



HAPPINET CORPORATION

Stock Listing :Tokyo Stock Exchange

Code Number :7552



Financial Highlights

for the 2nd Quarter of the Fiscal Year Ending March 31, 2018



Changes in business results

		2nd quarter FY2013	2nd quarter FY2014	2nd quarter FY2015	2nd quarter FY2016	2nd quarter of FY2017	FY2013	FY2014	FY2015	FY2016
Net sales	¥million	87,371	93,437	83,993	72,448	84,827	206,867	217,232	187,274	174,059
Operating profit	¥million	1,551	2,362	1,837	844	1,761	3,888	5,056	3,450	3,698
Ordinary profit	¥million	1,579	2,413	1,857	741	1,640	3,917	5,124	3,497	3,479
Profit attributable to owners of parent	¥million	1,375	1,814	1,185	329	1,044	2,466	4,049	2,359	2,040
Comprehensive income	¥million	1,434	1,957	1,291	699	1,961	2,654	4,349	2,328	2,559
Net assets	¥million	24,522	27,356	30,535	30,623	33,838	25,694	29,580	31,355	32,311
Total assets	¥million	60,264	61,985	62,443	58,329	65,137	53,879	59,893	56,793	61,337
Net assets per share	¥	1,086.78	1,200.85	1,334.12	1,394.01	1,532.75	1,128.25	1,293.00	1,364.82	1,464.82
Profit per share	¥	61.13	80.21	52.33	14.63	48.06	109.40	178.91	104.06	92.32
Dividends per share (Interim dividends)	¥	(11.25)	(13.50)	(15.00)	(15.00)	(15.00)	24.75 (11.25)	28.50 (13.50)	30.00 (15.00)	35.00 (15.00)
No. of employees	people	981	959	904	865	850	972	933	883	843

Notes: 1. Consolidated sales figures do not include consumption tax.

2. In December 2015, creates capital and business alliance with BROCCOLI Co., Ltd. (now an equity-method affiliate)

3. FY2016 dividends include a commemorative dividend of ¥5 per share.

Consolidated results for the 2nd quarter of the FY2017 (1) Profit & loss statement

(millions of Yen,%)

	2nd quarter of FY2016			2nd quarter of FY2017		
		% of total	YoY		% of total	YoY
Net sales	72,448	100.0	-13.7	84,827	100.0	17.1
Cost of sales *	62,911	86.8	-14.3	74,561	87.9	18.5
Gross profit	9,537	13.2	-10.1	10,266	12.1	7.6
SG&A expenses	8,693	12.0	-0.9	8,504	10.0	-2.2
logistics cost	1,584	2.2	-6.2	1,623	1.9	2.5
Personnel	3,808	5.3	-5.1	3,693	4.4	-3.0
Depreciation	192	0.3	27.5	149	0.2	-22.6
Operating profit	844	1.2	-54.0	1,761	2.1	108.6
Non-operating income	43	0.1	-13.8	65	0.1	48.1
interest and dividend income	28	0.0	-16.9	48	0.1	67.6
Other	15	0.0	-7.3	17	0.0	11.4
Non-operating expenses	146	0.2	371.9	186	0.2	27.2
interest expenses	0	0.0	-51.5	0	0.0	-3.8
Share of loss of entities accounted for using equity method	142	0.2	-	186	0.2	30.9
Other	4	0.0	-85.4	0	0.0	-89.8
Ordinary profit	741	1.0	-60.1	1,640	1.9	121.1
Extraordinary income	0	0.0	-	27	0.0	-
Extraordinary losses	80	0.1	1881.9	0	0.0	-99.9
Profit before income taxes	661	0.9	-64.3	1,667	2.0	152.2
Income taxes	331	0.5	-50.3	623	0.7	87.8
Profit attributable to owners of parent	329	0.5	-72.2	1,044	1.2	217.0

*including stock clearances of ¥515m in FY2016, ¥536m in FY2017.

