

# MARVELOUS!

Stock Code: 7844  
(First Section of Tokyo Stock Exchange)

Marvelous Inc.



## Fiscal Year Ending March 31, 2017 First Quarter Results Briefing Materials

July 29, 2016

This document contains forward-looking statements which are based on information currently available to the Company and which may change as a result of numerous factors including the macroeconomic environment and industry trends relevant to the Company. Therefore, these forward-looking statements are made subject to certain risks and uncertainties which could cause results including actual business performance to differ materially from those presented.





**Fiscal Year Ending March 2017, First Quarter Results Summary**

**Fiscal Year Ending March 2017, Full-Year Business Forecast**

**Segment Results**



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# **Fiscal Year Ending March 2017, First Quarter Results Summary**

# Earnings Highlights (Statement of Income)

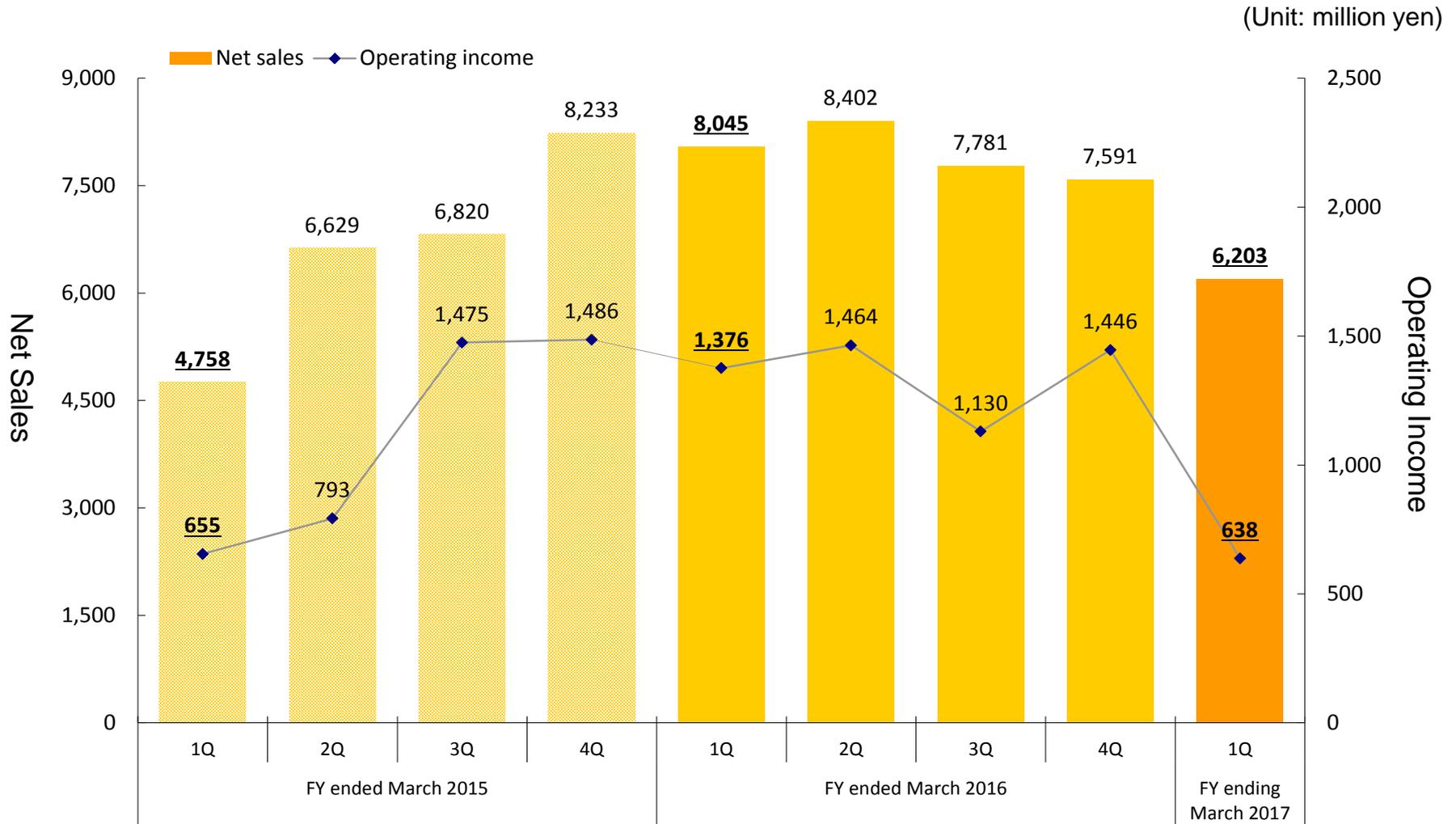


- Revenues decreased around 23% compared with the year-earlier period mainly due to lower sales in online game business.
