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On **November 12, 2019**, Happinet Corporation announced earnings results for 1H FY03/20.

Cumulative (JPYmm)	FY03/19				FY03/20				FY03/20		FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of 1H	1H Est.	% of FY	FY Est.
Sales	47,249	104,580	191,262	240,398	46,257	103,014			103.0%	100,000	42.9%	240,000
YoY	34.4%	23.3%	24.5%	21.7%	-2.1%	-1.5%				-4.4%		-0.2%
Gross profit	5,433	11,729	20,390	25,193	5,496	11,747						
YoY	18.6%	14.3%	13.6%	10.1%	1.2%	0.2%						
GPM	11.5%	11.2%	10.7%	10.5%	11.9%	11.4%						
SG&A expenses	4,666	9,809	15,509	20,653	4,921	10,141						
YoY	12.9%	15.3%	17.0%	14.3%	5.5%	3.4%						
SG&A ratio	9.9%	9.4%	8.1%	8.6%	10.6%	9.8%						
Operating profit	767	1,920	4,880	4,540	575	1,605			94.4%	1,700	32.1%	5,000
YoY	70.8%	9.0%	4.0%	-5.5%	-25.0%	-16.4%				-11.5%		10.1%
OPM	1.6%	1.8%	2.6%	1.9%	1.2%	1.6%				1.7%		2.1%
Recurring profit	754	1,851	4,786	4,383	573	1,571			98.2%	1,600	32.7%	4,800
YoY	92.3%	12.9%	5.4%	-6.8%	-23.9%	-15.2%				-13.6%		9.5%
RPM	1.6%	1.8%	2.5%	1.8%	1.2%	1.5%				1.6%		2.0%
Net income attributable to owners of the parent	435	1,103	3,038	2,735	137	763			95.4%	800	27.3%	2,800
YoY	145.8%	5.7%	-19.9%	-32.2%	-68.5%	-30.8%				-27.5%		2.4%
Net margin	0.9%	1.1%	1.6%	1.1%	0.3%	0.7%				0.8%		1.2%

  

Quarterly (JPYmm)	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	47,249	57,331	86,682	49,136	46,257	56,757		
YoY	34.4%	15.4%	25.9%	11.9%	-2.1%	-1.0%		
Gross profit	5,433	6,296	8,661	4,803	5,496	6,251		
YoY	18.6%	10.8%	12.7%	-2.5%	1.2%	-0.7%		
GPM	11.5%	11.0%	10.0%	9.8%	11.9%	11.0%		
SG&A expenses	4,666	5,143	5,700	5,144	4,921	5,220		
YoY	12.9%	17.7%	19.8%	6.9%	5.5%	1.5%		
SG&A ratio	9.9%	9.0%	6.6%	10.5%	10.6%	9.2%		
Operating profit	767	1,153	2,960	-340	575	1,030		
YoY	70.8%	-12.1%	0.9%	-	-25.0%	-10.7%		
OPM	1.6%	2.0%	3.4%	-	1.2%	1.8%		
Recurring profit	754	1,097	2,935	-403	573	998		
YoY	92.3%	-12.1%	1.2%	-	-24.0%	-9.0%		
RPM	1.6%	1.9%	3.4%	-	1.2%	1.8%		
Net income attributable to owners of the parent	435	668	1,935	-303	137	626		
YoY	145.8%	-23.0%	-29.6%	-	-68.5%	-6.3%		
Net margin	0.9%	1.2%	2.2%	-	0.3%	1.1%		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Three-month quarterly figures are calculated as the cumulative figures minus the previous quarter's cumulative figures.

**Seasonality:** The Toys business typically accounts for 30% of annual sales and 40% of operating profit. Retail toy sales peak in the weeks leading up to Christmas, thus the company's sales and operating profit are highest in Q3 which includes December.

