



Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2023 (Six Months Ended September 30, 2022) (Based on J-GAAP)

October 31, 2022

Company name: Marvelous Inc. Listing: Tokyo Stock Exchange
 Stock Code: 7844 URL <https://corp.marv.jp/english/index.html>
 Representative: Suminobu Sato, President
 Contact: Seichiro Kato, 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: 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, 2023 (April 1, 2022–September 30, 2022)

(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 2023	11,546	(10.1)	1,774	(38.8)	2,427	(18.7)	1,655	(20.4)
2Q FY 2022	12,838	36.3	2,900	70.7	2,984	77.7	2,079	79.2

Note: Comprehensive income (million yen): 2Q FY 2023: 2,305 (7.8%) 2Q FY 2022: 2,138 (85.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q FY 2023	27.41	–
2Q FY 2022	34.44	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
2Q FY 2023	35,511	29,341	82.5	484.77
FY 2022	36,531	28,973	79.2	479.23

Reference: Shareholders' equity (million yen): 2Q FY 2023: 29,313 FY 2022: 28,939

2. Dividends

	Dividends per share				
	1Q-end	Interim	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2022	–	0.00	–	33.00	33.00
FY 2023	–	0.00	–	–	–
FY 2023 (forecasts)	–	–	–	–	–

Note: Revisions to the most recently announced dividend forecast: Yes
 The dividend forecasts for FY2023 are not decided at this point in time.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022–March 31, 2023)

(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 - 28,800	(2.8) - 11.9	4,000 - 4,600	(13.1) - 0.0	4,200 - 4,800	(16.9) - (5.0)	2,940 - 3,360	(23.0) - (12.0)	48.68 - 55.64

Note: Revisions to the most recently announced earnings forecast: 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 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 shares) at end of period	2Q FY 2023	62,216,400 shares	FY 2022	62,216,400 shares
2) Number of treasury shares at end of period	2Q FY 2023	1,747,846 shares	FY 2022	1,828,646 shares
3) Average number of shares outstanding during the period	2Q FY 2023	60,404,091 shares	2Q FY 2022	60,365,575 shares

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 456,100 shares for the year ended March 31, 2022, and 375,300 shares for the six months ended September 30, 2022.

* 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

The forecasts and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual results may differ materially from these forecasts due to a variety of factors.

This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

1. Qualitative Information Concerning Quarterly Results

(1) Explanation of Consolidated Business Results

The entertainment industry in the period under review remained affected by increased cases amid the seventh wave of infection, but there has been a gradual movement to return to pre-COVID-19 normal, such as holding the Tokyo Game Show for the first time in three years, which attracted a large number of visitors. Then, the domestic home video game market experienced strong sales for both hardware and software, driven by the launch of large-scale popular titles, greatly exceeding the previous year's market size. In the mobile game market, as the growth of the market slows, the environment surrounding new titles remains severe and the competitive environment is becoming more severe. The amusement market was affected by the rapid spread of infection and temporarily decreased number of customers from July to August. However after that the recovery trend is continuing and is approaching the level before COVID-19 pandemic. In the audio and visual market, the packaged product market has continued to contract and the market environment has become increasingly severe. Even in the strong video distribution market, competition among video distribution services is intensifying due to the end of nesting demand, and there are growing moves to strengthen profitability and expand the customer base, such as the integration of services and the introduction of plans with advertisements. In the live entertainment market, while the recovery of audience participation was delayed, many performances were canceled due to people involved in performances becoming infected by COVID-19 amid the seventh wave of increased cases, and the market environment remained extremely difficult.

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 excitement among today's users while endeavoring to enhance its services.

As a result, the Group's consolidated operating results for the period under review (April 1, 2022, to September 30, 2022) came to net sales of 11,546 million yen (down 10.1% compared with the same period of the previous year), operating profit of 1,774 million yen (down 38.8% compared with the same period of the previous year), ordinary profit of 2,427 million yen (down 18.7% compared with the same period of the previous year), and profit attributable to owners of parent of 1,655 million yen (down 20.4% compared with the same period of the previous year).

Results by business segment are described below.

The reportable segments have been changed since the first quarter of the current fiscal year, and the comparison and analysis for the first half of the current fiscal year are based on the changed categories.

(i) Digital Contents Business

In the consumer division of this business, the Steam® version of Rune Factory 5 and the PlayStation® 4 version of BOKUJO MONOGATARI OLIVE TOWN TO KIBO NO DAICHI, which were released for the Nintendo Switch™ in 2021, were released on July 14, 2022 and July 28, respectively. However, in the period under review, there was no launch of titles other than multi-platform development, and sales and profits decreased from the same period of the previous fiscal year due to a reactionary decline from strong sales of Rune Factory 5, which launched in May of the previous year.