- Operating income also declined mainly owing to strategic investments in consumer game business and write-off charges on online titles.

(Unit: million yen)

	1Q FY ended March 2016		1Q FY ending March 2017		YOY change	
	Actual	Profit ratio	Actual	Profit ratio	(Amount)	(%)
<b>Net sales</b>	<b>8,045</b>	-	<b>6,203</b>	-	<b>-1,841</b>	<b>77.1%</b>
Cost of sales	2,835	-	2,844	-	8	100.3%
SGA expenses	3,832	-	2,721	-	-1,111	71.0%
Thereof advertising expenses	993	-	552	-	-441	55.6%
<b>Operating income</b>	<b>1,376</b>	<b>17.1%</b>	<b>638</b>	<b>10.3%</b>	<b>-738</b>	<b>46.3%</b>
Non-operating income/losses	60	-	-227	-	-287	-
<b>Ordinary income</b>	<b>1,436</b>	<b>17.9%</b>	<b>410</b>	<b>6.6%</b>	<b>-1,026</b>	<b>28.6%</b>
Extraordinary income/losses	-52	-	6	-	59	-
Income taxes	391	-	113	-	-278	28.9%
<b>Profit attributable to owners of parent</b>	<b>992</b>	<b>12.3%</b>	<b>303</b>	<b>4.9%</b>	<b>-689</b>	<b>30.5%</b>

# Development of Net Sales and Operating Income (Quarterly)



# Segment Results



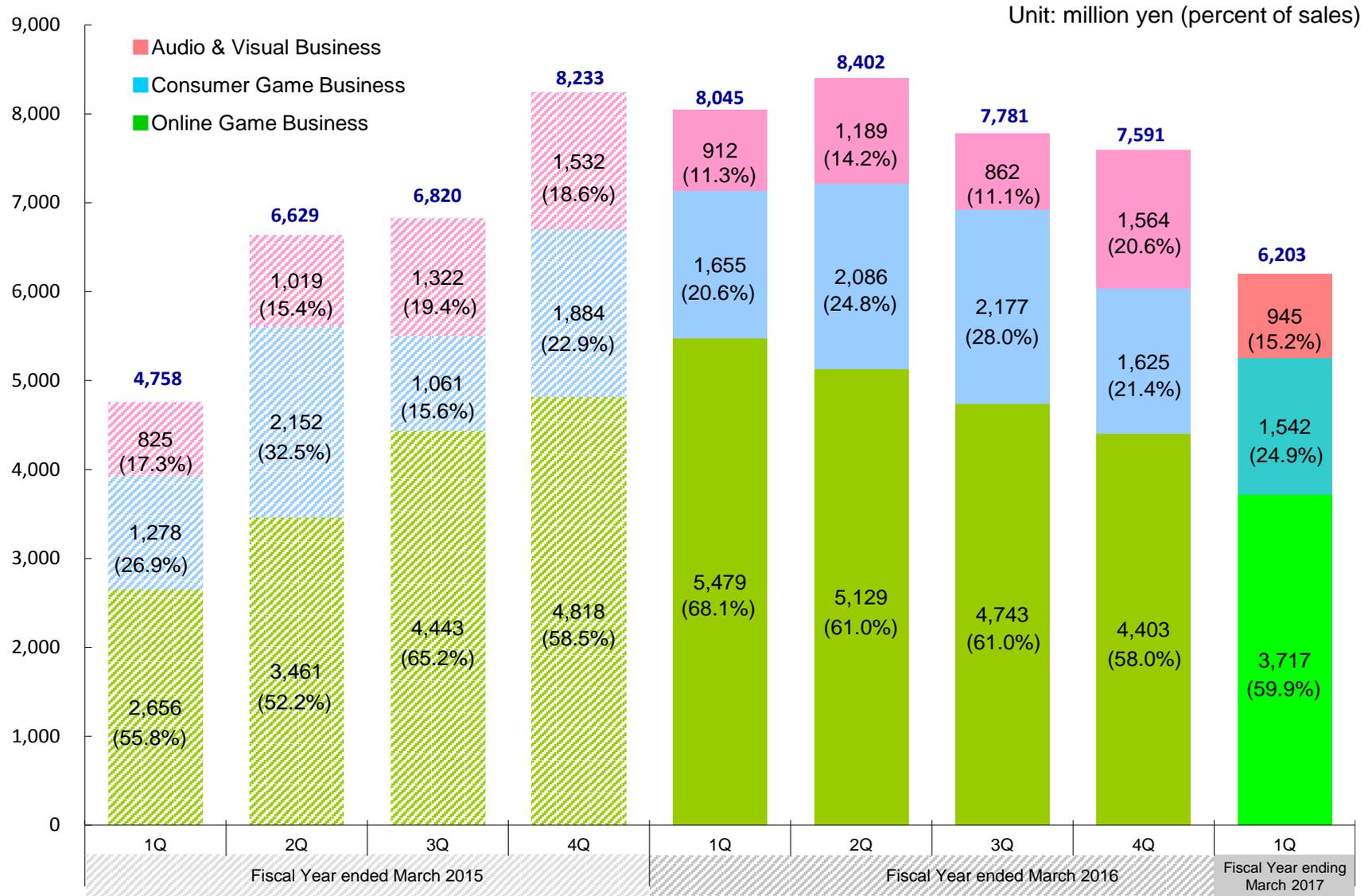
(Unit: million yen)