## Performance by segment

Segments (cumulative)		FY03/19				FY03/20			
(JPYmm)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total sales		47,249	104,580	191,262	240,398	46,257	103,014		
YoY		34.4%	23.3%	24.5%	21.7%	-2.1%	-1.5%		
Toys		13,037	31,736	61,671	77,004	16,362	36,785		
YoY		-3.1%	1.7%	6.1%	7.8%	25.5%	15.9%		
Visual and Music		20,292	42,896	63,567	81,762	17,829	34,921		
YoY		155.4%	126.6%	125.8%	92.5%	-12.1%	-18.6%		
Videogames		9,389	20,111	51,356	61,648	7,462	21,227		
YoY		1.4%	-19.1%	-2.0%	-2.3%	-20.5%	5.6%		
Amusement		4,529	9,836	14,666	19,983	4,601	10,079		
YoY		0.8%	0.0%	-2.0%	-3.1%	1.6%	2.5%		
Segment profit		767	1,920	4,880	4,540	575	1,605		
YoY		70.8%	9.0%	4.0%	-5.5%	-25.0%	-16.4%		
Toys		254	808	2,496	2,021	254	709		
YoY		-15.3%	-9.3%	-9.8%	-18.1%	-0.2%	-12.2%		
Visual and Music		355	759	1,107	1,096	278	559		
YoY		298.9%	144.1%	129.4%	24.3%	-21.7%	-26.3%		
Videogames		102	212	1,051	1,038	18	173		
YoY		67.2%	-47.3%	-11.9%	-12.0%	-81.8%	-18.3%		
Amusement		362	762	1,208	1,724	330	790		
YoY		18.7%	0.1%	-1.9%	2.7%	-9.0%	3.7%		
Adjustments		-307	-622	-983	-1,340	-306	-627		
Segments (quarterly)		FY03/19				FY03/20			
(JPYmm)		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total sales		47,249	57,331	86,682	49,136	46,257	56,757		
YoY		34.4%	15.4%	25.9%	11.9%	-2.1%	-1.0%		
Toys		13,037	18,699	29,935	15,333	16,362	20,423		
YoY		-3.1%	5.3%	11.1%	15.7%	25.5%	9.2%		
Visual and Music		20,292	22,604	20,671	18,195	17,829	17,092		
YoY		155.4%	105.8%	124.2%	27.1%	-12.1%	-24.4%		
Videogames		9,389	10,722	31,245	10,292	7,462	13,765		
YoY		1.4%	-31.2%	13.3%	-3.7%	-20.5%	28.4%		
Amusement		4,529	5,307	4,830	5,317	4,601	5,478		
YoY		0.8%	-0.6%	-5.8%	-6.2%	1.6%	3.2%		
Segment profit		767	1,153	2,960	-340	575	1,030		
YoY		70.8%	-12.1%	0.9%	-	-25.0%	-10.7%		
Toys		254	554	1,688	-475	254	455		
YoY		-15.3%	-6.3%	-9.9%	-	-0.2%	-17.9%		
Visual and Music		355	404	348	-11	278	281		
YoY		298.9%	82.0%	103.5%	-	-21.7%	-30.4%		
Videogames		102	110	839	-13	18	155		
YoY		67.2%	-67.7%	5.9%	-	-81.8%	40.9%		
Amusement		362	400	446	516	330	460		
YoY		18.7%	-12.3%	-5.3%	15.7%	-9.0%	15.0%		
Adjustments		-307	-315	-361	-357	-306	-321		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Three-month quarterly figures are calculated as the cumulative figures minus the previous quarter's cumulative figures.