Earnings per share (¥)	14.63	-	-72.0	48.06	-	228.4
No. of employees at end of period (people) **	865	-	-4.3	850	-	-1.7

**The number of employees includes employees temporarily transferred from other companies and contract employees, but excludes employees temporarily transferred to other companies and temporary employees.

Capital expenditures	347	-	34.2	442	-	27.3
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① Change by business segment

■ Net sales

(millions of Yen,%)

Segment	Period	FY2016						FY2017					
		2nd quarter	% of total	YoY	Full Year	% of total	YoY	2nd quarter	% of total	YoY	Full Year	% of total	YoY
Toy business		31,585	43.6	-9.1	73,725	42.4	-4.1	31,206	36.8	-1.2	75,000	41.7	1.7
Visual and Music business		16,516	22.8	-4.8	34,890	20.0	-9.1	18,930	22.3	14.6	37,000	20.6	6.0
Video-game business		14,302	19.7	-29.2	44,793	25.7	-10.4	24,856	29.3	73.8	46,000	25.6	2.7
Amusement business		10,045	13.9	-14.0	20,649	11.9	-6.2	9,833	11.6	-2.1	22,000	12.1	6.5
Total		72,448	100.0	-13.7	174,059	100.0	-7.1	84,827	100.0	17.1	180,000	100.0	3.4

■ Segment income

(millions of Yen,%)

Segment	Period	FY2016						FY2017					
		2nd quarter	% of total	YoY	Full Year	% of total	YoY	2nd quarter	% of total	YoY	Full Year	% of total	YoY
Toy business		768	91.0	-38.9	3,044	82.3	6.9	891	50.6	16.0	3,250	77.4	6.7
Visual and Music business		146	17.4	1.6	418	11.3	-10.4	311	17.7	112.5	550	13.1	31.4
Video-game business		-36	-4.4	-	384	10.4	-	402	22.8	-	450	10.7	17.0
Amusement business		642	76.0	-44.4	1,281	34.7	-22.4	761	43.2	18.5	1,350	32.1	5.3
Eliminations and corporate		-675	-80.0	-	-1,430	-38.7	-	-604	-34.3	-	-1,400	-33.3	-
Total		844	100.0	-54.0	3,698	100.0	7.2	1,761	100.0	108.6	4,200	100.0	13.6

② Main business summary

■ Toy business

(100millions of Yen,%)

Manufacturer	period	2nd quarter of FY2016			2nd quarter of FY2017			FY2016		
			% of total	YoY		% of total	YoY		% of total	YoY
BANDAI CO.,Ltd		154	48.9	-18.9	151	48.5	-2.1	376	51.0	-10.4
TOMY COMPANY,LTD		30	9.7	61.2	32	10.5	7.5	70	9.6	41.6
Happinet originals		8	2.8	59.0	7	2.5	-11.1	17	2.4	10.6
Other manufactures		122	38.6	-7.8	120	38.5	-1.5	272	37.0	-3.6
Total		315	100.0	-9.1	312	100.0	-1.2	737	100.0	-4.1

■ Visual and Music business

(100millions of Yen,%)

Division	period	2nd quarter of FY2016			2nd quarter of FY2017			FY2016		
			% of total	YoY		% of total	YoY		% of total	YoY
Wholesale		107	65.0	-3.9	129	68.3	20.5	222	63.8	-10.2
	Exclusive titles	19	11.6	5.4	23	12.3	21.1	44	12.8	-5.8
Visual		126	76.6	-2.6	152	80.6	20.6	267	76.6	-9.5
Music		38	23.4	-11.5	36	19.4	-5.0	81	23.4	-7.7
Total		165	100.0	-4.8	189	100.0	14.6	348	100.0	-9.1

■ Sales of video game platform

(100millions of Yen,%)

Manufacturer	2nd quarter of FY2016			2nd quarter of FY2017			FY2016		
	period	% of total	YoY	% of total	YoY	% of total	YoY		
Nintendo	101	71.2	-35.2	212	85.5	108.9	338	75.6	-16.5
S I E *	37	26.0	11.8	33	13.4	-10.2	99	22.1	24.8
Other	4	2.8	-65.9	2	1.1	-35.5	10	2.3	-33.6
Total	143	100.0	-29.2	248	100.0	73.8	447	100.0	-10.4

