



Consolidated Financial Results

for the 1st Quarter of the Fiscal Year Ending March 31, 2019

August 9, 2018

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Consolidated Financial Results
for the 1st Quarter of the Fiscal Year Ending March 31, 2019[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 August 10, 2018
 Scheduled starting date for dividend payments: -
 The additional materials of the financial results: Yes
 The information session of the financial results: No

(Figures are in millions of yen, rounded down)

1. Consolidated Results for the 1st Quarter of the Fiscal Year Ending March 31, 2019
(April 1, 2018 - June 30, 2018)

(1) Consolidated Operating Results (For the three months Ended June 30, 2018)

(Percentages indicate year-on-year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Quarterly Profit attributable to owners of parent | |
|---|-----------|------|------------------|-------|-----------------|-------|---|---|
| | ¥ million | % | ¥ million | % | ¥ million | % | ¥ million | % |
| 1st Quarter of the Fiscal Year Ending March 31, 2019 | 47,249 | 34.4 | 767 | 70.8 | 754 | 92.3 | 435 | — |
| 1st Quarter of the Fiscal Year Ended March 31, 2018 | 35,150 | 7.3 | 449 | 194.1 | 392 | 309.2 | 177 | — |

(Note) Comprehensive income: As of June 30, 2018 258million yen (Δ71.3%)
 As of June 30, 2017 899million yen (- %)

| | Quarterly Earnings per share | Quarterly Earnings per share (diluted) |
|---|------------------------------|--|
| | ¥ | ¥ |
| 1st Quarter of the Fiscal Year Ending March 31, 2019 | 19.97 | 19.53 |
| 1st Quarter of the Fiscal Year Ended March 31, 2018 | 8.18 | 7.98 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|----------------------------|--------------|------------|--------------|
| | ¥ million | ¥ million | % |
| As of June 30, 2018 | 70,548 | 36,412 | 50.9 |
| As of March 31, 2018 | 75,281 | 36,698 | 48.0 |

(Reference)

Shareholder's equity: As of June 30, 2018 35,893million yen
 As of March 31, 2018 36,134million 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, 2018 | — | 15.00 | — | 25.00 | 40.00 |
| Fiscal Year Ended March 31, 2019 (Projection) | — | | | | |
| Fiscal Year Ending March 31, 2019 | | 20.00 | — | 20.00 | 40.00 |

(Note) Revision to the projections: No

Year-end dividends of FY2017 Ordinary dividends:15.00yen Special dividends:10.00yen

3. Consolidated Projections for the Fiscal Year ending March 31, 2019 (April 1, 2018 - March 31, 2019)

(Percentages indicate year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Earnings per share |
|--------------|-----------|------|------------------|-------|-----------------|-------|------------|--------|--------------------|
| | ¥ million | % | ¥ million | % | ¥ million | % | ¥ million | % | ¥ |
| Interim Year | 100,000 | 17.9 | 1,600 | △ 9.2 | 1,500 | △ 8.6 | 1,000 | △ 4.3 | 45.97 |
| Full Year | 230,000 | 16.4 | 5,000 | 4.0 | 4,800 | 2.1 | 3,200 | △ 20.6 | 147.09 |

(Note) Revision to the projections: No

※ 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 policies, accounting estimation change and error correction.
 - a) Changes in accounting policies due to revisions to accounting standards and other regulations: No
 - b) Changes in accounting policies 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)

| | |
|--|------------------|
| 1st quarter of the fiscal year ending March 31, 2019 | 24,050,000shares |
| Fiscal year ended March 31, 2018 | 24,050,000shares |
 - b) Number of treasury shares at the end of the period

| | |
|--|-----------------|
| 1st quarter of the fiscal year ending March 31, 2019 | 2,228,050shares |
| Fiscal year ended March 31, 2018 | 2,273,050shares |
 - c) Average number of shares during the period

| | |
|--|------------------|
| For the 1st quarter of the fiscal year ending March 31, 2019 | 21,805,612shares |
| For the 1st quarter of the fiscal year ended March 31, 2018 | 21,690,169shares |

*Financial Summary that is not covered by Certified Public Accountants and Audit Corporations.

*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 Supplement material

We will post the Supplement material in the site(http://www.happinet.co.jp/happinet_english/index.html) on.(Aug 9, 2019) .

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

(¥ million)

