



Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2021 (Nine Months Ended December 31, 2020) (Based on J-GAAP)

January 29, 2021

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: 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, 2021 (April 1, 2020 – December 31, 2020)

(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 2021	17,292	(6.8)	3,340	58.2	3,286	53.9	2,344	75.4
3Q FY 2020	18,546	(8.2)	2,111	(49.9)	2,135	(50.2)	1,336	(53.0)

Note: Comprehensive income (million yen): 3Q FY 2021: 2,332 Million yen (79.8%) 3Q FY2020: 1,297 Million yen (-55.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q FY 2021	40.32	–
3Q FY 2020	25.84	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
3Q FY 2021	33,013	25,675	77.8	425.37
FY 2020	26,238	20,099	76.6	388.48

Reference: Shareholders' equity (million yen): 3Q FY 2021: 25,675 Million yen FY2020 20,099 Million yen

2. Dividends

	Dividends per share				
	1Q-end	Interim	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2020	–	0.00	–	33.00	33.00
FY 2021	–	0.00	–		
FY 2021 (forecasts)				33.00	33.00

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

For the revision of the dividend forecast, please refer to the "Announcement on revisions to the full-year forecasts and the year-end dividend forecast (available in Japanese language only)" announced today (January 29, 2021).

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	24,000	(5.4)	3,600	47.0	3,550	41.9	2,450	36.3	42.14

Note: Revisions to the most recently financial forecast: Yes

For the revision of the consolidated earnings forecast, please refer to the "Announcement on revisions to the full-year forecasts and the year-end dividend forecast" announced today (January 29, 2021).

***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 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	3Q FY 2021	62,216,400 shares	FY 2020	53,593,100 shares
2) Number of treasury stock at end of period	3Q FY 2021	1,856,446 shares	FY 2020	1,856,367 shares
3) Average number of shares outstanding during the period (six months)	3Q FY 2021	58,133,641 shares	3Q FY 2020	51,730,026 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. 2 "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. 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 the next-generation game consoles PlayStation 5 and Xbox Series X/S drew significant attention, both hardware and software remained robust. In the amusement market, although sales were on a recovery trend, the number of visitors to amusement arcades decreased from the latter half of November due to the spread of the novel coronavirus infection (COVID-19), and the severe situation continued. 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 signs of recovery, such as the easing of restrictions on the allowable capacity for events, the market environment remained severe.

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 third quarter (April 1, 2020 to December 31, 2020) marked 17,292 million yen (down 6.8% compared with the same period of the previous year), with operating profit of 3,340 million yen (up 58.2% compared with the same period of the previous year), ordinary profit of 3,286 million yen (up 53.9% compared with the same period of the previous year), and profit attributable to owners of parent of 2,344 million yen (up 75.4% compared with the same period of the previous year).

Results by business segment are described below.

(i) Online Game Business

In this business, “SHINOVI MASTER - SENRAN KAGURA NEW LINK-” and “Logres of Swords and Sorcery: Goddess of Ancient” remained robust, as we implemented anniversary events for each title, but “Ikki-Tousen Extra Burst”, a smartphone game application whose distribution started in May, was weak due to a lack of continuity despite an increase in new users owing to promotional effects, etc. In addition, profit margins increased thanks to the effect of the disposal of unprofitable titles in the previous period.

As a result, segment net sales totaled 5,788 million yen (down 3.1% compared with the same period of the previous year), with segment profit of 1,331 million yen (Segment profit for the same period of the previous year was 120 million yen).

(ii) Consumer Game Business

In the game software sales division of this business, the Japanese style action RPG “TENSUI NO SAKUNAHIME”, which was released worldwide for PlayStation 4/Nintendo Switch/Windows PC in November, became a big topic because it allowed users to experience rice cultivation in earnest, and recorded a huge hit with a total exceeding 850,000 units shipped worldwide (as of January 29, 2021). In addition, the Nintendo Switch downloadable versions of “No More Heroes” released in 2007 and “No More Heroes 2: Desperate Struggle” released in 2010 were released on October 28, recording strong sales in North America and Europe. However, in the amusement division, due to the great impact of COVID-19, income declined for each title, including the new Pokémon amusement machine “Pokémon MEZASTAR” launched in September. Overseas development of “Pokémon Ga-Olé” performed well in the regions where it started operation.

