

Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2019 (Nine Months Ended December 31, 2018) (Based on J-GAAP)

January 31, 2019

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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 Third Quarter of Fiscal Year Ending March 31, 2019 (April 1, 2018 – December 31, 2018)

(1) Consolidated Results of Operations (nine 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	%
3Q FY 2019	20,193	16.1	4,210	42.1	4,285	43.3	2,842	40.4
3Q FY 2018	17,390	(19.6)	2,962	(22.5)	2,990	(23.7)	2,025	(28.2)

Note: Comprehensive income (million yen): 3Q FY 2019: 2,895 (41.6%) 3Q FY 2018: 2,044 (-28.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q FY 2019	54.96	—
3Q FY 2018	39.16	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
3Q FY 2019	26,293	19,583	74.5	378.60
FY 2018	25,488	18,414	72.2	355.93

Reference: Shareholders' equity (million yen): 3Q FY 2019: 19,581 FY 2018: 18,408

2. Dividends

	Dividends per share				
	1Q-end	Interim	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2018	—	0.00	—	33.00	33.00
FY 2019	—	0.00	—		
FY 2019 (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, 2019 (April 1, 2018 – March 31, 2019)

(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	(1.2)	4,500	(12.6)	4,500	(11.9)	2,980	(15.2)	57.62

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

***Notes**

(1) Changes in significant subsidiaries during the consolidated period (nine 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	3Q FY 2019	53,593,100 shares	FY 2018	53,593,100 shares
2) Number of treasury stock at end of period	3Q FY 2019	1,872,421 shares	FY 2018	1,872,421 shares
3) Average number of shares outstanding during the period (nine months)	3Q FY 2019	51,720,679 shares	3Q FY 2018	51,720,680 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 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 witnessed a continuously harsh competitive environment in the domestic mobile games market while games in Asia, including China and Korea, continued to show their presence in the market. In the domestic home-use games market, large titles were released as both the hardware and software markets performed well. In the amusement market, while there was some slowing of the growth of prize games, which had maintained solid results, the market size remained unchanged. In the audio & visual market, while the package products market for anime continues to shrink, multipolarization of revenue, such as sales and distribution of both domestic and overseas programs, made progress. The live entertainment market remains highly successful without signs of weakening despite issues such as a shortage of venues and ticket reselling.

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 third quarter (April 1, 2018 to December 31, 2018) marked 20,193 million yen (up 16.1% compared with the same period of the previous year), with operating profit of 4,210 million yen (up 42.1% compared with the same period of the previous year), ordinary profit of 4,285 million yen (up 43.3% compared with the same period of the previous year), and profit attributable to owners of parent of 2,842 million yen (up 40.4% compared with the same period of the previous year).

Results by business segment are described below.

(i) Online Game Business

The Business saw sales fall for major long-seller titles, including "Logres of Swords and Sorcery: Goddess of Ancient." Of the titles released in the previous fiscal year, "SHINOVI MASTER -SENTRAN KAGURA NEW LINK-" performed well. However, the other new titles failed to deliver adequate contributions to sales revenue, resulting for some titles in the transfer of operations to other companies, with development costs summarily written off by the Company. Meanwhile, centered on the Asian region, the Company aggressively pushed ahead with overseas business development.

As a result, segment net sales totaled 6,908 million yen (down 5.3% compared with the same period of the previous year), with segment profit of 877 million yen (down 2.8% compared with the same period of the previous year).

In the third quarter, the Company began structural reforms to reinforce the stagnant Online Game Business. The Company also introduced an early retirement preferential treatment system (expenses occurring from the introduction of the early retirement preferential treatment system is booked as extraordinary losses).

(ii) Consumer Game Business

The Business's own sales operations came to market in Japan in June 2018 with its latest "Fate/EXTELLA" series production entitled "Fate/EXTELLA LINK (PS Vita/PS4)." Additionally, as a completely new production, the division launched sales of "Little Dragons Cafe HIMITSU NO RYU TO FUSHIGI NA SHIMA (Nintendo Switch/PS4)" in August 2018. Furthermore, the Company launched a new game in the "SENTRAN KAGURA" series in December 2018 called "PEACH BALL SENTRAN KAGURA (Nintendo Switch)." Moreover, for "Shinobi Reflation -SENTRAN KAGURA-", a hit product launched in 2017 for sale in Japan, the dissemination of overseas versions started in September 2018 in North America and Europe. Additionally, the Business recognized special revenue from the sale of mainly software assets.

In the amusement division, performance of "Pokémon Ga-Olé" posted the highest level on record despite being in operation for three years. Likewise, "Pokémon TRETTA" had a successful overseas roll-out while domestic and overseas sales of "TRYPOD" launched previous fiscal year developed favorably.

As a result, segment net sales totaled 7,913 million yen (up 35.5% compared with the same period of the previous year), with segment profit of 2,651 million yen (up 64.8% compared with the same period of the previous year).

(iii) Audio & Visual Business

The Business's audio & visual division package-commercialized the TV anime "HUG! Pretty Cure," as well as

TV anime "Tokyo Ghoul:re" lead-produced by the Company with broadcasting initiated in April 2018 and "The Thousand Noble Musketeers" with broadcasting initiated in July 2018. Furthermore, in October 2018, the TV anime "Tokyo Ghoul:re" (Stage 2) was broadcast and the movie "Hug! Pretty Cure, Futari wa Pretty Cure the Movie" was released.

The stage production division launched the most recent public performances of series such as "Touken Ranbu the Stage," "MUSICAL THE PRINCE OF TENNIS," and "Ensemble Stars! On Stage." For new performances for this fiscal year, the division launched "Stage : SENGOKU NIGHT BLOOD" from August 2018 and "REBORN! THE STAGE" from September 2018. Both performances received positive reviews. For each series, packaged products and secondary usage mainly for video distribution also posted favorable results.

As a result, segment net sales totaled 5,387 million yen (up 25.8% compared with the same period of the previous year), with segment profit of 1,678 million yen (up 19.1% 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 third quarter, the Group had total assets of 26,293 million yen (up 804 million yen from the end of the previous fiscal year), total liabilities of 6,709 million yen (down 365 million yen from the end of the previous fiscal year), and net assets of 19,583 million yen (up 1,169 million yen from the end of the previous fiscal year).

[Current assets]

Consolidated current assets at the end of the period under review totaled 22,028 million yen, which was 890 million yen more than at the end of the previous fiscal year, due to factors including an increase in cash and deposits, as well as inventories, and a decrease in notes and accounts receivable-trade.

[Non-current assets]

Consolidated non-current assets at the end of the period under review totaled 4,265 million yen, which was 85 million yen less than at the end of the previous fiscal year, due to factors including a decrease in property, plant and equipment, and intangible assets and an increase in investments and other assets.

[Current liabilities]

Consolidated current liabilities at the end of the period under review totaled 6,659 million yen, which was 365 million yen less than at the end of the previous fiscal year, due to factors including a decrease in accounts payable.

[Non-current liabilities]

Consolidated non-current liabilities at the end of the period under review were 50 million yen, unchanged from the end of the previous fiscal year.

[Net assets]

Consolidated net assets at the end of the period under review were 19,583 million yen, which was 1,169 million yen higher than at the end of the previous fiscal year. This was due to 2,842 million yen in net income for the period attributable to shareholders of the parent company, which exceeded a decline in retained earnings due to dividend payments for the previous fiscal year.

(3) Explanation of Business Outlook Including Consolidated Business Forecast

The consolidated business forecast remains unchanged from the business forecast announced on May 10, 2018.