



Consolidated Financial Results

for the 2nd Quarter of the Fiscal Year Ending March 31, 2017

November 10, 2016

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) Consolidated Quarterly Statements of Cash Flows

(iv) Notes to the Consolidated Financial Statements

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Consolidated Financial Results
for the 2nd 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 November 11, 2016
 Scheduled starting date for dividend payments: December 5, 2016
 The additional materials of the financial results: Yes
 The information session of the financial results: Yes (For Analysts)

(Figures are in millions of yen, rounded down)

1. Consolidated Results for the 2nd Quarter of the Fiscal Year Ending March 31, 2017
(April 1, 2016 - September 30, 2016)

(1) Consolidated Operating Results (For the six months Ended September 30, 2016)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Quarterly Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
2nd Quarter of the Fiscal Year Ending March 31, 2017	72,448	△ 13.7	844	△ 54.0	741	△ 60.1	329	△ 72.2
2nd Quarter of the Fiscal Year Ended March 31, 2016	83,993	△ 10.1	1,837	△ 22.2	1,857	△ 23.1	1,185	△ 34.7

Note: Comprehensive income: As of September 30, 2016 699million yen (△45.9%)
 As of September 30, 2015 1,291million yen (△34.0%)

	Quarterly Earnings per share	Quarterly Earnings per share (diluted)
	¥	¥
2nd Quarter of the Fiscal Year Ending March 31, 2017	14.63	14.36
2nd Quarter of the Fiscal Year Ended March 31, 2016	52.33	51.62

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	¥ million	¥ million	%
As of September 30, 2016	58,329	30,623	51.8
As of March 31, 2016	56,793	31,355	54.5

(Reference)

Shareholder's equity: As of September 30, 2016 30,225million 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			—	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		Quarterly Profit attributable to owners of parent		Earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
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 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)

2nd 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

2nd quarter of the fiscal year ending March 31, 2017	2,367,930shares
Fiscal year ended March 31, 2016	1,367,870shares
 - c) Average number of shares during the period

For the 2nd quarter of the fiscal year ending March 31, 2017	22,515,761shares
For the 2nd quarter of the fiscal year ended March 31, 2016	22,662,261shares

* 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 Fiscal Year (As of Sep. 30, 2016)
Assets		
Current assets		
Cash and deposits	11,412	12,021
Notes and accounts receivable - trade	22,899	22,767
Inventories	6,043	8,008
Other	4,550	3,210
Allowance for doubtful accounts	△0	△1
Total current assets	44,905	46,006
Non-current assets		
Property, plant and equipment	753	761
Intangible assets	1,086	1,182
Investments and other assets	10,047	10,379
Total non-current assets	11,887	12,323
Total assets	56,793	58,329
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,282	21,039
Income taxes payable	380	183
Provision for bonuses	304	213
Other provision	14	10
Other	2,835	2,476
Total current liabilities	21,817	23,923
Non-current liabilities		
Net defined benefit liability	2,763	2,848
Other	857	934
Total non-current liabilities	3,621	3,782
Total liabilities	25,438	27,706
Net assets		
Shareholders' equity		
Capital stock	2,751	2,751
Capital surplus	2,784	2,784
Retained earnings	25,679	25,668
Treasury shares	△906	△1,996
Total shareholders' equity	30,308	29,207
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	657	1,019
Deferred gains or losses on hedges	△9	△1
Total accumulated other comprehensive income	648	1,017
Subscription rights to shares	398	398
Total net assets	31,355	30,623
Total liabilities and net assets	56,793	58,329

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

(¥million)

	Prior Fiscal Year (Apr. 1, 2015 - Sept. 30, 2015)	Current Fiscal Year (Apr. 1, 2016 - Sept. 30, 2016)
Net sales	83,993	72,448
Cost of sales	73,386	62,911
Gross profit	10,606	9,537
Selling, general and administrative expenses	8,769	8,693
Operating income	1,837	844
Non-operating income		
Interest income	2	0
Dividend income	31	28
Other	16	15
Total non-operating income	50	43
Non-operating expenses		
Interest expenses	0	0
Provision of allowance for doubtful accounts	30	—
Share of loss of entities accounted for using equity method	—	142
Other	0	4
Total non-operating expenses	31	146
Ordinary income	1,857	741
Extraordinary income		
Gain on sales of non-current assets	—	0
Total extraordinary income	—	0
Extraordinary losses		
Loss on sales of non-current assets	4	0
Loss on retirement of non-current assets	0	30
Litigation expenses	—	50
Total extraordinary losses	4	80
Profit before income taxes	1,853	661
Income taxes - current	232	183
Income taxes - deferred	434	148
Total income taxes	667	331
Quarterly Profit	1,185	329
Quarterly Profit attributable to owners of parent	1,185	329