		1Q FY ended March 2016	1Q FY ending March 2017	YOY change	
		Actual	Actual	(Amount)	(%)
Net Sales	● Online Game Business	5,479	3,717	-1,761	67.8%
	● Consumer Game Business	1,655	1,542	-113	93.2%
	● Audio & Visual Business	912	945	33	103.7%
	Total	8,045	6,203	-1,841	77.1%
Segment Income	● Online Game Business	1,125	576	-549	51.2%
	● Consumer Game Business	263	123	-139	47.0%
	● Audio & Visual Business	306	253	-53	82.7%
	Total	1,695	953	-741	56.2%
Adjustments & eliminations		-318	-315	3	99.0%
Operating Income Total		1,376	638	-738	46.3%

## POINT

- **Online Game Business**
  - Mainstay titles posted lower sales.
  - Income decline widened due to poor performance of new titles.
- **Consumer Game Business**
  - Costs increased due to new game software and new amusement machine model introductions.
- **Audio & Visual Business**
  - Profit margins tightened owing to different merchandise composition but new stage performances were highly successful.

# Sales Structure by Segment (Quarterly)



# Balance Sheet (Summary)



- Current assets lower mainly due to reduced cash and deposits after income tax payment and dividend payment.
- Higher noncurrent assets and current liabilities from investment in new amusement cabinets.

(Unit: million yen)

	End of March 2016	End of June 2016	Change
<b>Current assets (total)</b>	16,204	14,805	-1,399
<b>Noncurrent assets (total)</b>	4,165	4,855	689
<b>Total Assets</b>	<b>20,370</b>	<b>19,660</b>	<b>-709</b>
<b>Current liabilities (total)</b>	6,421	7,011	590
<b>Noncurrent liabilities (total)</b>	27	47	19
<b>Total Liabilities</b>	<b>6,448</b>	<b>7,058</b>	<b>609</b>
<b>Net Assets (total)</b>	<b>13,921</b>	<b>12,601</b>	<b>-1,319</b>



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## **Fiscal Year Ending March 2017, Full-Year Business Forecast**

# Fiscal Year Ending March 2017, Full-Year Business Forecast



- Original results projections remain intact.

