



Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2021 (Six Months Ended September 30, 2020) (Based on J-GAAP)

October 30, 2020

Company name: Marvelous Inc. Listing: First Section of Tokyo Stock Exchange
 Stock Code: 7844 URL: <https://corp.marv.jp>
 Representative: Shuichi Motoda, President
 Contact: Seiichiro Kato, Executive Managing Director, Head of Administration Unit Tel: +81-3-5769-7447
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 Scheduled commencement date of dividend payout: –
 Explanatory documents supplemental to the abridged Quarterly Financial Statement: Yes
 Quarterly Result 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 the Fiscal Year Ending March 31, 2021 (April 1, 2020 – September 30, 2020)

(1) Consolidated Results of Operations (six 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	%
2Q FY2021	9,419	(13.1)	1,699	34.4	1,678	34.5	1,160	56.0
2Q FY2020	10,836	(18.6)	1,264	(54.3)	1,247	(56.5)	743	(61.7)

Note: Comprehensive income (million yen): 2Q FY2021: 1,155 (62.6%) 2Q FY2020: 710 (-65.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q FY2021	20.35	–
2Q FY2020	14.38	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q FY2021	30,277	24,498	80.9	405.87
FY2020	26,238	20,099	76.6	388.48

Reference: Shareholders' equity (million yen): 2Q FY2021: 24,498 FY2020: 20,099

2. Dividends

	Dividends per share				
	1Q-end	Interim	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2020	–	0.00	–	33.00	33.00
FY2021	–	0.00	–	–	–
FY2021 (forecasts)	–	–	–	–	–

Note: Revisions to the most recently announced dividend forecast: Yes
 The year-end dividend forecasts for FY2021 are not decided at this point in time.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2021 (April 1, 2020 - March 31, 2021)

(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	21,000	(17.2)	2,450	0.0	2,450	(2.1)	1,800	0.1	30.67
	~ 23,400	~ (7.7)	~ 3,000	~ 22.5	~ 3,000	~ 19.9	~ 2,100	~ 16.8	~ 35.78

Note: Revisions to the most recently financial forecast: Yes

The Group reports its consolidated financial forecasts for the fiscal year ending March 2021 in a range format because of the difficulty of forecasting results with high accuracy in a form of specific value due to the possibility that the financial performance will be significantly affected by the continued uncertain business environment resulting from the spread of the novel coronavirus (COVID-19). For details, please refer to P. 3 "1 Qualitative Information Concerning Quarterly Results (3) Explanation of Business Outlook Including Consolidated Business Forecast."

***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 the preparation of quarterly consolidated financial statements: 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 2021	62,216,400 shares	FY2020	53,593,100 shares
2) Number of treasury stock at end of period	2Q FY 2021	1,856,367 shares	FY2020	1,856,367 shares
3) Average number of shares outstanding during the period (six months)	2Q FY 2021	57,014,381 shares	2Q FY2020	51,726,654 shares

Note: The number of treasury shares at end of the period is stated including 483,900 shares held by Custody Bank of Japan, Ltd. (Trust E Units) as trust assets of the Board Benefit Trust (BBT).

* The summary of quarterly financial statements is not subject to quarterly review by a certified public accountant (CPA) or an audit firm.

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

Forward-looking statements, including financial forecasts, contained in this document are based on information currently available to the Company and certain assumptions that the Company deems as reasonable, and actual results, etc. may differ significantly due to various factors.

For details, please refer to P. 3 “1 Qualitative Information Concerning Quarterly Results (3) Explanation of Business Outlook Including Consolidated Business Forecast.”

1. Qualitative Information Concerning Quarterly Results

(1) Explanation of Consolidated Business Results

The entertainment industry in the period under review continued to be active in the domestic mobile games market thank to the limited impact of COVID-19. The competitive environment, however, became even more harsh as only a few hit titles have been in high demand though many new titles were released. In the domestic home-use games market, while the release of information on the PlayStation®5 and the new Xbox, which will be on sale at the end of this year, has drawn significant attention, business remained robust and both hardware and software exceeded their market scales in the previous year. In the amusement market, although customers gradually returned to amusement facilities after the declaration of a state of emergency was lifted, the environment remained severe. In the audio and visual market, while the packaged product market tends to continuously shrink, the video distribution market is expected to expand in the future because of the globalization of distribution services as well as changes in the distribution environment such as the spread of 5G. In the live entertainment market, despite the resumption of stage performances, the market environment remained extremely severe due to restriction of number of guests in an event imposed by the government.

