



Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2022 (Six Months Ended September 30, 2021) (Based on J-GAAP)

October 29, 2021

Company name: Marvelous Inc. Listing: First Section of Tokyo Stock Exchange
 Stock Code: 7844 URL: <https://corp.marv.jp/english/index.html>
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 Scheduled date of filing Quarterly Securities Report: November 2, 2021
 Scheduled commencement date of dividend payout: –
 Explanatory documents supplemental to the abridged Quarterly Financial Statement: Yes
 Quarterly Result briefing: None

(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, 2022 (April 1, 2021–September 30, 2021)

(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 FY 2022	12,838	36.3	2,900	70.7	2,984	77.7	2,079	79.2
2Q FY 2021	9,419	(13.1)	1,699	34.4	1,678	34.5	1,160	56.0

Note: Comprehensive income (million yen): 2Q FY 2022: 2,138 (85.0%) 2Q FY 2021: 1,155 (62.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q FY 2022	34.44	–
2Q FY 2021	20.35	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q FY 2022	35,833	26,905	75.1	445.54
FY 2021	33,463	26,751	79.9	443.19

Reference: Shareholders' equity (million yen): 2Q FY 2022: 26,905 FY 2021: 26,751

2. Dividends

	Dividends per share				
	1Q-end	Interim	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2021	–	0.00	–	33.00	33.00
FY 2022	–	0.00	–	33.00	33.00
FY 2022 (forecasts)	–	–	–	33.00	33.00

Note: Revisions to the most recently announced dividend forecast: Yes

Although the dividend forecasts for FY2022 were not decided previously, we determined to pay a year-end dividend of 33 yen per share based on the earnings forecast for the fiscal year ending March 2022, which we announced recently, and after comprehensively taking into consideration our dividend policy of maintaining a dividend payout ratio of 30% or more and our financial conditions.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021–March 31, 2022)

(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	24,000	(6.0)	4,000	(9.4)	4,000	(12.3)	2,760	(15.5)	45.72

Note: Revisions to the most recently announced financial forecast: Yes

Although the full-year consolidated forecast for the fiscal year ending March 2022 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. 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: Yes

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 shares) at end of period

2Q FY 2022	62,216,400 shares	FY 2021	62,216,400 shares
2Q FY 2022	1,828,646 shares	FY 2021	1,856,446 shares
2Q FY 2022	60,365,575 shares	2Q FY 2021	57,014,381 shares

2) Number of treasury shares at end of period

3) Average number of shares outstanding during the period (six months)

Note: The number of treasury shares at end of the period is stated including shares held by the Custody Bank of Japan, Ltd. (Trust E Units) as trust assets of the Board Benefit Trust (BBT). The number of such treasury shares is 483,900 shares for the year ended March 31, 2021, and 456,100 shares for the six months ended September 30, 2021.

* The summary of quarterly financial statements is not subject to a 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 owing 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 saw the domestic mobile games market slightly increase in market size compared to the previous period, mainly owing to the recovery of some large-scale titles attributable to seasonal factors. Meanwhile, the environment surrounding new titles remains severe, and competition is intensifying, including for existing titles. In the home-use games market, both hardware and software remained strong amid the announcement of the new Nintendo Switch model attracting attention. The amusement market was affected by the fourth declaration of a state of emergency issued from July to September, leading to shorter business hours and the closure of stores. In the live entertainment market, conditions remained very severe owing to restrictions on the number of guests at events and the cancellation of performances. In the audio and visual market, while the packaged product market tends to continuously shrink, the video distribution market continues to be buoyant, and demand for animations is growing as a mainstay content.

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, 2021 to September 30, 2021) marked 12,838 million yen (up 36.3% compared with the same period of the previous year), with operating profit of 2,900 million yen (up 70.7% compared with the same period of the previous year), ordinary profit of 2,984 million yen (up 77.7% compared with the same period of the previous year), and profit attributable to owners of parent of 2,079 million yen (up 79.2% compared with the same period of the previous year).

Results by business segment are described below.

(i) Online Game Business

In this segment, we implemented collaboration measures and anniversary events for long-term operation titles such as SHINOVI MASTER -SENTRAN KAGURA NEW LINK-, Logres of Swords and Sorcery: Goddess of Ancient, and Browser Sangokushi. However, sales decreased owing to aging as well as intensified competition in the online market. As for the game application for smartphones titled Ikki-Tousen Extra Burst, the Marvelous Apps version was released in September, in addition to App Store, Google Play, and DMM GAMES versions.

As a result, segment net sales totaled 2,955 million yen (down 26.1% compared with the same period of the previous year), with segment profit of 603 million yen (down 38.2% compared with the same period of the previous year).

