

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

October 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: Yes (For Institutional Investors and Analysts)

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

1. Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2020
(April 1, 2019 – September 30, 2019)

(1) Consolidated Results of Operations (six 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	%
2Q FY 2020	10,836	(18.6)	1,264	(54.3)	1,247	(56.5)	743	(61.7)
2Q FY 2019	13,314	20.9	2,767	56.8	2,870	60.9	1,941	57.0

Note: Comprehensive income (million yen): 2Q FY 2020: 710 (-65.0%) 2Q FY 2019: 2,030 (62.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q FY 2020	14.38	—
2Q FY 2019	37.54	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q FY 2020	25,390	19,089	75.2	368.96
FY 2019	26,381	20,090	76.1	388.40

Reference: Shareholders' equity (million yen): 2Q FY 2020: 19,088 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	—	0.00			
FY 2020 (forecasts)			—	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

***Notes**

(1) Changes in significant subsidiaries during the consolidated period (six 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	2Q FY 2020	53,593,100 shares	FY 2019	53,593,100 shares
2) Number of treasury stock at end of period	2Q FY 2020	1,856,367 shares	FY 2019	1,872,421 shares
3) Average number of shares outstanding during the period (six months)	2Q FY 2020	51,726,654 shares	2Q FY 2019	51,720,679 shares

Note: The number of treasury shares at the end of the period under review is stated including shares held by the Trust & Custody Services Bank, Ltd. (Trust E Units) as trust assets of the Board Benefit Trust (BBT). The number of such treasury shares is 500,000 for the fiscal year ended March 2019 and 483,900 for the second quarter of the fiscal year ending March 2020.

* 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 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 in the period under review saw in the domestic mobile games market successive major title releases using popular IP (intellectual property). Although the market received a strong boost, the competition to acquire new users grew more intense, making for an unchanged severe trading environment. In the domestic home-use games market favorable conditions held up, centered on the hardware market which was buoyed by launches of new game machine models. The amusement market continued to show strength, especially in prize games, while the market kept growing. In the audio & visual market the anime dissemination segment expanded but the package market lost further in size attended 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 gains in market size, but competition intensified due to a serious lack of venues in Japan.

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 half (April 1, 2019 to September 30, 2019) marked 10,836 million yen (down 18.6% compared with the same period of the previous year), with operating income of 1,264 million yen (down 54.3% compared with the same period of the previous year), ordinary income of 1,247 million yen (down 56.5% compared with the same period of the previous year), and profit attributable to owners of parent of 743 million yen (down 61.7% compared with the same period of the previous year).

Results by business segment are described below.

(i) Online Game Business

"SHINOVI MASTER -SENTRAN KAGURA NEW LINK-" continued strong in the second year since its release. However, "Logres of Swords and Sorcery: Goddess of Ancient" and other long-seller titles saw sales declines. As for new titles for smartphones, the dissemination of "LOGRES STORIES," a new production of the "Logres" series, started on September 18 and the RPG "GIRL CAFE GUN" barrage shooting game originating from China launched on September 20. However, since both launches occurred starting in mid-September, earnings contributions to the period under review were limited. Even so, the restructuring of the online game business implemented in the previous fiscal year brought improvements on the cost side, with the disposal of unprofitable titles reflecting in an enhanced profit margin.

As a result, segment net sales totaled 3,553 million yen (down 20.7% compared with the same period of the previous year), with segment income of 500 million yen (up 37.2% compared with the same period of the previous year).

(ii) Consumer Game Business

At the game software sales division "Rune Factory 4 Special," which was remastered for Nintendo Switch from "Rune Factory 4" released in 2012 for Nintendo 3DS, was launched on July 25 and posted strong sales. In addition, a completely new action game "DAEMON X MACHINA," also for Nintendo Switch, was released worldwide on September 13 to great popular acclaim. In the amusement business, the kids' amusement machine "Pokémon Ga-Olé" entered its fourth year of operation and continued to perform well. In addition, as a first for the Company, July 18 marked the start of operations of the rhythm game "WACCA" for amusement facilities. However, the absence of temporary income posted in the year-earlier period from the sale of software assets, etc., implemented in the second quarter of the previous fiscal year, strongly impacted the year-on-year comparison.

