

**Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2019  
(Three Months Ended June 30, 2018) (Based on J-GAAP)**

July 31, 2018

Company name: Marvelous Inc. Listing: First Section of Tokyo Stock Exchange  
 Stock code: 7844 URL: <https://corp.marv.jp>  
 Representative: Haruki Nakayama, Chairman, CEO  
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Scheduled date of filing Quarterly Securities Report: August 2, 2018

Scheduled commencement date of dividend payout: —

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly results briefing: None

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2019  
(April 1, 2018 – June 30, 2018)**

(1) Consolidated Results of Operations (three months) (Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q FY2019	6,296	30.6	650	(8.2)	699	(1.6)	440	(16.7)
1Q FY2018	4,822	(22.3)	708	11.1	711	73.4	528	74.5

Note: Comprehensive income (million yen): 1Q FY2019: 490 (down 7.5%) 1Q FY2018: 530 (up 122.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
1Q FY2019	8.51	—
1Q FY2018	10.22	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1Q FY2019	24,038	17,178	71.5	332.10
FY2018	25,488	18,414	72.2	355.93

Reference: Shareholders' equity (million yen): 1Q FY2019: 17,176 FY2018: 18,408

**2. Dividends**

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2018	—	0.00	—	33.00	33.00
FY2019	—				
FY2019 (forecasts)		0.00	—	33.00	33.00

Note: Revisions to the most recently announced dividend forecast: None

**3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)**

(Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	25,000	(1.2)	4,500	(12.6)	4,500	(11.9)	2,980	(15.2)	57.62

Note: Revisions to the most recently announced consolidated forecast: None

The first-half forecast is omitted because the Company manages financial performance on a fiscal year basis.

**\*Notes**

(1) Changes in significant subsidiaries during the period under review

(changes in specified subsidiaries accompanying changes in the scope of consolidation): None

New: None (Company name: )

Excluded: None (Company name: )

(2) Application of accounting procedures specific to the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies and estimates, and restatements

1) Changes in accounting policies caused by revision of accounting standards: None

2) Changes in accounting policies other than those mentioned above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of shares issued and outstanding (shares of common stock)

1) Number of shares outstanding (including treasury shares) at end of period	1Q FY2019	53,593,100 shares	FY2018	53,593,100 shares
2) Number of treasury shares at end of period	1Q FY2019	1,872,421 shares	FY2018	1,872,421 shares
3) Average number of shares outstanding during the period (three months)	1Q FY2019	51,720,679 shares	1Q FY2018	51,720,682 shares

Note: The number of treasury shares at end of period includes 500,000 shares held by Trust & Custody Services Bank, Ltd. (Trust E Unit) as trust assets of the "Board Benefit Trust (BBT)."

\* The quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

\* Cautionary statement with respect to forward-looking statements and other special items

This document contains forward-looking statements including forecasts of the Company's business performance, which are based on information currently available to the Company as well as on certain assumptions that the Company deems reasonable. Therefore, results including actual business performance could differ materially from those described in these forward-looking statements as a result of numerous factors.

## 1. Qualitative Information Concerning Quarterly Results

### (1) Explanation of Consolidated Business Results

The entertainment industry during the period under review saw the following changes. In the domestic mobile games market, game genres such as the Battle Royale game established a new position while Asian games, especially those from China and South Korea, continued to strengthen their presence in the Japanese market. This trend is expected to continue to grow. In the domestic home-use games market, the hardware and software markets, driven by new hardware, both continued to perform well. Moreover, e-sports and indie game-related news were largely covered in the media as these markets are expected to grow in the future. The amusement market continued to expand, albeit slowly, despite a cooling of growth in prize games following sustained strong performances. In the audio & visual market, attention focused on growth and intensifying competition in the distribution business, including tremendous interest surrounding the listing of a global-class audio streaming service company. In the live entertainment market, success continued unabated despite problems such as a shortage of performance venues and ticket resale.

Under these circumstances, the Group has been operating as a comprehensive entertainment provider deploying a “multi-content, multi-use, and multi-device” strategy to deliver diverse entertainment content in all business segments and on a variety of devices. In order to establish robust IPs, the Group has been driving its strategy in the three key areas of branding, alliances, and global business, and is working to offer content that generates “buzz” among today’s users while endeavoring to enhance its services.

