



Consolidated Financial Results

for the 1st Quarter of the Fiscal Year Ending March 31, 2017

August 9, 2016

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DISCLAIMER

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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 Ended March 31, 2017 (Projection)	—				
Fiscal Year Ending March 31, 2017		15.00	—	15.00	30.00

(Note) Revision to the projections: No

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		Net income		Earnings 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

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

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

For the 1st quarter of the fiscal year ending March 31, 2017	22,682,130shares
For the 1st quarter of the fiscal year ended March 31, 2016	22,642,113shares

* 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, 2016)	Current Fiscal Year (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	11,412	12,619
Notes and accounts receivable - trade	22,899	19,270
Inventories	6,043	7,788
Other	4,550	3,765
Allowance for doubtful accounts	△0	△0
Total current assets	44,905	43,443
Non-current assets		
Property, plant and equipment	753	765
Intangible assets	1,086	1,148
Investments and other assets	10,047	10,001
Total non-current assets	11,887	11,914
Total assets	56,793	55,358
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,282	17,382
Income taxes payable	380	72
Provision for bonuses	304	324
Other provision	14	11
Other	2,835	2,912
Total current liabilities	21,817	20,702
Non-current liabilities		
Net defined benefit liability	2,763	2,811
Other	857	895
Total non-current liabilities	3,621	3,707
Total liabilities	25,438	24,410
Net assets		
Shareholders' equity		
Capital stock	2,751	2,751
Capital surplus	2,784	2,784
Retained earnings	25,679	25,313
Treasury shares	△906	△906
Total shareholders' equity	30,308	29,942
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	657	613
Deferred gains or losses on hedges	△9	△5
Total accumulated other comprehensive income	648	607
Subscription rights to shares	398	398
Total net assets	31,355	30,947
Total liabilities and net assets	56,793	55,358

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

	Prior Fiscal Year (April 1, 2015 - June 30, 2015)	Current Fiscal Year (April 1, 2016 - June 30, 2016)
Net sales	37,300	32,757
Cost of sales	32,264	28,445
Gross profit	5,035	4,312
Selling, general and administrative expenses	4,256	4,160
Operating income	779	152
Non-operating income		
Interest income	0	0
Dividend income	30	27
Other	14	9
Total non-operating income	46	36
Non-operating expenses		
Interest expenses	0	0
Provision of allowance for doubtful accounts	30	—
Share of loss of entities accounted for using equity method	—	93
Other	0	0
Total non-operating expenses	30	93
Ordinary income	794	95
Extraordinary income		
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on retirement of non-current assets	0	7
Total extraordinary losses	0	7
Profit before income taxes	793	88
Income taxes - current	48	44
Income taxes - deferred	273	70
Total income taxes	322	115
Profit (loss)	471	△26
Profit (loss) attributable to owners of parent	471	△26

(Consolidated quarterly statements of comprehensive income)

(¥ million)

	Prior Fiscal Year (April 1, 2015 - June 30, 2015)	Current Fiscal Year (April 1, 2016 - June 30, 2016)
Profit (loss)	471	△26
Other comprehensive income		
Valuation difference on available-for-sale securities	137	△44
Deferred gains or losses on hedges	△0	3
Share of other comprehensive income of entities accounted for using equity method	—	0
Total other comprehensive income	137	△40
Comprehensive income	608	△66
(breakdown)		
Comprehensive income attributable to owners of parent	608	△66
Comprehensive income attributable to non-controlling interest	—	—

III. Consolidated Quarterly Financial Results by Business Segments

(1) 1st Quarter of the Fiscal Year Ended March 31, 2016 (April 1, 2015 - June 30, 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	15,219	8,601	8,018	5,459	37,300	—	37,300
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	15,219	8,601	8,018	5,459	37,300	—	37,300
Segment income(loss)	532	23	△ 58	573	1,071	△ 292	779

*1 The △292million 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) 1st Quarter of the Fiscal Year Ending March 31, 2017 (April 1, 2016 - June 30, 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	14,300	8,138	5,832	4,487	32,757	—	32,757
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	14,300	8,138	5,832	4,487	32,757	—	32,757
Segment income(loss)	284	△ 54	△ 129	345	445	△ 292	152

*1 The △292 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.