※ S I E . . . Sony Interactive Entertainment LLC

■ Amusement Business

(100millions of Yen,%)

Division	2nd quarter of FY2016			2nd quarter of FY2017			FY2016		
	period	% of total	YoY	% of total	YoY	% of total	YoY		
Capsule toy	48	48.4	-11.8	53	54.4	10.1	94	45.8	-8.6
Kid's card game	42	42.3	-12.5	37	38.2	-11.6	91	44.4	-1.7
Other	9	9.3	-29.1	7	7.4	-22.1	20	9.8	-13.9
Total	100	100.0	-14.0	98	100.0	-2.1	206	100.0	-6.2

■ Breakdown of Nintendo sales

(100millions of Yen,%)

Item	period	2nd quarter of FY2016			2nd quarter of FY2017			FY2016		
			% of total	YoY		% of total	YoY		% of total	YoY
Stationary	console	10	10.7	-56.1	89	42.0	716.2	52	15.5	-17.6
	Software	8	7.9	-57.8	37	17.4	360.2	27	8.2	-38.0
	Accessories	2	2.1	-65.2	14	6.9	579.3	7	2.2	-53.3
Portable	console	30	29.6	-6.4	31	14.9	4.9	76	22.7	-10.7
	Software	43	42.8	-38.9	30	14.1	-31.0	144	42.6	-15.1
	Accessories	2	2.3	-30.7	2	1.2	10.4	6	1.9	-47.2
Other		4	4.6	-	7	3.5	59.1	23	6.9	82.9
Total		101	100.0	-35.2	212	100.0	108.9	338	100.0	-16.5

■ Breakdown of *SIE sales

(100millions of Yen,%)

Item	period	2nd quarter of FY2016			2nd quarter of FY2017			FY2016		
			% of total	YoY		% of total	YoY		% of total	YoY
Stationary	console	5	15.5	29.7	10	30.4	76.3	23	23.3	109.3
	Software	12	33.8	29.2	9	28.7	-23.9	32	32.7	43.3
	Accessories	0	1.6	44.8	1	3.6	100.8	2	2.3	58.4
Portable	console	3	8.8	-8.2	1	4.7	-51.8	9	9.1	-19.2
	Software	14	38.4	-1.5	10	31.0	-27.7	30	31.1	-2.4
	Accessories	0	1.9	17.2	0	1.6	-22.8	1	1.5	-3.5
Total		37	100.0	11.8	33	100.0	-10.2	99	100.0	24.8

(millions of Yen,%)

	FY2016		FY2017	
	2nd quarter	Full year	2nd quarter	Change
(Assets)				
Cash and deposits	12,021	11,605	12,350	745
Notes and accounts receivable - trade	22,767	28,258	28,884	626
Inventories	8,008	6,300	7,885	1,585
Advance payments-trade	1,010	782	844	61
Deferred tax assets	692	736	608	-128
Other	1,508	1,294	1,378	83
Allowance for doubtful accounts	-1	-1	-2	-0
Total current assets	46,006	48,975	51,949	2,974
Property, plant and equipment	761	777	765	-11
Buildings and structures, net	378	432	433	1
Land	65	65	65	-
Other	316	279	266	-12
Intangible assets	1,182	1,005	1,291	286
Investments and other assets	10,379	10,579	11,130	551
Investment securities	6,727	7,105	8,151	1,046
Deferred tax assets	1,059	947	495	-452
Other	2,616	2,535	2,487	-48
Allowance for doubtful accounts	-22	-9	-3	5
Total non-current assets	12,323	12,361	13,188	826
Total assets	58,329	61,337	65,137	3,800

(millions of Yen,%)

