



Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (Based on J-GAAP)

May 12, 2020

Company name: Marvelous Inc. Listing: First Section of Tokyo Stock Exchange
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 Scheduled date of Annual General Meeting of Shareholders: June 23, 2020
 Scheduled commencement date of dividend payout: June 9, 2020
 Scheduled date of filing Annual Securities Report: June 23, 2020
 Explanatory documents supplemental to the abridged Financial Statements: Yes
 Result briefing: Yes (For institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(1) Consolidated Results of Operations (full-year) (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	%
FY2020	25,365	(5.3)	2,449	(48.0)	2,502	(47.8)	1,797	(46.4)
FY2019	26,777	5.9	4,706	(8.6)	4,791	(6.2)	3,351	(4.6)

Note: Comprehensive income (million yen): FY2020: 1,720 (-49.4%) FY2019: 3,402 (-1.3%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
FY2020	34.75	–	8.9	9.5	9.7
FY2019	64.80	–	17.4	18.5	17.6

Reference: Equity in earnings/losses of affiliates (million yen): FY2020: – FY2019: –

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2020	26,238	20,099	76.6	388.48
FY2019	26,381	20,090	76.1	388.40

Reference: Shareholders' equity (million yen): FY2020: 20,099 FY2019: 20,088

(3) Consolidated Cash Flow Position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2020	2,233	(1,597)	(1,686)	11,169
FY2019	5,994	(4,410)	(1,723)	12,217

2. Dividends

	Dividends per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	Interim	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2019	–	0.00	–	33.00	33.00	1,723	50.9	8.9
FY2020	–	0.00	–	33.00	33.00	1,723	95.0	8.5
FY2021 (forecasts)	–	–	–	–	–	–	–	–

Note: The dividend forecasts for FY2021 are not decided at this stage.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2021 (April 1, 2020 - March 31, 2021)

Consolidated forecasts for the FY2021 are not decided because it is difficult at this point in time to reasonably evaluate the impact of the novel coronavirus. Consolidated forecasts will be promptly disclosed when it becomes possible.

***Notes**

(1) Changes in significant subsidiaries during the fiscal year under review
(changes in subsidiaries accompanying change in the scope of consolidation): None

New: None (Company name:)
Excluded: None (Company name:)

(2) 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

(3) Number of shares issued and outstanding (shares of common stock)

1) Number of shares outstanding (including treasury stock) at end of period	FY2020	53,593,100 shares	FY2019	53,593,100 shares
2) Number of treasury stock at end of period	FY2020	1,856,367 shares	FY2019	1,872,421 shares
3) Average number of shares outstanding during the period	FY2020	51,731,694 shares	FY2019	51,720,679 shares

Note: The number of treasury stock at end of period is stated including 483,900 shares held by Trust & Custody Services Bank, Ltd. (Trust E Units) as trust assets of the Board Benefit Trust (BBT).

Reference: Non-Consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(1) Non-consolidated Results of Operations (full-year)

(Percentages represent year-over-year changes)

	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2020	21,890	-8.8	2,111	-49.7	6,115	36.7	3,526	8.0
FY2019	24,007	9.1	4,196	4.5	4,474	12.2	3,264	14.1

	Net income per share	Diluted net income per share
	Yen	Yen
FY2020	68.16	-
FY2019	63.12	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2020	24,062	18,544	77.1	358.43
FY2019	22,681	16,767	73.9	324.18

Reference: Shareholders' equity (million yen): FY2020:18,544 FY2019: 16,767

* The summary of financial statements is not subject to audit by a certified public accountant (CPA) or an audit firm.

* Cautionary statement with respect to forward-looking statements and other special items

Consolidated forecasts for the FY2021 are not decided because it is difficult to reasonably calculate them at this stage. Consolidated forecasts will be promptly disclosed when it becomes possible. For details, please refer to P. 3 "1. Summary of Consolidated Business Results (4) Outlook."

1. Summary of Consolidated Business Results

(1) Summary of business results for the period

While the entertainment industry in the period under review saw the domestic mobile games market in a sustained harsh environment, titles with popular intellectual property (IP) have been released one after another and the intensity of competition to acquire users has further increased. In the domestic home-use games market, both hardware and software remained robust owing to sales launches of new models of game machines and large titles. In the amusement market, despite the influence from the consumption tax increase, sales remained flat. However, the market environment has deteriorated greatly due to the stay-at-home request and the closure of facilities due to the impact of the spread of novel coronavirus. Likewise, also in the live entertainment market, many performances were canceled due to the request to refrain from holding events, causing the industry to suffer a crippling blow. In the music/video market, while the packaging market continues to show a tendency toward decline, growth and intensified competition among the contents distribution business gathered attention, such as with the launch of a video distribution service by a giant IT company.