(Unit: million yen)

		Full Year			
		FY ended March 2016	FY ending March 2017	YOY change	
		Actual	Forecast	(Amount)	(%)
Net Sales	● Online Game Business	19,755	19,800	44	100.2%
	● Consumer Game Business	7,544	9,400	1,855	124.6%
	● Audio & Visual Business	4,527	4,800	272	106.0%
	<b>Total</b>	31,820	34,000	2,179	106.9%
Segment Income	● Online Game Business	4,182	3,900	- 282	93.2%
	● Consumer Game Business	1,006	2,000	993	198.7%
	● Audio & Visual Business	1,308	1,350	41	103.2%
	<b>Total</b>	6,497	7,250	752	111.6%
Adjustments & eliminations		-1,079	- 1,250	- 170	115.8%
<b>Operating Income</b>		5,418	6,000	581	110.7%
<b>Ordinary Income</b>		5,228	5,850	621	111.9%
<b>Profit attributable to owners of parent</b>		3,602	4,150	547	115.2%



# Segment Results

# Online Game Business: FY Ending March 2017 Progress Status

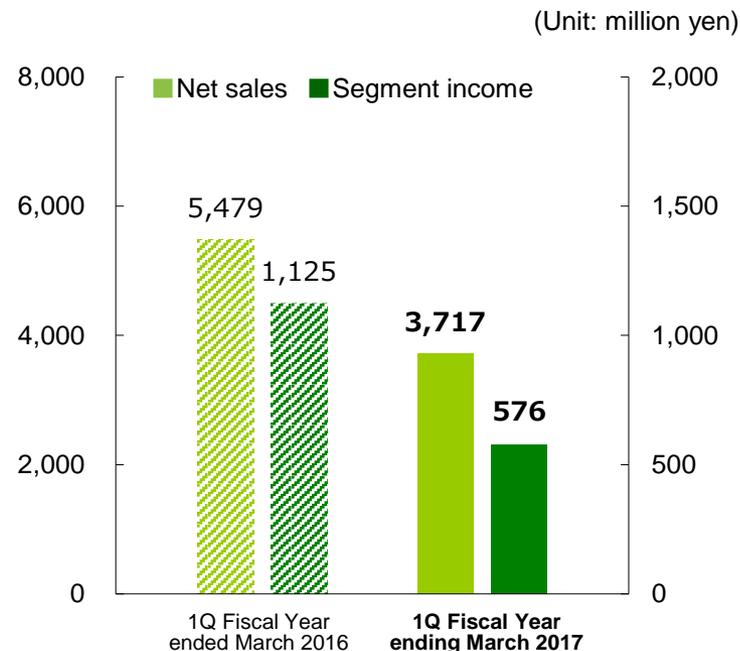


## 1Q Results for FY Ending March 2017

Lower revenues and earnings due to slipping sales of existing titles and poor performance of new titles.

## Title Performance

- Collaboration with popular IP surrounding "Logres of Swords and Sorcery: Goddess of Ancient."
- Sales of "SMASH DRAGOON" struggling after service start in April; service to be terminated.



## <Title Rollouts>

### Logres of Swords and Sorcery: Goddess of Ancient (native app)

Service launched in December 2013 (in Japan)



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### Browser Sangokushi (PC browser)

Service launched in July 2009



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### Ikki-Tousen Burst Fight (mobile browser)

Service launched in May 2012

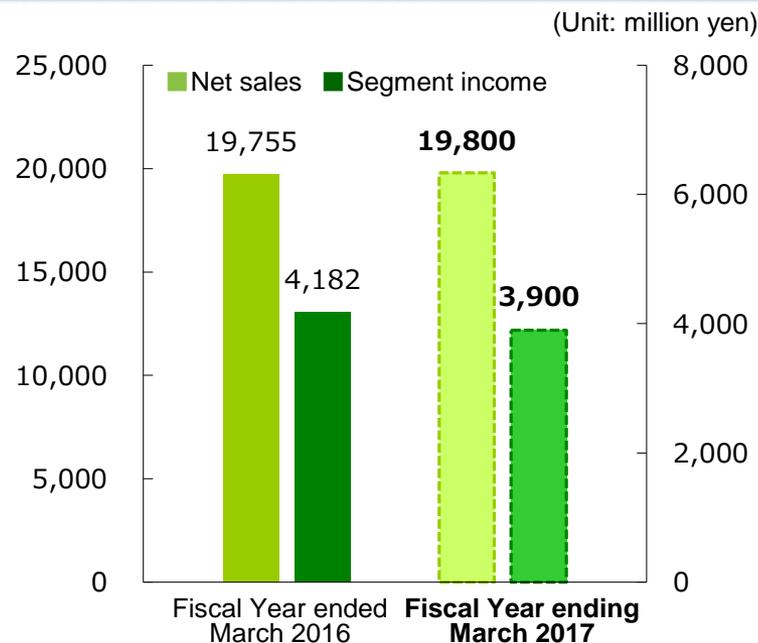


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## TOPICS

- "Logres of Swords and Sorcery: Goddess of Ancient" considered for further continued collaboration programs.
- "Logres of Swords and Sorcery: Goddess of Ancient" projected for launch of Chinese version this summer.
- Additionally, new titles are in planning and development stages.