## Toys segment

Cumulative (JPYmn)	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total sales	13,037	31,736	61,671	77,004	16,362	36,785		
YoY	-3.1%	1.7%	6.1%	7.8%	25.5%	15.9%		
Bandai	7,300	19,000	37,700	47,700	8,900	21,600		
YoY	20.4%	25.8%	29.6%	30.7%	22.5%	14.0%		
% of total	56.1%	60.0%	61.2%	62.0%	54.7%	59.0%		
TAKARA TOMY	1,700	4,000	7,200	8,800	1,600	3,800		
YoY	14.4%	23.7%	22.3%	20.2%	-7.5%	-4.9%		
% of total	13.4%	12.8%	11.7%	11.5%	9.9%	10.5%		
Happinet original	400	900	1,500	1,900	400	900		
YoY	76.8%	27.2%	18.6%	17.6%	-6.8%	-0.1%		
% of total	3.4%	3.1%	2.6%	2.5%	2.5%	2.7%		
Other	3,500	7,600	15,100	18,500	5,300	10,200		
YoY	-36.9%	-36.3%	-30.6%	-28.5%	52.2%	33.8%		
% of total	27.1%	24.1%	24.5%	24.0%	32.9%	27.8%		
Segment profit	254	808	2,496	2,021	254	709		
YoY	-15.3%	-9.3%	-9.8%	-18.1%	-0.2%	-12.2%		
Segment profit margin	1.9%	2.5%	4.0%	2.6%	1.6%	1.9%		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Some sales categorizations have been modified from FY03/19 due to the April 2018 startup of BANDAI SPIRITS CO., LTD.

## Visual and Music segment

Cumulative (JPYmn)	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total sales	20,292	42,896	63,567	81,762	17,829	34,921		
YoY	155.4%	126.6%	125.8%	92.5%	-12.1%	-18.6%		
Visual	12,000	26,200	38,800	45,000	10,000	20,200		
YoY	83.4%	72.2%	71.9%	38.4%	-16.7%	-22.8%		
% of total	59.2%	61.2%	61.2%	55.1%	56.1%	58.1%		
Wholesale	11,100	24,700	36,500	40,600	8,900	18,100		
YoY	111.1%	91.5%	89.1%	44.9%	-20.5%	-26.8%		
% of total	55.2%	57.7%	57.5%	49.8%	49.9%	51.9%		
Manufacturers	800	1,500	2,300	4,300	1,100	2,100		
YoY	-34.6%	-35.1%	-29.4%	-2.7%	35.1%	44.0%		
% of total	4.0%	3.5%	3.7%	5.3%	6.2%	6.2%		
Music	8,200	16,600	24,600	36,700	7,800	14,600		
YoY	493.4%	352.0%	346.4%	269.9%	-5.5%	-12.0%		
% of total	40.8%	38.8%	38.8%	44.9%	43.9%	41.9%		
Segment profit	355	759	1,107	1,096	278	559		
YoY	298.9%	144.1%	129.4%	24.3%	-21.7%	-26.3%		
Segment profit margin	1.7%	1.8%	1.7%	1.3%	1.6%	1.6%		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: In March 2018, Happinet acquired a portion of Seikodo Co., Ltd.'s rights and obligations concerning the wholesale of packaged music and video through its consolidated subsidiary Seikodo Marketing.

## Videogames segment

Cumulative (JPYmn)	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total sales	9,389	20,111	51,356	61,648	7,462	21,227		
YoY	1.4%	-19.1%	-2.0%	-2.3%	-20.5%	5.6%		
Nintendo products	7,200	16,400	44,700	52,700	6,500	19,000		
YoY	-4.2%	-22.5%	-3.1%	-2.2%	-10.1%	15.5%		
% of total	77.7%	81.9%	87.1%	85.7%	87.8%	89.6%		
SIE products	1,900	3,300	5,600	7,600	700	1,600		
YoY	26.5%	-0.9%	-1.8%	-8.6%	-63.3%	-49.3%		
% of total	20.9%	16.4%	11.1%	12.4%	9.7%	7.9%		
Others	100	300	900	1,100	100	500		
YoY	33.7%	28.6%	105.3%	62.9%	41.9%	55.7%		
% of total	1.4%	1.7%	1.8%	1.9%	2.5%	2.5%		
Segment profit	102	212	1,051	1,038	18	173		
YoY	67.2%	-47.3%	-11.9%	-12.0%	-81.8%	-18.3%		
Segment profit margin	1.1%	1.1%	2.0%	1.7%	0.2%	0.8%		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: SIE is Sony Interactive Entertainment Inc.