	FY2016		FY2017	
	2nd quarter	Full year	2nd quarter	Change
(Liabilities)				
Notes and accounts payable-trade	21,039	21,550	23,646	2,095
Accounts payable-other	2,142	2,184	2,512	328
Income taxes payable	183	624	350	-274
Provision for bonuses	213	242	201	-41
Other	344	586	619	32
Total current liabilities	23,923	25,188	27,329	2,140
Net defined benefit liability	2,848	2,906	2,981	75
Deferred tax liabilities	0	-	83	83
Other	934	931	904	-27
Total non-current liabilities	3,782	3,837	3,969	131
Total liabilities	27,706	29,026	31,299	2,272
(Net assets)				
Capital stock	2,751	2,751	2,751	-
Capital surplus	2,784	2,784	2,795	11
Retained earnings	25,668	27,054	27,665	610
Treasury shares	-1,996	-1,997	-1,917	80
Total shareholder's equity	29,207	30,592	31,294	701
Valuation difference on available-for-sale securities	1,019	1,167	2,079	911
Deferred gains or losses on hedges	-1	-0	4	5
Total accumulated other comprehensive income	1,017	1,167	2,084	916
Subscription rights to shares	398	551	459	-91
Total Net assets	30,623	32,311	33,838	1,527
Total liabilities and Net assets	58,329	61,337	65,137	3,800
Net assets per share(¥)	1,394.01	1,464.82	1,532.75	67.93

(millions of Yen,%)

	2nd quarter of FY2016	2nd quarter of FY2017	Change
profit before income taxes	661	1,667	1,006
Depreciation	213	165	-48
Share of loss of entities accounted for using equity method	142	186	43
Decrease (increase) in notes and accounts receivable - trade	133	-625	-758
Decrease (increase) in inventories	-1,964	-1,585	379
Increase (decrease) in notes and accounts payable - trade	2,772	2,095	-676
Increase (decrease) in accounts payable - other	-234	282	516
Decrease (increase) in accounts receivable - other	1,148	-94	-1,243
Other	-4	35	40
Income taxes paid	-396	-624	-227
Net cash provided by (used in) operating activities	2,470	1,502	-968
Purchase of property, plant and equipment and intangible assets	-412	-393	18
Proceeds from sales of property, plant and equipment and intangible assets	0	0	-0
Purchase of investment securities	-5	-7	-2
Proceeds from sales of investment securities	-	78	78
Other, net	0	-	-0
Net cash provided by (used in) investing activities	-418	-322	95
Proceeds from disposal of treasury shares	-	0	0
Purchase of treasury shares	-1,090	-0	1,090
Cash dividends paid	-339	-433	-93
Other, net	-0	-	0
Net cash provided by (used in) financing activities	-1,430	-434	996
Effect of exchange rate change on cash and cash equivalents	-13	-0	13
Net increase (decrease) in cash and cash equivalents	608	745	137
Cash and cash equivalents at beginning of period	11,412	11,605	192
Cash and cash equivalents at end of period	12,021	12,350	329

■ Net sales projection by business segment

(millions of Yen,%)

	FY2016			FY2017		
		% of total	YoY		% of total	YoY
Toy business	73,725	42.4	-4.1	75,000	41.7	1.7
Visual and Music business	34,890	20.0	-9.1	37,000	20.6	6.0
Video-game business	44,793	25.7	-10.4	46,000	25.6	2.7
Amusement business	20,649	11.9	-6.2	22,000	12.1	6.5
Total	174,059	100.0	-7.1	180,000	100.0	3.4

■ Income projection by business segment

(millions of Yen,%)

	FY2016			FY2017		
		% of total	YoY		% of total	YoY
Toy business	3,044	82.3	6.9	3,250	77.4	6.7
Visual and Music business	418	11.3	-10.4	550	13.1	31.4
Video-game business	384	10.4	—	450	10.7	17.0
Amusement business	1,281	34.7	-22.4	1,350	32.1	5.3
Eliminations and corporate	-1,430	-38.7	—	-1,400	-33.3	—
Total	3,698	100.0	7.2	4,200	100.0	13.6

Notes

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