As a result, segment net sales totaled 8,834 million yen (up 1.4% compared with the same period of the previous year), with segment profit of 2,474 million yen (up 27.8% compared with the same period of the previous year).

(iii) Audio and Visual Business

In the audio and visual business, an animated TV program “Akudama Drive” was on air from October and related packaged products were on sale subsequently. Also, “Pretty Cure Miracle Leap the Movie”, the latest version of the theatrical films of Pretty Cure, whose release was delayed due to the impact of COVID-19, was released on October 31. In the stage production division, in addition to “Katekyo Hitman Reborn!” the STAGE - SECRET BULLET-, “Blood Blockade Battlefront” the Stage Beat Goes On and “PERSONA 5 the Stage #2” which are the latest works in the respective series, “MUSICAL THE PRINCE OF TENNIS II The First Stage” and “MUSICAL [GOOD EVENING SCHOOL]” were performed as new works. As a new initiative, the original comedy Drama “Hansamu Senkyo” began broadcasting in October. With regard to stage performances, although the capacity rate was gradually raised after the government relaxed regulations on the allowable capacity for events, sales and profits decreased year on year due to the cancellation of performances in the first half of the fiscal year.

As a result, segment net sales totaled 2,681 million yen (down 30.8% compared with the same period of the previous year), with segment profit of 626 million yen (down 44.5% 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 33,013 million yen (up 6,774 million yen from the end of the previous fiscal year), total liabilities of 7,337 million yen (up 1,198 million yen from the end of the previous fiscal year), and net assets of 25,675 million yen (up 5,576 million yen from the end of the previous fiscal year).

(Current assets)

Consolidated current assets at the end of the third quarter totaled 23,782 million yen, up 5,249 million yen from the end of the previous fiscal year, due mainly to increases in cash and deposits, notes and accounts receivable-trade, and inventories.

(Non-current assets)

Consolidated non-current assets at the end of the third quarter totaled 9,230 million yen, up 1,524 million yen from the end of the previous fiscal year, due mainly to an increase in property, plant and equipment.

(Current liabilities)

Consolidated current liabilities at the end of the third quarter totaled 7,197 million yen, up 1,174 million yen from the end of the previous fiscal year, due mainly to increases in royalties payable and income taxes payable.

(Non-current liabilities)

Consolidated non-current liabilities at the end of the third quarter totaled 139 million yen, up 23 million yen from the end of the previous fiscal year, due to an increase in asset retirement obligations.

(Net assets)

Consolidated net assets at the end of the third quarter totaled 25,675 million yen, up 5,576 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 allocations of shares were paid in and that profit attributable to owners of parent of 2,344 million yen was recorded.

(3) Explanation of Business Outlook Including Consolidated Business Forecast

As for the consolidated business forecast, we have changed the business forecast announced on October 30, 2020. The new game software “TENSUI NO SAKUNAHIME” released in the third quarter of the fiscal year recorded sales significantly exceeding the plan, and in the fourth quarter, the release of the complete new game software of “BOKUJO MONOGATARI”, which is our company's main IP, is expected, and its reservation situation is also very good, and its contribution to the business results for the current fiscal year is expected. As for online games also, the performance of existing titles is remaining strong. On the other hand, the Amusement Business and the Stage Performance Business have been greatly affected by the voluntary restraint on going out due to the spread of COVID-19, and those businesses are even now in a difficult business environment with no prospects for the future as the declaration of an emergency situation has been

issued. Although there is no prospect that the COVID-19 will be brought under control in the future, we will conduct aggressive promotional activities in order to cover the negative factors by the strong sales growth of the favorable divisions. For the above reasons, we have revised our full-year forecasts announced last time.

For details, please refer to the “Announcement on revisions to the full-year forecasts and the year-end dividend forecast” announced today (January 29, 2021).