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 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, 2020 to September 30, 2020) marked 9,419 million yen (down 13.1% compared with the same period of the previous year), with operating profit of 1,699 million yen (up 34.4% compared with the same period of the previous year), ordinary profit of 1,678 million yen (up 34.5% compared with the same period of the previous year), and profit attributable to owners of parent of 1,160 million yen (up 56.0% compared with the same period of the previous year).

Results by business segment are described below.

(i) Online Game Business

In this segment, the existing titles such as “SHINOVI MASTER -SENTRAN KAGURA NEW LINK-” and “Logres of Swords and Sorcery: Goddess of Ancient,” etc. still remained robust. As for new titles, the Group started distributing the game application for smartphones titled “Ikki-Tousen Extra Burst” on May 25 and the game applications named “Fate/EXTELLA” and “Fate/EXTELLA LINK” on July 22. In addition, profit increased thanks to the effect of the disposal of unprofitable titles in the previous period.

As a result, segment net sales totaled 3,998 million yen (up 12.5% compared with the same period of the previous year), with segment profit of 975 million yen (up 94.8% compared with the same period of the previous year).

(ii) Consumer Game Business

In the game software sales division of this business, although there is no new game software release in Japan, the Group released “BOKUJO MONOGATARI SAIKAI NO MINERAL TOWN” game for the Nintendo Switch in North American and European and for Windows PCs in July, which recorded strong sales. In addition, repeat sales, which bring high profit margins, also performed well. However, sales in the amusement division declined due to the great impact of COVID-19. The new Pokémon amusement machine “Pokémon MEZASTAR” launched on September 17, which recorded a strong start surpassing the start-up of the previous model “Pokémon Ga-Olé”, but its contribution to the financial performance in the second quarter was limited.

As a result, segment net sales totaled 3,900 million yen (down 25.6% compared with the same period of the previous year), with segment profit of 1,111 million yen (up 26.9% compared with the same period of the previous year).

(iii) Audio and Visual Business

In the audio & visual business, an animated TV program in which the Company serves as a main organizer titled “My Teen Romantic Comedy SNAFU Climax” was on air from July and related packaged products was on sale subsequently, showing a good start. The Company also commercialized related packaged products for “HEALIN' GOOD♥PRECURE” and “Star☆Twinkle Pretty Cure Thanks Festival.” In the stage production

division, the scheduled performances were cancelled due to the impact of COVID-19, but in July and August, the stage “TOUKEN RANBU,” which is a new type of play called a dialogue-play, and the “MUSICAL 『MORIARTY THE PATRIOT』 OP.2 -A SCANDAL IN BRITISH EMPIRE-” were performed in accordance with the social distancing policies of the national and local governments as well as the related guidelines of the Association of Public Theaters and Halls in Japan and Japan Performing Arts Solidarity Network.

As a result, segment net sales totaled 1,521 million yen (down 26.1% compared with the same period of the previous year), with segment profit of 361 million yen (down 41.4% compared with the same period of the previous year).

(2) Explanation of Consolidated Financial Position

(i) Financial position analysis

On the consolidated balance sheets at the end of the first half, the Group had total assets of 30,277 million yen (up 4,039 million yen from the end of the previous fiscal year), total liabilities of 5,778 million yen (down 360 million yen from the end of the previous fiscal year), and net assets of 24,498 million yen (up 4,399 million yen from the end of the previous fiscal year).

(Current assets)

Consolidated current assets at the end of the first half totaled 21,122 million yen, up 2,589 million yen from the end of the previous fiscal year due mainly to increases in cash and deposits and in inventories.

(Non-current assets)

Consolidated non-current assets at the end of the first half totaled 9,154 million yen, up 1,449 million yen from the end of the previous fiscal year, due mainly to an increase in property, plant and equipment and in intangible assets.

(Current liabilities)

Consolidated current liabilities at the end of the first half totaled 5,595 million yen, down 427 million yen from the end of the previous fiscal year, due mainly to decreases in accounts payable - other and in royalties payable.

(Non-current liabilities)

Consolidated non-current liabilities at the end of the first half totaled 183 million yen, up 67 million yen from the end of the previous fiscal year, due to an increase in asset retirement obligations, etc.