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 consolidated operating results for the current term (April 1, 2019 to March 31, 2020) came to net sales of 25,365 million yen (down 5.3% from the previous fiscal year), operating profit of 2,449 million yen (down 48.0% from the previous fiscal year), and ordinary profit of 2,502 million yen (down 47.8% from the previous fiscal year), and profit attributable to owners of parent of 1,797 million yen (down 46.4% from the previous fiscal year).

Results by business segment are described below.

(i) Online Game Business

In the division, “SHINOVI MASTER -SENTRAN KAGURA NEW LINK-” remained robust, but sales of long-seller titles such as “Logres of Swords and Sorcery: Goddess of Ancient,” which marked its 6th anniversary in December 2019, decreased. As to new titles for smartphones, “LOGRES STORIES,” the latest production of the Logres series, and a China-originated barrage shooting RPG “GIRL CAFE GUN” started their distribution respectively in September 2019, but their earnings failed to meet initial expectations. The distribution/operation of “LOGRES STORIES” was transferred to Aiming Inc. as of March 1, 2020. Further, the release of one of two new applications, which were planned to be released during the current term, was postponed to next term or later, and the release of novel applications was canceled. In addition, concerning some titles, the devaluation of development assets based on review of their future profit was recorded and some development costs were booked as a lump sum because the development was discontinued.

As a result, segment net sales totaled 8,102 million yen (down 16.5% from the previous fiscal year), with segment profit of 272 million yen (down 78.0% from the previous fiscal year).

(ii) Consumer Game Business

At the division’s game software sales business, sales operations came to market in July 2019 with “RUNE FACTORY 4 SPECIAL” as a title for Nintendo Switch, in September 2019 with a completely new action game “DAEMON X MACHINA,” and in October 2019 with “BOKUJO MONOGATARI SAIKAI NO MINERAL TOWN,” and they recorded strong sales respectively. Also, as titles for PlayStation 4, “Travis Strikes Again: No More Heroes Complete Edition,” the latest production of the “NO MORE HEROES” series, was launched in October 2019, as well as an overseas acquisition title “CONTROL,” and a new action race game “KANDAGAWA JET GIRLS” were launched in December 2019 and January 2020 respectively. Further, overseas, the version of “RUNE FACTORY 4 SPECIAL” for North America and Europe and “DAEMON X MACHINA” for Windows PC were launched in February 2020, and the version of “Granblue Fantasy: Versus” for North America and Europe and the Windows PC version were launched in March 2020, and gained a favorable reputation. At the amusement business, although income from the “Pokémon Ga-Olé” kids’ amusement machine decreased in March 2020 owing to the impact of the novel coronavirus, a favorable result was maintained for the full year. However, the reactionary drop in FY2020 because of the absence of temporary income, which was realized by sales of software assets, etc. during the second quarter of the previous fiscal year, has brought about a material effect on profit.

As a result, segment net sales totaled 11,396 million yen (up 11.5% from the previous fiscal year), with segment profit of 2,026 million yen (down 28.8% from the previous fiscal year).

(iii) Audio and Visual Business

The division's audio & visual business package-commercialized "Star☆Twinkle Pretty Cure," of the TV anime series Pretty Cure, "Pretty Cure Miracle Universe the Movie," "Star Twinkle Pretty Cure the Movie,". Also, "TOUKEN RANBU: THE MOVIE -SUCCESSION-," which was made public and proved to be a big hit in January 2019, was released in June 2019 and recorded favorable sales.

The stage production division launched public performances of series such as "Touken Ranbu the Stage," "MUSICAL THE PRINCE OF TENNIS," "Ensemble Stars! Extra Stage," "Musical HAKUOKI," "Stage [Yowamushi Pedal]," "MUSICAL AO HARU TETSUDO," "REBORN! THE STAGE." As completely new works this fiscal year "MUSICAL 『MORIARTY THE PATRIOT』," "Blood Blockade Battlefront" the Stage, and "PERSONA5 the Stage" were staged and well received. However, sales of stage performance packages and related products decreased compared with the previous year.

Incidentally, concerning the impact from the novel coronavirus on the business, in addition to the decision to postpone the broadcast of some TV anime series titles from April 2020, stage performances in April and May were canceled and the losses arising from this decision was recorded as extra ordinary loss for this fiscal year.

As a result, segment net sales totaled 5,888 million yen (down 14.4% from the previous fiscal year), with segment profit of 1,573 million yen (down 25.1% from the previous fiscal year).

(2) Summary of financial position for the period

The financial position of the Group at the end of the current consolidated accounting period is as follows.