(ii) Consumer Game Business

In the game software sales division of this business, Rune Factory 5, which is the latest game in the Rune Factory series and was released in May 2021, and BOKUJO MONOGATARI OLIVE TOWN TO KIBO NO DAICHI, which was released in the previous fiscal year, remained strong. The Steam version was released for BOKUJO MONOGATARI OLIVE TOWN TO KIBO NO DAICHI on September 16, 2021, and the total number of units shipped worldwide exceeded one million. Furthermore, the latest game in the No More Heroes series, No More Heroes 3 was released for Nintendo Switch on August 27, 2021. In the amusement division, in our mainstay kids’ amusement machine Pokémon MEZASTAR, No.2 tag started to run on September 16, 2021, and performed well despite the impact of the spread of COVID-19. On the other hand, Pokémon Ga-Olé, which we are expanding overseas, was affected by the self-restraint of some businesses and the implementation of business restrictions in areas where COVID-19 is spreading.

As a result, segment net sales totaled 7,999 million yen (up 105.1% compared with the same period of the previous year), with segment profit of 2,941 million yen (up 164.7% compared with the same period of the previous year).

(iii) Audio and Visual Business

In the audio and visual business, TV animation Tropical-Rouge ! Pretty Cure, Healin' Good Pretty Cure the Movie, and TV animation Yu-Gi-Oh! SEVENS were commercialized as packaged products. Although the stage production division performed series such as MUSICAL THE PRINCE OF TENNIS, "Katekyo Hitman Reborn!" the STAGE, MUSICAL 『MORIARTY THE PATRIOT』, and Stage MobPsycho 100, the conditions remained severe owing to restrictions on the number of guests at events and cancellation of performances caused by the prolonged declaration of a state of emergency. Sales increased from the same period of the previous fiscal year owing to the recording of sales of Touken Ranbu the Stage, which was performed from January to June 2021, but profits decreased significantly.

As a result, segment net sales totaled 1,884 million yen (up 23.9% compared with the same period of the previous year), with segment profit of 57 million yen (down 84.1% 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 35,833 million yen (up 2,370 million yen from the end of the previous fiscal year), total liabilities of 8,927 million yen (up 2,216 million yen from the end of the previous fiscal year), and net assets of 26,905 million yen (up 154 million yen from the end of the previous fiscal year).

(Current assets)

Consolidated current assets at the end of the first half totaled 27,051 million yen, up 2,263 million yen from the end of the previous fiscal year owing 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 8,781 million yen, up 106 million yen from the end of the previous fiscal year, owing mainly to an increase in intangible assets.

(Current liabilities)

Consolidated current liabilities at the end of the first half totaled 8,740 million yen, up 2,241 million yen from the end of the previous fiscal year, owing mainly to increases in accounts payable - trade and accounts payable - other.

(Non-current liabilities)

Consolidated non-current liabilities at the end of the first half totaled 186 million yen, down 25 million yen from the end of the previous fiscal year, owing to a decrease in provision for share awards for directors (and other officers).

(Net assets)

Consolidated net assets at the end of the first half totaled 26,905 million yen, up 154 million yen from the end of the previous fiscal year, owing to the fact that profit attributable to owners of parent of 2,079 million yen was recorded, despite a decrease in retained earnings due 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 18,076 million yen, up 1,673 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 4,095 million yen (up 3,327 million yen compared with the previous fiscal year), mainly owing to 2,995 million yen in profit attributable to owners of parent before income taxes and an increase of 2,231 million yen in accounts payable-other.

[Cash flows from investing activities]

Cash used in investing activities totaled 441 million yen (down 1,045 million yen compared with the same period of the previous year). Main factors were 103 million yen in expenditure for the purchase of property, plant and equipment and 452 million yen in expenditure for the purchase of intangible assets.

[Cash flows from financing activities]

Cash used in financing activities totaled 2,007 million yen (up 5,211 million yen compared with the previous fiscal year) mainly owing to the payment of dividends of 2,007 million yen.

(3) Explanation of Business Outlook Including Consolidated Business Forecast

Although the full-year consolidated forecast for the fiscal year ending March 2022 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.

By business segment, in the online business, the new game app The Thousand Musketeers: Rhodoknight is scheduled to be launched soon. In existing titles, we will continue to implement collaboration measures with various IPs and hold anniversary vents toward the end of the year to secure sales.

In the consumer game business, the game software sales division released The Riftbreaker, developed by Polish developer EXOR Studios for PlayStation®5 in October. Moreover, we released North American and European versions of Rune Factory 5 in the Rune Factory series in March 2022, and XBOX and PlayStation®4 versions of BOKUJO MONOGATARI SAIKAI NO MINERAL TOWN in October and November, respectively. The amusement segment plans to launch No.3 tag of Pokémon MEZASTAR in November.

The audio and visual business released the latest theatrical version of Tropical Rouge Pretty Cure the Movie and the Miraculous Ring! on October 23 and began broadcasting the new TV animation The Vampire Dies in No Time in October, in which we are a member of the production committee. In the stage production division, a new performance of “Blood Blockade Battlefront” the Stage began on October 22, and we are preparing a number of performances such as “World Trigger the Stage” in November, PERSONA5 the Stage and SK∞ the Stage in December, and Musical “Ouran High School Host Club” and MUSICAL THE PRINCE OF TENNIS II in January. With the lifting of the declaration of a state of emergency and restrictions on ticket sales from October onward, we are expecting a recovery in the audience attendance rate in the future, but we will continue to operate the theater while taking measures against infection so that our customers can enjoy the theater with peace of mind.