As a result, the Group’s net sales in the first quarter (April 1, 2018 to June 30, 2018) marked 6,296 million yen (up 30.6% compared with the same period of the previous fiscal year), with operating profit of 650 million yen (down 8.2%), ordinary profit of 699 million yen (down 1.6%), and profit attributable to owners of parent of 440 million yen (down 16.7%).

Results by business segment are described below.

#### (i) Online Game Business

Sales of long-term operating titles including “Logres of Swords and Sorcery: Goddess of Ancient” were sluggish. Among the titles released in the previous fiscal year, “SHINOVI MASTER -SENTRAN KAGURA NEW LINK-” performed well but other new titles were unable to contribute sufficient earnings. Meanwhile, regarding strengthening of overseas development, we decided to launch “SENGOKU NIGHT BLOOD (traditional Chinese character version)” in Taiwan, Hong Kong and Macao and “Sengoku Night Blood (simplified Chinese version)” and “SHINOVI MASTER -SENTRAN KAGURA NEW LINK-” in mainland China. Regarding “ORDINAL STRATA,” we transferred all operations to our collaborative partner Fuji Games, Inc. while writing down development costs in a lump sum.

As a result, segment net sales totaled 2,302 million yen (down 1.2% compared with the same period of the previous fiscal year), with segment profit of 29 million yen (down 90.4%).

#### (ii) Consumer Game Business

Regarding the Company’s own sales division, we released “Fate/EXTELLA LINK” (PS Vita/PS4) on June 7, 2018, as the latest in this franchise for the domestic market. Overseas, subsidiary Marvelous USA, Inc. started distributing “Bullet Witch,” which was originally launched in 2006 for Xbox 360, worldwide as a Windows PC ported version. In addition, repeat sales of titles launched in previous years performed well.

At the amusement division, “Pokémon Ga-Olé,” which started operation three years ago, performed well and the overseas expansion of “Pokémon TRETТА” also succeeded. In addition, “TRYPOD,” newly launched in the previous fiscal year, continued to record strong sales both domestically and overseas.

As a result, segment net sales totaled 2,668 million yen (up 99.3% compared with the same period of the previous fiscal year), with segment profit of 509 million yen (up 87.4%).

(iii) Audio & Visual Business

The division's audio & video production came out with package products such as TV anime production "HUG! Pretty Cure" and launched broadcasting of a TV anime production "Tokyo Ghoul:re." In addition, secondary use revenues increased mainly through video distribution of works in our library.

In the stage production division, "Musical HAKUOKI," "MUSICAL AO HARU TETSUDO," "MUSICAL THE PRINCE OF TENNIS," "JOKER GAME THE STAGE," and other numerous franchise productions were performed (all results are to be recorded in the second quarter accounts). The package sales of "Touken Ranbu the Stage" and "Ensemble Stars! On Stage" franchises led to favorable results.

As a result, segment net sales totaled 1,326 million yen (up 13.9% compared with the same period of the previous fiscal year), with segment profit of 454 million yen (up 4.5%).

**(2) Explanation of Consolidated Financial Position**

At the end of the first quarter, the Group had total assets of 24,038 million yen (down 1,450 million yen from the end of the previous fiscal year), total liabilities of 6,860 million yen (down 214 million yen), and net assets of 17,178 million yen (down 1,235 million yen).

Current assets

Consolidated current assets at the end of the first quarter totaled 20,143 million yen, down 993 million yen from the end of the previous fiscal year, due mainly to decreases in notes and accounts receivable-trade and inventories.

Non-current assets

Consolidated non-current assets at the end of the first quarter totaled 3,894 million yen, which was 456 million yen less than at the end of the previous fiscal year, due mainly to decreases in property, plant, and equipment and intangible assets.

Current liabilities

Consolidated current liabilities at the end of the first quarter totaled 6,809 million yen, which was 214 million yen less than at the end of the previous fiscal year, due mainly to decreases in accounts payable-trade and accounts payable-other.

Non-current liabilities

Consolidated non-current liabilities at the end of the first quarter totaled 50 million yen, unchanged from the end of the previous fiscal year.

Net assets

Consolidated net assets at the end of the first quarter totaled 17,178 million yen, down 1,235 million yen from the end of the previous fiscal year due to a decrease in retained earnings resulting from the payment of dividends in the previous fiscal year while there was a 440 million yen of profit attributable to owners of parent for the period.

**(3) Explanation of Consolidated Forecasts and Other Forward-looking Statements**

The consolidated forecast remains unchanged from the forecast announced on May 10, 2018.