| | Prior Fiscal Year (As of March 31, 2018) | Current 1st Quarter (As of June 30, 2018) |
|---|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 11,458 | 16,684 |
| Notes and accounts receivable - trade | 36,979 | 26,591 |
| Inventories | 8,028 | 9,075 |
| Other | 3,011 | 2,950 |
| Allowance for doubtful accounts | Δ3 | Δ1 |
| Total current assets | 59,474 | 55,299 |
| Non-current assets | | |
| Property, plant and equipment | 758 | 758 |
| Intangible assets | | |
| Goodwill | 658 | 624 |
| Other | 1,807 | 1,870 |
| Total intangible assets | 2,465 | 2,495 |
| Investments and other assets | | |
| Investment securities | 8,323 | 8,024 |
| Other | 4,263 | 3,973 |
| Allowance for doubtful accounts | Δ3 | Δ2 |
| Total investments and other assets | 12,583 | 11,995 |
| Total non-current assets | 15,807 | 15,248 |
| Total assets | 75,281 | 70,548 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 27,785 | 25,383 |
| Income taxes payable | 1,476 | 166 |
| Provision for bonuses | 505 | 324 |
| Provision for directors' bonuses | 75 | — |
| Other provision | 60 | 68 |
| Other | 4,451 | 3,970 |
| Total current liabilities | 34,354 | 29,913 |
| Non-current liabilities | | |
| Net defined benefit liability | 2,993 | 3,023 |
| Other | 1,235 | 1,198 |
| Total non-current liabilities | 4,228 | 4,222 |
| Total liabilities | 38,583 | 34,135 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 2,751 | 2,751 |
| Capital surplus | 2,795 | 2,890 |
| Retained earnings | 30,325 | 30,216 |
| Treasury shares | Δ1,917 | Δ1,966 |
| Total shareholders' equity | 33,954 | 33,891 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,181 | 2,000 |
| Deferred gains or losses on hedges | Δ2 | 1 |
| Total accumulated other comprehensive income | 2,179 | 2,001 |
| Share acquisition rights | 564 | 518 |
| Total net assets | 36,698 | 36,412 |
| Total liabilities and net assets | 75,281 | 70,548 |

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

(¥ million)

| | Prior Fiscal Year (April 1, 2017 - June 30, 2017) | Current Fiscal Year (April 1, 2018 - June 30, 2018) |
|---|---|---|
| Net sales | 35,150 | 47,249 |
| Cost of sales | 30,567 | 41,815 |
| Gross profit | 4,582 | 5,433 |
| Selling, general and administrative expenses | 4,133 | 4,666 |
| Operating profit | 449 | 767 |
| Non-operating income | | |
| Interest income | 0 | 0 |
| Dividend income | 46 | 60 |
| Other | 12 | 11 |
| Total non-operating income | 59 | 71 |
| Non-operating expenses | | |
| Interest expenses | 0 | 0 |
| Share of loss of entities accounted for using equity method | 115 | 83 |
| Other | 0 | 0 |
| Total non-operating expenses | 115 | 84 |
| Ordinary profit | 392 | 754 |
| Extraordinary income | | |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 0 | 0 |
| Total extraordinary losses | 0 | 0 |
| Profit before income taxes | 392 | 754 |
| Income taxes - current | 74 | 147 |
| Income taxes - deferred | 140 | 171 |
| Total income taxes | 214 | 318 |
| Profit | 177 | 435 |
| Profit attributable to owners of parent | 177 | 435 |

(Consolidated quarterly statements of comprehensive income)

(¥ million)

| | Prior Fiscal Year (April 1, 2017 - June 30, 2017) | Current Fiscal Year (April 1, 2018 - June 30, 2018) |
|--|---|---|
| Profit | 177 | 435 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 721 | Δ180 |
| Deferred gains or losses on hedges | Δ0 | 3 |
| Share of other comprehensive income of entities accounted for using equity method | 0 | Δ0 |
| Total other comprehensive income | 721 | Δ177 |
| Comprehensive income | 899 | 258 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 899 | 258 |
| Comprehensive income attributable to non-controlling interests | — | — |

III. Consolidated Quarterly Financial Results by Business Segments

(1) 1st Quarter of the Fiscal Year Ended March 31, 2018 (April 1, 2017 - June 30, 2017)

(¥ million)

| | Segments | | | | | Adjustment *1 | Consolidated Total *2 |
|---|-----------------|---------------------------------|------------------------|-----------------------|--------|------------------|--------------------------|
| | Toy business | Visual and Music business | Video-game business | Amusement business | Total | | |
| Net sales | | | | | | | |
| To external customers | 13,450 | 7,944 | 9,263 | 4,492 | 35,150 | — | 35,150 |
| Inter-segment sales and transfers | — | — | — | — | — | — | — |
| Total | 13,450 | 7,944 | 9,263 | 4,492 | 35,150 | — | 35,150 |
| Segment income | 300 | 89 | 61 | 305 | 755 | △ 306 | 449 |

*1 The △306 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 profit shown on the consolidated quarterly statements of income.

(2) 1st Quarter of the Fiscal Year Ending March 31, 2019 (April 1, 2018 - June 30, 2018)

(¥ million)

| | Segments | | | | | Adjustment *1 | Consolidated Total *2 |
|---|-----------------|---------------------------------|------------------------|-----------------------|--------|------------------|--------------------------|
| | Toy business | Visual and Music business | Video-game business | Amusement business | Total | | |
| Net sales | | | | | | | |
| To external customers | 13,037 | 20,292 | 9,389 | 4,529 | 47,249 | — | 47,249 |
| Inter-segment sales and transfers | — | — | — | — | — | — | — |
| Total | 13,037 | 20,292 | 9,389 | 4,529 | 47,249 | — | 47,249 |
| Segment income | 254 | 355 | 102 | 362 | 1,075 | △ 307 | 767 |

*1 The △307 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 profit shown on the consolidated quarterly statements of income.