## <Title Rollouts>

**劍與魔法王國-遠古的女神**  
(Logres of Swords and Sorcery: Goddess of Ancient)

Launched in October 2015 (Taiwan, Hong Kong, and Macau).



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## Overseas Initiatives

**战斗吧 蘑菇君**  
(Logres of Swords and Sorcery: Goddess of Ancient)

Scheduled in summer of 2016 for the Chinese market



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# Consumer Game Business: FY Ending March 2017 Progress Status

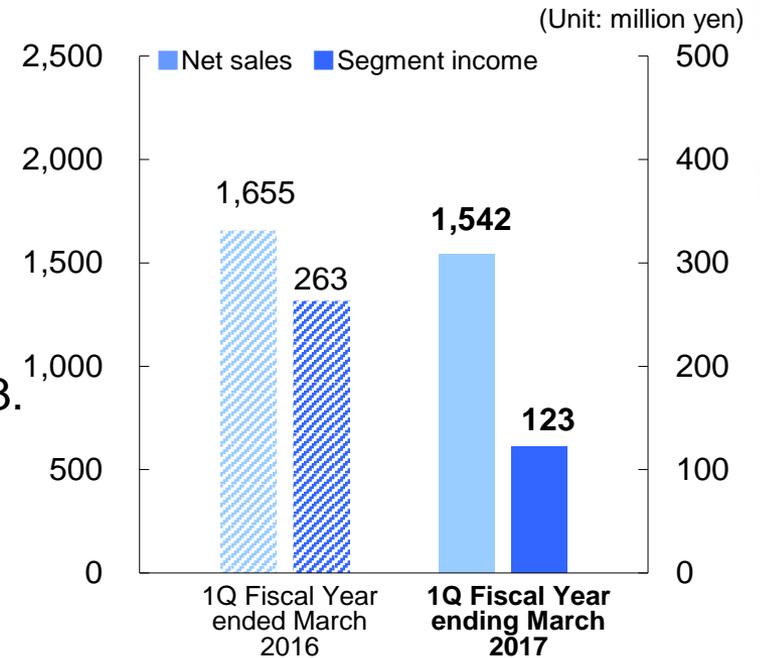


## 1Q Results for FY Ending March 2017

Strategic investments in new titles proceeding as planned.  
Favorable performance continuing after launch.

### Title Performance

- "BOKUJO MONOGATARI MITTSU NO SATO NO TAISETSU NA TOMODACHI" marked favorable start following sales launch on June 23.
- "Dragon Quest: Monster Battle Scanner" Operations initiated on June 23, marking successful start.
- US subsidiary Marvelous USA sees continued strong performance.



### <Title Rollouts>

#### BOKUJO MONOGATARI MITTSU NO SATO NO TAISETSU NA TOMODACHI (3DS)

Released June 23, 2016



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#### Dragon Quest: Monster Battle Scanner (Amusement)