As a result, segment net sales totaled 5,241 million yen (down 8.3% compared with the same period of the previous year), with segment income of 875 million yen (down 57.0% 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." The stage production business held performances of new productions for series "Touken Ranbu the Stage" as well as "MUSICAL THE PRINCE OF TENNIS 3rd SEASON National Tournament SEIGAKU vs RIKKAI The First Half," and "Ensemble Stars! Extra Stage" ~Destruction x Road~, were highly successful. Revenues from each product will appear on third

quarter accounts. Furthermore, in addition to stage performances based on Leiji Matsumoto's "Stanley's Witch," the audio & visual business launched Blu-ray / DVD sales of "Stage K," "Musical HAKUOKI SHITAN," and "MUSICAL『MORIARTY THE PATRIOT』."

As a result, segment net sales totaled 2,059 million yen (down 34.1% compared with the same period of the previous year), with segment income of 616 million yen (down 40.9% compared with the same period of the previous year).

(2) Explanation of Consolidated Financial Position

(1) Financial position analysis

On the consolidated balance sheets at the end of the first half, the Group had total assets of 25,390 million yen (down 990 million yen from the end of the previous fiscal year), total liabilities of 6,301 million yen (up 10 million yen from the end of the previous fiscal year), and net assets of 19,089 million yen (down 1,001 million yen from the end of the previous fiscal year).

[Current assets]

Consolidated current assets at the end of the first half totaled 18,282 million yen, which was 2,124 million yen lower than at the end of the previous fiscal year. Main factors comprised decreases in cash and deposits and notes and accounts receivable-trade and an increase in inventories.

[Non-current assets]

Consolidated non-current assets at the end of the first half totaled 7,107 million yen, which was 1,133 million yen higher than at the end of the previous fiscal year. Main factors included increases in intangible assets and investments and other assets.

[Current liabilities]

Consolidated current liabilities at the end of the first half totaled 6,185 million yen, which was 9 million yen higher than at the end of the previous fiscal year. Main factors included an increase in royalties payable and a decrease in income taxes payable.

[Non-current liabilities]

Consolidated non-current liabilities at the end of the first half totaled 115 million yen, which was 1 million yen higher than at the end of the previous fiscal year. Main factors included an increase in provision for share-based remuneration for directors (and other officers).

[Net assets]

Consolidated net assets at the end of the first half totaled 19,089 million yen, which was 1,001 million yen lower than at the end of the previous fiscal year. Main factors included 743 million yen recognized in profit attributable to owners of parent and a decrease of retained earnings due to dividends paid for the previous fiscal year.

(2) Cash flow

Consolidated net cash and cash equivalents ("cash") at the end of the first half totaled 11,431 million yen, which was 786 million yen lower than at the end of the previous fiscal year.

[Cash flows from operating activities]

Cash provided by operating activities was 1,180 million yen (down 2,389 million yen compared with the same period of the previous year). Main factors comprised a 315 million yen decrease in accounts payable-other, 694 million yen in income tax payments, 1,222 million yen in profit before income taxes, a 905 million yen decrease in trade receivables, and 419 million yen in depreciation charges.

[Cash flows from investing activities]

Cash from investing activities was 221 million yen (down 854 million yen compared with the same year-earlier period). Main factors included 142 million yen in expenditure for the acquisition of property, plant, and equipment, 587 million yen for the acquisition of intangible non-current assets, and 1,000 million yen for the acquisition of investment securities, as well as 1,638 million yen in proceeds from withdrawal of time deposits.

[Cash flows from financing activities]

Cash used in financing activities was 1,725 million yen (up 2 million compared with the same year-earlier period).

Main factors included 1,723 million yen in expenditures for dividend payments.

(3) Explanation of Business Outlook Including Consolidated Business Forecast

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