## Amusement segment

Cumulative (JPYmn)	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total sales	4,529	9,836	14,666	19,983	4,601	10,079		
YoY	0.8%	0.0%	-2.0%	-3.1%	1.6%	2.5%		
Capsule toys	2,500	5,400	8,800	11,500	2,600	6,100		
YoY	4.7%	2.8%	10.2%	5.5%	6.2%	11.3%		
% of total	55.5%	55.9%	60.2%	57.6%	58.0%	60.7%		
Card games	1,600	3,400	3,800	6,400	1,400	2,900		
YoY	-2.3%	-9.4%	-32.8%	-19.7%	-10.0%	-14.4%		
% of total	36.1%	34.6%	26.3%	32.5%	32.0%	28.9%		
Other	300	900	1,900	1,900	400	1,000		
YoY	-8.6%	28.8%	63.3%	21.2%	20.9%	12.2%		
% of total	8.4%	9.5%	13.5%	9.9%	10.0%	10.4%		
Segment profit	362	762	1,208	1,724	330	790		
YoY	18.7%	0.1%	-1.9%	2.7%	-9.0%	3.7%		
Segment profit margin	8.0%	7.7%	8.2%	8.6%	7.2%	7.8%		

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

## 1H FY03/20 results

- ▷ Sales: JPY103.0bn (-1.5% YoY)
- ▷ Operating profit: JPY1.6bn (-16.4% YoY)
- ▷ Recurring profit: JPY1.6bn (-15.2% YoY)
- ▷ Net income\*: JPY763mn (-30.8% YoY)

\*Net income refers to net income attributable to owners of the parent.

Sales fell below the prior-year level, due to weak sales in the Visual and Music segment despite brisk sales in the Toys, Videogames, and Amusement segments. Both operating profit and recurring profit were lower YoY, owing to an increase in depreciation, distribution costs and other SG&A expenses, and the booking of an inventory valuation loss at the Toys segment. Net income attributable to owners of the parent also fell YoY, reflecting a decline in recurring profit as well as JPY282mn in expenses—booked as an extraordinary loss—incurred in commemorating the company’s 50th anniversary.

### Toys

In the Toys segment, sales rose 15.9% YoY to JPY36.8bn while segment profit fell 12.2% YoY to JPY709mn.

Sales rose YoY due to robust performances by Bandai products related to the Kishiryu Sentai Ryusoulger television series, by plastic models, collectors’ figures and other high-target toys from BANDAI SPIRITS, and by the latter’s Ichiban Kuji products. Profit fell YoY because the company posted inventory valuation losses for some products.

### Visual and Music

In the Visual and Music segment, sales fell 18.6% YoY to JPY34.9bn and segment profit fell 26.3% YoY to JPY559mn.

Both sales and profit fell, as no products scored sufficiently big hits to lead the market despite favorable package sales for the exclusive-distribution drama Tonbo.

### Videogames

In the Videogames segment, sales rose 5.6% YoY to JPY21.2bn and segment profit fell 18.3% YoY to JPY173mn.

Sales increased YoY, buoyed by the release of new Nintendo Switch hardware and launch of the Nintendo Switch Lite. Profit fell owing to increased promotion expenses accompanying the release of its original game software.

### Amusement

In the Amusement segment, sales rose 2.5% YoY to JPY10.1bn and segment profit was 3.7% higher YoY at JPY790mn.

Sales and segment profit both came in higher than the previous year. Capsule toys performed well due to the positive effects of sales events (in railway station complexes, for example) and the development of new locations.

