# Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2020
# (Nine Months Ended December 31, 2019) (Based on J-GAAP)

January 31, 2020


Company name: Marvelous Inc.
Listing: First Section of Tokyo Stock Exchange
Stock Code: 7844
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Scheduled date of filing Quarterly Securities Report: February 4, 2020
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, 2020 (April 1, 2019 – December 31, 2019)

(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 2020 | 18,546 | (8.2) | 2,111 | (49.9) | 2,135 | (50.2) | 1,336 | (53.0) |
| 3Q FY 2019 | 20,193 | 16.1 | 4,210 | 42.1 | 4,285 | 43.3 | 2,842 | 40.4 |

Note: Comprehensive income (million yen): 3Q FY 2020: 1,297 (-55.2%) 3Q FY 2019: 2,895 (41.6%)

| | Net income per share | Diluted net income per share |
|---|---|---|
| | Yen | Yen |
| 3Q FY 2020 | 25.84 | — |
| 3Q FY 2019 | 54.96 | — |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| 3Q FY 2020 | 25,754 | 19,675 | 76.4 | 380.30 |
| FY 2019 | 26,381 | 20,090 | 76.1 | 388.40 |

Reference: Shareholders' equity (million yen): 3Q FY 2020: 19,675 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 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 | (10.4) | 2,300 | (51.1) | 2,300 | (52.0) | 1,500 | (55.2) | 28.99 |

Note: Revisions to the financial forecast in the current quarter: Yes

***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 2020 | 53,593,100 shares | FY 2019 | 53,593,100 shares |
| 2) Number of treasury stock at end of period | 3Q FY 2020 | 1,856,367 shares | FY 2019 | 1,872,421 shares |
| 3) Average number of shares outstanding during the period (nine months) | 3Q FY 2020 | 51,730,026 shares | 3Q 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 third 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 a continuing stream of numerous new title releases while popularity further concentrated on a number of hit titles in an environment of intensifying competition. In the domestic home-use games market both hardware and software performed well driven by the release of large titles amid growing interest in information on new hardware types. In the amusement market, despite concerns about the impact of the consumption tax rate increase, the market size remained almost unchanged. In the audio & visual market, growth of the distribution business and intensifying competition took center stage, marked by the much-talked-about launch of a video distribution service by a giant IT company. Meanwhile, in the live entertainment market the 2.5D business continued to prosper, but competition further increased due to a severe shortage 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 third quarter (April 1, 2019 to December 31, 2019) marked 18,546 million yen (down 8.2% compared with the same period of the previous year), with operating profit of 2,111 million yen (down 49.9% compared with the same period of the previous year), ordinary profit of 2,135 million yen (down 50.2% compared with the same period of the previous year), and profit attributable to owners of parent of 1,336 million yen (down 53.0% compared with the same period of the previous year).

Results by business segment are described below.

(i) Online Game Business

The division saw "SHINOVI MASTER -SENRAN KAGURA NEW LINK-" perform favorably in the third year since its release, but sales of long-seller titles decreased, specifically "Logres of Swords and Sorcery: Goddess of Ancient," which marked its 6th anniversary in December. As to new titles for smartphones, the dissemination of the latest production of the Logres series "LOGRES STORIES" started on September 18, and "GIRL CAFE GUN," a barrage shooting RPG originating from China, on September 20. Revenues failed to meet expectations, however. In addition, future earnings prospects were reviewed for some titles and the capitalized development costs have been written down.

As a result, segment net sales totaled 5,975 million yen (down 13.5% compared with the same period of the previous year), with segment profit of 120 million yen (down 86.3% compared with the same period of the previous year).

(ii) Consumer Game Business

At the division’s game software sales business "BOKUJO MONOGATARI SAIKAI NO MINERAL TOWN" was released on October 17 as the series’ first title for Nintendo Switch, attended by favorable sales. In addition, the PlayStation 4 version of "Travis Strikes Again: No More Heroes Complete Edition," the latest production of the "NO MORE HEROES" series, was released on October 17. Dissemination of the Windows PC version started on October 18. In other releases, the overseas acquisition title "CONTROL" was released for PlayStation 4 on December 12. The amusement business registered continued strong performance of the "Pokémon Ga-Olé" kids’ amusement machine. However, the absence of the one-time gain from the sale of software assets in the second quarter of the previous fiscal year had a significant effect on the division’s year-on-year results comparison.

As a result, segment net sales totaled 8,714 million yen (up 10.1% compared with the same period of the previous year), with segment profit of 1,936 million yen (down 27.0% compared with the same period of the previous year).

(iii) Audio & Visual Business

At the division’s audio & visual business, as the most recent movie version of Pretty Cure the latest production "Star Twinkle Pretty Cure the Movie" was released in October. At the stage production business "MUSICAL THE PRINCE OF TENNIS Autumn Sports Festival 2019" was performed on stage in October and "Musical AOHARU-TETSUDO CONCERT Rails Live 2019" in October and November. As a completely new work so far this fiscal year a stage version of "Blood Blockade Battlefront," also TV-serialized as a popular manga work, was shown in November, and "PERSONA5 the Stage," a stage version of the popular game "Persona 5," was staged in December. However, sales of stage performance packages and related products decreased compared with the previous year.

As a result, segment net sales totaled 3,874 million yen (down 28.1% compared with the same period of the previous year), with segment profit of 1,127 million yen (down 32.8% 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 25,754 million yen (down 626 million yen from the end of the previous fiscal year), total liabilities of 6,078 million yen (down 212 million yen from the end of the previous fiscal year), and net assets of 19,675 million yen (down 414 million yen from the end of the previous fiscal year).

[Current assets]

Consolidated current assets at the end of the period under review totaled 18,208 million yen, which was 2,198 million yen lower than at the end of the previous fiscal year, due to factors including a decrease in cash and deposits, as well as notes and accounts receivable-trade, and an increase in inventories.

[Non-current assets]

Consolidated non-current assets at the end of the period under review totaled 7,545 million yen, which was 1,571 million yen higher than at the end of the previous fiscal year, due to factors including an increase in investments and other assets.

[Current liabilities]

Consolidated current liabilities at the end of the period under review totaled 5,962 million yen, which was 213 million yen lower than at the end of the previous fiscal year due to decreases in accounts payable and income taxes payable.

[Non-current liabilities]

Consolidated non-current liabilities at the end of the period under review totaled 115 million yen, which was 1 million yen higher than at the end of the previous fiscal year due to an increase in provision for share-based remuneration for directors.

[Net assets]

Consolidated net assets at the end of the period under review totaled 19,675 million yen, which was 414 million yen lower than at the end of the previous fiscal year. Main factors included 1,336 million yen recognized in net income attributable to shareholders of the parent company and a decrease in retained earnings due to dividends paid for the previous fiscal year.

### (3) Explanation of Business Outlook Including Consolidated Business Forecast

Consolidated earnings forecasts have been revised from the forecasts announced on May 13, 2019. At the online business, new titles released this fiscal year have not been able to fully meet initial earnings expectations. Moreover, two additional new apps scheduled to be released this fiscal year had their release dates postponed to the next fiscal year or later due to a review of the release schedule and an extension of the development period to enhance product quality. In addition, with a view to future profitability, for some titles with sub-par performance the capitalized development costs have been written down. Due to these factors, revenues and earnings are expected to fall short of the full-year forecasts announced at the beginning of the fiscal year.