In the online division, sales of Logres of Swords and Sorcery: Goddess of Ancient and SHINOVI MASTER -SEN-RAN KAGURA NEW LINK- decreased owing to aging, despite the collaborative measures with popular IPs for the titles. In addition, the distribution of Digipla-collection MARUGOTO TETSUDO, a game app for smartphones from our subsidiary G-MODE Corporation, started on August 10, 2022, but the results were not as expected.

As a result, segment net sales totaled 6,038 million yen (down 25.7% compared with the same period of the previous year), with segment profit of 598 million yen (down 77.0% compared with the same period of the previous year).

(ii) Amusement Business

In this segment, sales of the Pokémon MEZASTAR, the key kids' amusement machine, reached a record high, thanks to the excellent performance of the new tag which started operation on July 7, 2022. Operations of Pokémon Ga-Olé, which is currently operating overseas, are back on track thanks to

improved markets in some areas affected by the COVID-19 pandemic.

As a result, segment net sales totaled 4,070 million yen (up 43.8% compared with the same period of the previous year), with segment profit of 1,609 million yen (up 71.0% compared with the same period of the previous year).

(iii) Audio and Visual Business

In the audio and visual production division, the latest theater movie in Pretty Cure series “Delicious Party Pretty Cure the Movie” released on September 23, 2022, got off a good start with its box office revenues exceeding 500 million yen within 10 days of its release. In addition, the second part of the new trilogy of the animation TOUKEN RANBU HANAMARU Season 3, TSUKI NO MAKI and the third part HANA NO MAKI were released in theaters on July 8 and September 1, 2022, respectively. In addition, we have packaged and commercialized TV animations such as “Delicious Party♡Pretty Cure” and “Aoashi.”

In the stage production division, new productions of series such as MUSICAL THE PRINCE OF TENNIS, Stage[Yowamushi Pedal]The Cadence ! , “World Trigger the Stage,” and MUSICAL AOHARU TETSUDO were performed. However, some performances were canceled due people involved in performances becoming infected with COVID-19. Although sales decreased due to a reactionary decline from the sales in the large-scale performance of Touken Ranbu the Stage recorded the same of the previous fiscal year, profit increased compared with the same period of the previous fiscal year, mainly due to the recording of J-LODlive (Japan content LOcalization and Distribution live entertainment) Subsidy and a slight improvement in earnings from the COVID-19 pandemic.

As a result, segment net sales totaled 1,438 million yen (down 23.7% compared with the same period of the previous year), with segment profit of 364 million yen (up 535.9% 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 35,511 million yen (down 1,020 million yen from the end of the previous fiscal year), total liabilities of 6,170 million yen (down 1,387 million yen from the end of the previous fiscal year), and net assets of 29,341 million yen (up 367 million yen from the end of the previous fiscal year).

(Current assets)

Consolidated current assets at the end of the first half totaled 26,265 million yen, down 1,840 million yen from the end of the previous fiscal year, mainly due to decreases in cash and deposits and in accounts receivable - trade.

(Non-current assets)

Consolidated non-current assets at the end of the first half totaled 9,245 million yen, up 820 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 5,831 million yen, a decrease of 1,311 million yen from the end of the previous fiscal year, owing mainly to decreases in accounts payable - trade and in accrued royalties.

(Non-current liabilities)

Consolidated non-current liabilities at the end of the first half totaled 338 million yen, down 76 million yen from the end of the previous fiscal year, owing mainly 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 29,341 million yen, up 367 million yen from the end of the previous fiscal year, owing to the fact that profit attributable to owners of parent of 1,655 million yen and foreign currency translation adjustment of 679 million yen were 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 12,598 million yen, down 3,833 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 171 million yen (down 3,924 million yen compared with the previous fiscal year), mainly owing to 2,427 million yen in profit attributable to owners of parent before income taxes and an increase of 1,499 million yen in inventories.

[Cash flows from investing activities]

Cash used in investing activities totaled 3,254 million yen (up 2,812 million yen compared with the same period of the previous year). Main factors were 2,010 million yen of payments into time deposits, 109 million yen in expenditure for the purchase of property, plant and equipment, and 1,053 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 (0 million yen compared with the previous fiscal year) owing to dividends paid of 2,007 million yen.

(3) Explanation of Business Outlook Including Consolidated Business Forecast

As for the consolidated business forecast, we have not changed the business forecast announced on July 29, 2022.