## Full-year company forecasts for FY03/20

(JPYmn)	FY03/19			FY03/20		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
<b>Sales</b>	<b>104,580</b>	<b>135,818</b>	<b>240,398</b>	<b>103,014</b>	<b>136,986</b>	<b>240,000</b>
YoY	23.3%	20.4%	21.7%	-1.5%	0.9%	-0.2%
Cost of sales	92,850	122,354	215,204	91,267		
<b>Gross profit</b>	<b>11,729</b>	<b>13,464</b>	<b>25,193</b>	<b>11,747</b>		
GPM	11.2%	9.9%	10.5%	11.4%		
SG&A expenses	9,809	10,844	20,653	10,141		
SG&A ratio	9.4%	8.0%	8.6%	9.8%		
<b>Operating profit</b>	<b>1,920</b>	<b>2,620</b>	<b>4,540</b>	<b>1,605</b>	<b>3,395</b>	<b>5,000</b>
YoY	9.0%	-14.0%	-5.5%	-16.4%	29.6%	10.1%
OPM	1.8%	1.9%	1.9%	1.6%	2.5%	2.1%
<b>Recurring profit</b>	<b>1,851</b>	<b>2,532</b>	<b>4,383</b>	<b>1,571</b>	<b>3,229</b>	<b>4,800</b>
YoY	12.9%	-17.3%	-6.8%	-15.1%	27.5%	9.5%
RPM	1.8%	1.9%	1.8%	1.5%	2.4%	2.0%
<b>Net income attributable to owners of the parent</b>	<b>1,103</b>	<b>1,632</b>	<b>2,735</b>	<b>763</b>	<b>2,037</b>	<b>2,800</b>
YoY	5.7%	-45.4%	-32.2%	-30.8%	24.8%	2.4%
Net margin	1.1%	1.2%	1.1%	0.7%	1.5%	1.2%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: 2H results are the product of subtracting 1H results from full-year results.

### Forecasts by segment

(JPYmn)	FY03/19			FY03/20		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
<b>Sales</b>	<b>104,580</b>	<b>135,818</b>	<b>240,398</b>	<b>103,014</b>	<b>136,986</b>	<b>240,000</b>
YoY	23.3%	20.4%	21.7%	-1.5%	0.9%	-0.2%
Toys	31,736	45,268	77,004	36,785	43,215	80,000
YoY	1.7%	12.6%	7.8%	15.9%	-4.5%	3.9%
Visual and Music	42,896	38,866	81,762	34,921	45,079	80,000
YoY	126.6%	65.1%	92.5%	-18.6%	16.0%	-2.2%
Videogames	20,111	41,537	61,648	21,227	38,773	60,000
YoY	-19.1%	8.6%	-2.3%	5.6%	-6.7%	-2.7%
Amusement	9,836	10,147	19,983	10,079	9,921	20,000
YoY	0.0%	-6.0%	-3.1%	2.5%	-2.2%	0.1%
<b>Segment profit</b>	<b>1,920</b>	<b>2,620</b>	<b>4,540</b>	<b>1,605</b>	<b>3,395</b>	<b>5,000</b>
YoY	9.0%	-14.0%	-5.5%	-16.4%	29.6%	10.1%
Toys	808	1,213	2,021	709	1,891	2,600
YoY	-9.3%	-23.0%	-18.1%	-12.2%	55.9%	28.6%
OPM	2.5%	2.7%	2.6%	1.9%	4.4%	3.3%
Visual and Music	759	337	1,096	559	541	1,100
YoY	144.1%	-41.0%	24.3%	-26.3%	60.5%	0.3%
OPM	1.8%	0.9%	1.3%	1.6%	1.2%	1.4%
Videogames	212	826	1,038	173	827	1,000
YoY	-47.3%	6.2%	-12.0%	-18.3%	0.1%	-3.7%
OPM	1.1%	2.0%	1.7%	0.8%	2.1%	1.7%
Amusement	762	962	1,724	790	910	1,700
YoY	0.1%	4.9%	2.7%	3.7%	-5.4%	-1.4%
OPM	7.7%	9.5%	8.6%	7.8%	9.2%	8.5%
Adjustments	-622	-718	-1,340	-627	-773	-1,400

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: 2H results are the product of subtracting 1H results from full-year results.

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