006	41.1
As of March 31, 2016	56,793	31,355	54.5

(Reference)

Shareholder's equity: As of December 31, 2016 31,455million yen
 As of March 31, 2016 30,956million 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, 2016	—	15.00	—	15.00	30.00
Fiscal Year Ending March 31, 2017	—	15.00	—		
(Projection) Fiscal Year Ending March 31, 2017				20.00	35.00

(Note) Revision to the projections: Yes

breakdown of dividend : Ordinary dividend(¥15) , memorial dividend(¥5)

3. 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		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full Year	172,000	△ 8.2	3,700	7.2	3,500	0.1	2,200	△ 6.8	98.93

(Note) Revision to the projections: Yes

※ 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, 2017	24,050,000shares
Fiscal year ended March 31, 2016	24,050,000shares
 - b) Number of treasury shares at the end of the period

3rd quarter of the fiscal year ending March 31, 2017	2,367,990shares
Fiscal year ended March 31, 2016	1,367,870shares
 - c) Average number of shares during the period

For the 3rd quarter of the fiscal year ending March 31, 2017	22,236,842shares
For the 3rd quarter of the fiscal year ended March 31, 2016	22,668,919shares

* 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, 2016)	Current 3rd Quarter (As of Dec. 31, 2016)
Assets		
Current assets		
Cash and deposits	11,412	6,813
Notes and accounts receivable - trade	22,899	46,178
Inventories	6,043	8,270
Other	4,550	3,028
Allowance for doubtful accounts	△0	△3
Total current assets	44,905	64,287
Non-current assets		
Property, plant and equipment	753	815
Intangible assets	1,086	1,194
Investments and other assets	10,047	10,225
Total non-current assets	11,887	12,235
Total assets	56,793	76,522
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,282	35,813
Income taxes payable	380	479
Provision for bonuses	304	106
Other provision	14	12
Other	2,835	4,266
Total current liabilities	21,817	40,678
Non-current liabilities		
Net defined benefit liability	2,763	2,889
Other	857	948
Total non-current liabilities	3,621	3,837
Total liabilities	25,438	44,516
Net assets		
Shareholders' equity		
Capital stock	2,751	2,751
Capital surplus	2,784	2,784
Retained earnings	25,679	26,807
Treasury shares	△906	△1,997
Total shareholders' equity	30,308	30,345
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	657	1,106
Deferred gains or losses on hedges	△9	3
Total accumulated other comprehensive income	648	1,109
Subscription rights to shares	398	551
Total net assets	31,355	32,006
Total liabilities and net assets	56,793	76,522

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

(Consolidated Quarterly Statements of Income)

(¥ million)

	Prior 3rd Quarter (From Apr. 1, 2015 to Dec. 31, 2015)	Current 3rd Quarter (From Apr. 1, 2016 to Dec. 31, 2016)
Net sales	150,028	133,902
Cost of sales	132,882	116,762
Gross profit	17,145	17,139
Selling, general and administrative expenses	13,931	13,869
Operating income	3,213	3,270
Non-operating income		
Interest income	2	0
Dividend income	42	38
Other	24	23
Total non-operating income	69	62
Non-operating expenses		
Interest expenses	0	0
Provision of allowance for doubtful accounts	30	—
Share of loss of entities accounted for using equity method	—	237
Other	0	4
Total non-operating expenses	31	242
Ordinary income	3,251	3,090
Extraordinary income		
Gain on sales of non-current assets	—	0
Gain on change of leasehold contracts	56	—
Total extraordinary income	56	0
Extraordinary losses		
Loss on sales of non-current assets	4	0
Loss on retirement of non-current assets	2	55
Warehouse transfer expenses	—	28
Litigation expenses	—	51
Total extraordinary losses	6	135
Profit before income taxes	3,300	2,955
Income taxes - current	824	706
Income taxes - deferred	364	455
Total income taxes	1,189	1,161
Quarterly Profit	2,111	1,793
Profit attributable to owners of parent	2,111	1,793

(Consolidated Quarterly Statements of Comprehensive Income)

(¥ million)

	Prior 3rd Quarter (From Apr. 1, 2015 to Dec. 31, 2015)	Current 3rd Quarter (From Apr. 1, 2016 to Dec. 31, 2016)
Profit	2,111	1,793
Other comprehensive income		
Valuation difference on available-for-sale securities	116	448
Deferred gains or losses on hedges	Δ2	12
Share of other comprehensive income of entities accounted for using equity method	—	0
Total other comprehensive income	113	461
Comprehensive income	2,225	2,254
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,225	2,254
Comprehensive income attributable to non-controlling interests	—	—

(iii) Notes to the Consolidated Financial Statements

(Notes regarding going concern assumptions)
Not applicable

(Notes regarding significant changes in shareholders' equity accounts)

Following a resolution made at based on the corporation law at article 370 (a written resolution to replace the resolution of the Board of Directors) on Aug. 24, 2016, 1,000,000 shares of treasury stock were acquired.

As a result, treasury stock increased by 1,090 million yen during the consolidated cumulative 3rd quarter rising to 1,997 million at the end of the 3rd quarter consolidated accounting period.

III. Consolidated Quarterly Financial Results by Business Segments

(1) Prior 3rd Quarter (From April 1, 2015 to December 31, 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	62,458	28,660	42,116	16,792	150,028	—	150,028
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	62,458	28,660	42,116	16,792	150,028	—	150,028
Segment income	2,579	312	23	1,309	4,225	△ 1,011	3,213

*1 The △1,011million 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) Current 3rd Quarter (From April 1, 2016 to December 31, 2016)

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	59,433	25,801	33,476	15,190	133,902	—	133,902
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	59,433	25,801	33,476	15,190	133,902	—	133,902
Segment income(loss)	2,827	358	249	889	4,325	△ 1,054	3,270

*1 The △1,054 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.