(Consolidated Quarterly Statements of Comprehensive Income)

(¥ million)

	Prior Fiscal Year (Apr. 1, 2015 - Sept. 30, 2015)	Current Fiscal Year (Apr. 1, 2016 - Sept. 30, 2016)
Profit	1,185	329
Other comprehensive income		
Valuation difference on available-for-sale securities	110	361
Deferred gains or losses on hedges	△4	7
Share of other comprehensive income of entities accounted	—	0
Total other comprehensive income	106	369
Quarterly Comprehensive income	1,291	699
(Break down)		
Quarterly Comprehensive income attributable to owners of parent	1,291	699
Quarterly Comprehensive income attributable to non-controlling interests	—	—

(iii) Consolidated Quarterly Statements of Cash Flows

(¥ million)

	Prior Fiscal Year (Apr. 1, 2015 - Sept. 30, 2015)	Current Fiscal Year (Apr. 1, 2016 - Sept. 30, 2016)
Cash flows from operating activities		
Profit before income taxes	1,853	661
Depreciation	164	213
Increase (decrease) in allowance for doubtful account:	23	△10
Increase (decrease) in provision for bonuses:	△519	△90
Increase (decrease) in provision for directors' bonuses:	△121	—
Increase (decrease) in net defined benefit liability:	21	85
Interest and dividend income	△34	△28
Interest expenses	0	0
Loss (gain) on sales and retirement of non-current assets:	4	30
Foreign exchange losses (gains):	0	△2
Share of (profit) loss of entities accounted for using equity method:	—	142
Decrease (increase) in notes and accounts receivable - trade:	108	133
Decrease (increase) in inventories:	△2,897	△1,964
Increase (decrease) in notes and accounts payable - trade:	4,269	2,772
Other, net	△2,019	853
Subtotal	852	2,795
Interest and dividend income received	34	28
Proceeds from dividend income from entities accounted for using equity method:	—	44
Interest expenses paid	△0	△0
Income taxes paid	△1,054	△396
Net cash provided by (used in) operating activities:	△167	2,470
Cash flows from investing activities:		
Purchase of property, plant and equipment:	△117	△197
Proceeds from sales of property, plant and equipment:	—	0
Purchase of intangible assets:	△247	△215
Purchase of investment securities:	△5	△5
Other	△0	0
Net cash provided by (used in) investing activities:	△371	△418
Cash flows from financing activities:		
Proceeds from disposal of treasury shares:	2	—
Purchase of treasury shares:	—	△1,090
Cash dividends paid:	△338	△339
Other	△0	△0
Net cash provided by (used in) financing activities:	△336	△1,430
Effect of exchange rate change on cash and cash equivalent:	△0	△13
Net increase (decrease) in cash and cash equivalent:	△875	608
Cash and cash equivalents at beginning of period:	15,867	11,412
Cash and cash equivalents at end of period:	14,992	12,021

(iv) Notes to the Consolidated Financial Statement:

(Notes regarding going concern assumptions):

Not applicable

(Notes regarding significant changes in shareholders' equity accounts:

Acquisition of Treasury Stock

Following a resolution made at based on the corporation law at article 371

(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 2nd quarter ending to 1,996 million yen at the end of the 2nd quarter consolidated accounting period.

(Segments Information)

(1) 2nd Quarter of the Fiscal Year Ended March 31, 2016 (April 1, 2015 - September 30, 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	34,742	17,352	20,212	11,686	83,993	—	83,993
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	34,742	17,352	20,212	11,686	83,993	—	83,993
Segment income	1,256	144	△ 50	1,154	2,504	△ 667	1,837

*1 The △667 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.

(2) 2nd Quarter of the Fiscal Year Ending March 31, 2017 (April 1, 2016 - September 30, 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	31,585	16,517	14,302	10,045	72,448	—	72,448
Inter-segment sales and transfers	—	—	—	—	—	—	—
Total	31,585	16,516	14,302	10,045	72,448	—	72,448
Segment income(loss)	768	146	△ 36	642	1,520	△ 675	844

*1 The △675 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.