

Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2020 (Three Months Ended June 30, 2019) (Based on J-GAAP)

July 31, 2019

Company name: Marvelous Inc. Listing: First Section of Tokyo Stock Exchange
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 Scheduled commencement date of dividend payout: —
 Explanatory documents supplemental to the abridged Quarterly Financial Statement: Yes
 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, 2020 (April 1, 2019 – June 30, 2019)

(1) Consolidated Results of Operations (three months)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1Q FY 2020	4,518	(28.2)	662	1.8	618	(11.6)	343	(22.0)
1Q FY 2019	6,296	30.6	650	(8.2)	699	(1.6)	440	(16.7)

Note: Comprehensive income (million yen): 1Q FY 2020: 305 (-37.7%) 1Q FY 2019: 490 (-7.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
1Q FY 2020	6.64	—
1Q FY 2019	8.51	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1Q FY 2020	24,385	18,672	76.6	360.99
FY 2019	26,381	20,090	76.1	388.40

Reference: Shareholders' equity (million yen): 1Q FY 2020: 18,670 FY 2019: 20,088

2. Dividends

	Dividends per share				
	1Q-end	Interim	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2019	—	0.00	—	33.00	33.00
FY 2020	—	—	—	—	—
FY 2020 (forecasts)	—	0.00	—	33.00	33.00

Note: Revisions to the dividend forecast in the current quarter: None

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	26,000	(2.9)	3,800	(19.3)	3,800	(20.7)	2,600	(22.4)	50.27

Note: Revisions to the financial forecast in the current quarter: None

The Company manages financial results based on the full fiscal year. Interim (2nd quarter) results projections are therefore omitted.

*Notes

(1) Changes in significant subsidiaries during the consolidated period (three months) under review (changes in subsidiaries accompanying change in the scope of consolidation): None

New: None (Company name:)

Excluded: None (Company name:)

(2) Application of accounting procedures specific to creation of quarterly financial statement: Yes

(3) Changes in accounting principles, estimates and restatement

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

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

3) Changes in accounting estimates: None

4) Restatement: None

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

1) Number of shares outstanding (including treasury stock) at end of period	1Q FY 2020	53,593,100 shares	FY 2019	53,593,100 shares
2) Number of treasury stock at end of period	1Q FY 2020	1,872,421 shares	FY 2019	1,872,421 shares
3) Average number of shares outstanding during the period (three months)	1Q FY 2020	51,720,679 shares	1Q FY 2019	51,720,679 shares

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

* Quarterly summaries of financial statements are not subject to quarterly review by a CPA or audit firm.

* Cautionary statement with respect to forward-looking statements

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 in the period under review saw in the domestic mobile games market barely changing top rankings given highly popular legacy titles. At the same time, a continuing stream of new titles using leading IP (intellectual property) and titles issuing from China and Korea made for sustained severe competition. Meanwhile, in the domestic home-use games market, software sales were steady, unchanged from before, while hardware sales calmed down in the interval since the last new hardware launch. In the amusement market, conditions remained strong, with market expansion keeping up. In the audio & visual market, while the anime dissemination segment expanded, the package market continued to shrink, accompanied by a strengthening trend to seek multi-polarized revenue streams such as from domestic and overseas program sales and disseminations. In the live entertainment market, 2.5D stage offerings displayed sustained strength with further gains in market size, while a serious shortage of venues in Japan further intensified the competition.

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, 2019 to June 30, 2019) marked 4,518 million yen (down 28.2% compared with the same period of the previous year), with operating income of 662 million yen (up 1.8% compared with the same period of the previous year), ordinary income of 618 million yen (down 11.6% compared with the same period of the previous year), and profit attributable to owners of parent of 343 million yen (down 22.0% compared with the same period of the previous year).

Results by business segment are described below.

(i) Online Game Business

While "SHINOVI MASTER -SENTRAN KAGURA NEW LINK-" remained popular in the second year after its release, "Logres of Swords and Sorcery: Goddess of Ancient" and other long-seller titles saw sales declines. However, restructuring efforts at the Online Game Business implemented in the previous fiscal year started to show effects, with profitability rising due to cost improvements and by dealing with unprofitable titles.

As a result, segment net sales totaled 1,658 million yen (down 28.0% compared with the same period of the previous year), with segment income of 328 million yen (up 993.4% compared with the same period of the previous year).

(ii) Consumer Game Business

The game software sales division launched no new game software in Japan. Overseas, Marvelous USA, Inc. started on June 24, 2019, the worldwide dissemination of the Windows PC version of "SENTRAN KAGURA Reflexions" and additionally released two license titles from other companies.

In the amusement business, the kids amusement machine "Pokémon Ga-Olé" continued to perform well and sales of the innovative prize machine "TRYPOD" remained solid.

As a result, segment net sales totaled 1,761 million yen (down 34.0% compared with the same period of the previous year), with segment income of 392 million yen (down 23.0% compared with the same period of the previous year).

(iii) Audio & Visual Business

The Audio & Visual business package-commercialized the TV anime production "Star☆Twinkle Pretty Cure" and the March 2019-release "Pretty Cure Miracle Universe the Movie." "TOUKEN RANBU: THE MOVIE -SUCCESSION-" a big hit at the release in January 2019, had its sales launch on June 19, 2019, posting strong results.

The stage production business held performances of series productions comprised of "Musical HAKUOKI," "Stage [Yowamushi Pedal]," "MUSICAL AO HARUTETSUDO," and "REBORN! THE STAGE." In addition, as a completely new work, "MUSICAL 『MORIARTY THE PATRIOT』" was performed in May 2019 and was well received. However, sales launches of titles as stage-related package products were few compared with the year-earlier period.

As a result, segment net sales totaled 1,098 million yen (down 17.1% compared with the same period of the

previous year), with segment income of 344 million yen (down 24.3% compared with the same period of the previous year).

(2) Explanation of consolidated financial position

On the consolidated balance sheets at the end of the first quarter, the Group had total assets of 24,385 million yen (down 1,995 million yen from the end of the previous fiscal year), total liabilities of 5,712 million yen (down 578 million yen from the end of the previous fiscal year), and net assets of 18,672 million yen (down 1,417 million yen from the end of the previous fiscal year).

(Current Assets)

Consolidated current assets at the end of the first quarter totaled 18,364 million yen, which was 2,042 million yen lower than at the end of the previous fiscal year. Main factors comprised declines in cash and deposits and notes and accounts receivable-trade and an increase in inventories.

(Noncurrent Assets)

Consolidated non-current assets at the end of the first quarter totaled 6,020 million yen, which was 46 million yen higher than at the end of the previous fiscal year. The main factor was an increase in intangible assets.

(Current Liabilities)

Consolidated current liabilities at the end of the first quarter totaled 5,576 million yen, which was 599 million yen lower than at the end of the previous fiscal year. The main factor was a decrease in income taxes payable.

(Noncurrent liabilities)

Consolidated non-current liabilities at the end of the first quarter totaled 135 million yen, which was 21 million yen higher than at the end of the previous fiscal year. The main factor was an increase in provisions for corporate officers' stock compensation.

(Net assets)

Consolidated net assets at the end of the first quarter totaled 18,672 million yen, which was 1,417 million yen less than at the end of the previous fiscal year as 343 million yen in profit attributable to owners of parent for the period were exceeded by the drop in retained earnings due to the payment of dividends.

(3) Explanation of business outlook including consolidated business forecast

The consolidated business forecast remains unchanged from the business forecast announced on May 13, 2019.