(Net assets)

Consolidated net assets at the end of the first half totaled 24,498 million yen, up 4,399 million yen from the end of the previous fiscal year, due to the facts that share capital of 2,483 million yen and capital surplus of 2,483 million yen were recorded after third-party allocation of shares were paid in and that profit attributable to owners of parent of 1,160 million yen was recorded, despite of a decrease in retained earnings owing to dividends paid in the previous fiscal year.

(ii) Cash flow position

The balance of the consolidated net cash and cash equivalents (“cash”) at the end of the first half totaled 13,599 million yen, up 2,429 million yen from the end of the previous fiscal year.

Cash flows and relevant factors in the first half are as follows:

[Cash flows from operating activities]

Cash provided by operating activities totaled 768 million yen (down 412 million yen compared with the same period of the previous year) owing to 1,664 million yen in profit before income taxes and 302 million yen in depreciation charges, despite a decrease arising from an increase in inventories of 1,086 million yen, a decrease in accounts payable-other of 954 million yen and a decrease in accrued royalties of 329 million yen.

[Cash flows from investing activities]

Cash used in investing activities totaled 1,487 million yen (up 1,266 million yen compared with the same period of the previous year). Main factors were 927 million yen in expenditure for the purchase of property, plant and equipment and 559 million yen in expenditure for the purchase of intangible assets.

[Cash flows from financing activities]

Cash used in financing activities was 3,203 million yen (up 4,929 million yen compared with the same period of the previous year). Main factors included 1,723 million yen in dividends paid and 4,967 million yen in proceeds from issuance of shares.

(3) Explanation of Business Outlook Including Consolidated Business Forecast

The Group has been taking preventive measures against the spread of COVID-19, such as prohibiting nonessential and nonurgent business trips/dining together, refraining from holding meetings with many people, and utilizing TV conferences, giving due consideration to the health of employees and their family members. Further, since early April, considering that the infection had begun to spread throughout Japan, the Group has been strongly promoting telecommuting at the company-wide level and endeavoring to reduce the risk of infection. Even after the declaration of a state of emergency was lifted, the Group has adopted an efficient work system while striving to prevent infection while minimizing the impact on work such as dispersed attendance. While overseas subsidiaries are also facing restrictions on business activities, such as restrictions on going out based on the respective national policy of each country, they have been making daily efforts to minimize impact.

As for the division-wise impact, the online and consumer game businesses are expected to be affected limitedly by COVID-19 while the amusement, audio and visual, and live entertainment businesses continue to suffer significantly. In the amusement business, signs of recovery have been seen as customers gradually return to amusement facilities after the declaration of a state of emergency was lifted and “Pokémon MEZASTAR,” which launched in September, shows a strong start, but depending on the situation of infection, the impact may expand again. In the audio and visual business, the full-year financial results are affected due to the postponement of the release of animated movies and related products, and the cancellation of live performances, etc. In the live entertainment business, events and stage performances were cancelled due to a request to refrain from holding large-scale events and concerns about the spread of infection among customers, casts and staff, but from July, some performances resumed in accordance with the social distancing policies of the national and local governments as well as the related guidelines of the Association of Public Theaters and Halls in Japan and Japan Performing Arts Solidarity Network. Since the limit on the number of guests who can attend the event was relaxed in September, the Group plans to increase the capacity of the event gradually by taking preventive measures against infection. However, depending on the situation, e.g. a case where some of the people concerned are found to be infected or a case where a number of infected people nation-wide surges, etc., the performance may be cancelled or reduced, which may affect our business results.

Although the full-year consolidated forecasts for the fiscal year ending March 2021 was undecided because it was difficult to reasonably assess the impact of COVID-19 at that time, the Group has calculated it based on currently available information, including progress of and impact on each business, etc. during the period under review. However, the Group reports its consolidated financial forecasts for the fiscal year ending March 2021 in a range format because of the difficulty of forecasting results with high accuracy in a form of a specific value due to the possibility that the financial performance will be significantly affected by the continued uncertain business environment resulting from the spread of COVID-19. Consolidated forecasts in specific value will be promptly disclosed when they become available.

The year-end dividend forecast for the fiscal year ending March 2021 will be reported together with the consolidated forecasts in specific values when they become available.