Consolidated assets at the end of the period under review totaled 26,238 million yen, down 142 million yen compared with the end of the previous fiscal year. Main factors were decreases in notes and accounts receivable-trade and intangible non-current assets.

Consolidated liabilities at the end of the period under review totaled 6,139 million yen, down 151 million yen from the end of the previous fiscal year. The main factor was a decrease in income taxes payable despite an increase in accounts payable-other.

Consolidated net assets at the end of the fiscal year under review totaled 20,099 million yen, up 8 million yen from the end of the previous fiscal year.

(3) Summary of cash flows for the period

Consolidated net cash and cash equivalents ("Cash") at the end of the consolidated fiscal year under review totaled 11,169 million yen, down 1,048 million yen from the end of the previous fiscal year.

Cash flows and relevant factors in the period under review are as follows:

[Cash flows from operating activities]

Cash provided by operating activities totaled 2,233 million yen (down 62.7% compared with the previous fiscal year). Main factors were 2,222 million yen in profit before income taxes, 1,499 million yen in depreciation charges, a 530 million yen increase in inventory assets, and 2,130 million yen in income taxes paid.

] [Cash flows from investing activities]

Cash used in investing activities totaled 1,597 million yen (down 63.8% compared with the previous fiscal year). Main factors were 236 million yen in expenditure for the acquisition of property, plant and equipment and 1,011 million yen in expenditure for the acquisition of intangible assets.

[Cash flows from financing activities]

Cash used in financing activities totaled 1,686 million yen (down 2.2% compared with the previous fiscal year) mainly due to the payment of dividends of 1,723 million yen.

Reference: Trends in cash flow indicators

	FY2016	FY2017	FY2018	FY2019	FY2020
Shareholders' equity ratio (%)	68.3	68.2	72.2	76.1	76.6
Shareholders' equity ratio based on market prices (%)	256.4	186.1	184.9	168.4	105.3
Interest-bearing debt to cash flow ratio (annual)	2.7	3.9	3.6	2.7	9.0
Interest coverage ratio (times)	4,832.4	6,643.6	4,057.6	6,488.9	2,233.0

Shareholders' equity ratio: Shareholders' equity/Total assets

Shareholders' equity ratio based on market prices: Market capitalization/Total assets

Interest-bearing debt to cash flow ratio: Interest bearing debt/Cash flow

Interest coverage ratio: Cash flow/Interest paid

Notes: 1. Indicators are calculated using consolidated financial figures.

2. Market capitalization is calculated using the total number of issued shares minus treasury shares.

3. Cash flow refers to cash flow from operating activities.

4. Interest-bearing debt refers to all liabilities appearing on the consolidated balance sheet that interest is paid on. Interest payments are based on the interest payment amount of the consolidated cash flow statement.

(4) Outlook

The Group has been taking preventive measures against the spread of the novel coronavirus, such as prohibiting nonessential and nonurgent business trips/dining together, refraining from holding meetings with many people, and utilizing TV conferences, giving due consideration to the health of employees and their family members. Further, since early April, considering that the infection had begun to spread throughout Japan, the Group has been strongly promoting telecommuting at the company-wide level and endeavoring to reduce the risk of infection. While overseas subsidiaries are also facing restrictions on business activities, such as restrictions on going out based on the respective national policy of each country, they have been making daily efforts to minimize impact. Although the coronavirus brought about a limited effect on business results during the fiscal year ended March 2020, taking into consideration that the further spread and lengthening of the novel coronavirus might cause the government to take further necessary countermeasures, we think that the impact on business results could be significant in the fiscal year ending March 31, 2021.

Although we expect that the novel coronavirus will continue to have a limited effect on both the online and consumer game businesses in the near the future, at this point in time it is expected that each business related to amusement, audio and visual, and live entertainment will continue to suffer significantly. In the amusement business, the income of overall amusement machines has been declining drastically, including "Pokémon Ga-Olé," which is the strongest earner, because of a call to stay at home and the cessation of cabinet operations due to domestic and overseas store closures. Also, in the audio & visual and live entertainment businesses, the cancellation of events, staging, etc. is still in place due to requests to refrain from holding large-scale events and concerns regarding the spread of infection among customers, cast and staff, and there are concerns that the impact of prolonged cancellations could continue to have a further negative impact.

Under these circumstances, business results projections for the fiscal year ending March 31, 2021 are undecided because it is difficult at this stage to reasonably assess the impact of the novel coronavirus. In the future, we will promptly make all relevant information public as soon as disclosure is possible. The Group will continue to endeavor to create added value that "only Marvelous can realize," provide unprecedented "wonder" and "excitement" to the world as advocated in the corporate vision, and create a renovative entertainment.