Launched June 23, 2016



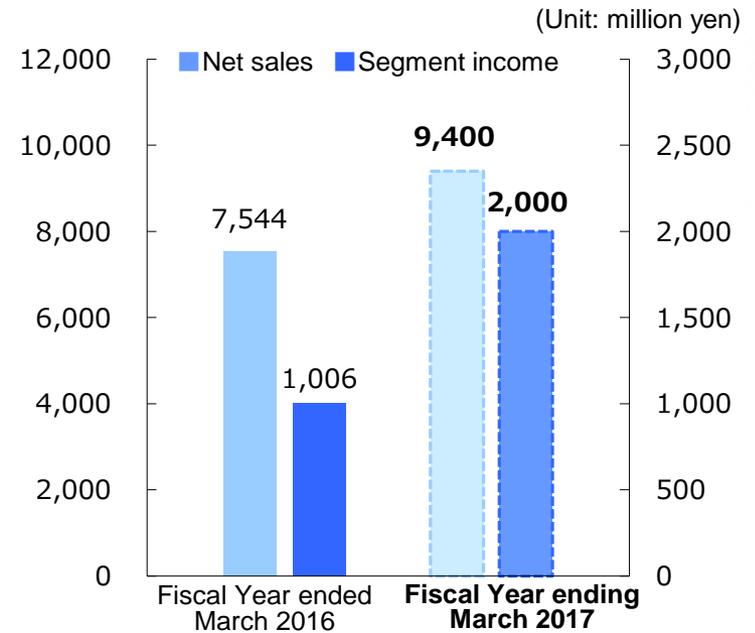
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# Consumer Game Business: Initiatives Starting in 2Q of FY Ending March 2017



## TOPICS

- "Pokémon Ga-Olé" operations initiated on July 7.
- Sales launch of own new production "UPPERS" on July 14.
- Sales launch of "Fate/EXTELLA," first new production in the series in three years, scheduled for November 10; reservations performing strongly.



## <Title Rollouts>

### Pokémon Ga-Olé (Amusement)

Launched July 7, 2016



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Developed by T-ARTS and MARV  
Pokémon is a registered trademark of Nintendo, Creatures, and GAME FREAK.

### UPPERS (PS Vita)

Released July 14, 2016



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### Fate/EXTELLA (PS4/PS Vita)

Scheduled for release  
November 10, 2016



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# Audio & Visual Business: FY Ending March 2017 Progress Status

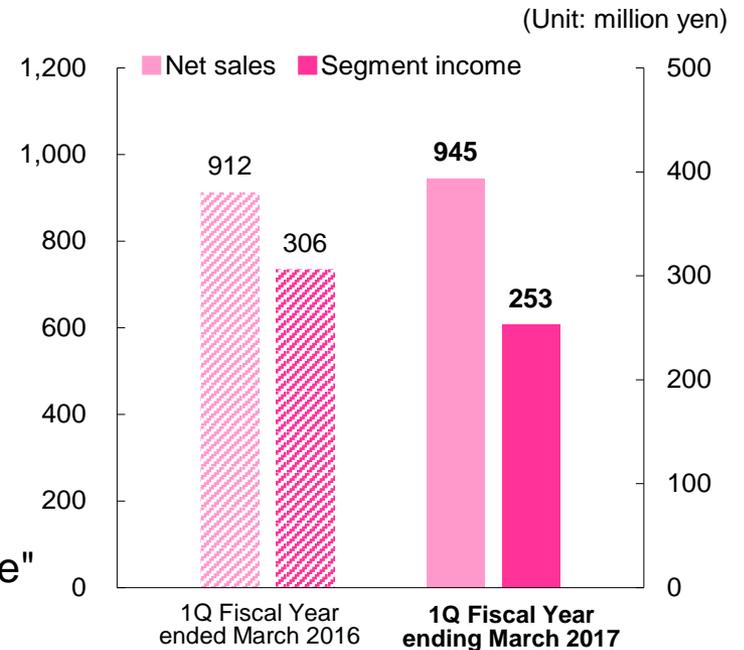


## 1Q Results for FY Ending March 2017

Profit margins tightened owing to different merchandise composition but new stage performances were highly successful.

### Title Performance

- Package sales launch of "Witchy Pretty Cure!"
- Public performances of "Touken Ranbu the Stage" in May sold out every day; live viewing and goods sales, etc., in top form.
- Public performances of "MUSICAL THE PRINCE OF TENNIS Concert Dream Live 2016" in May.
- Public performances of "Ensemble Stars! On Stage" in June.



## <Title Rollouts>

### Witchy Pretty Cure!

Sales launch of the first volume on June 15, 2016



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### Touken Ranbu the Stage

Performances in May 2016



©Touken Ranbu the Stage Production Committee

### MUSICAL THE PRINCE OF TENNIS

#### Concert Dream Live 2016

Performances in May 2016  
(Revenue recognition in 2Q)



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#### Ensemble Stars! On Stage

Performances in June 2016  
(Revenue recognition in 2Q)



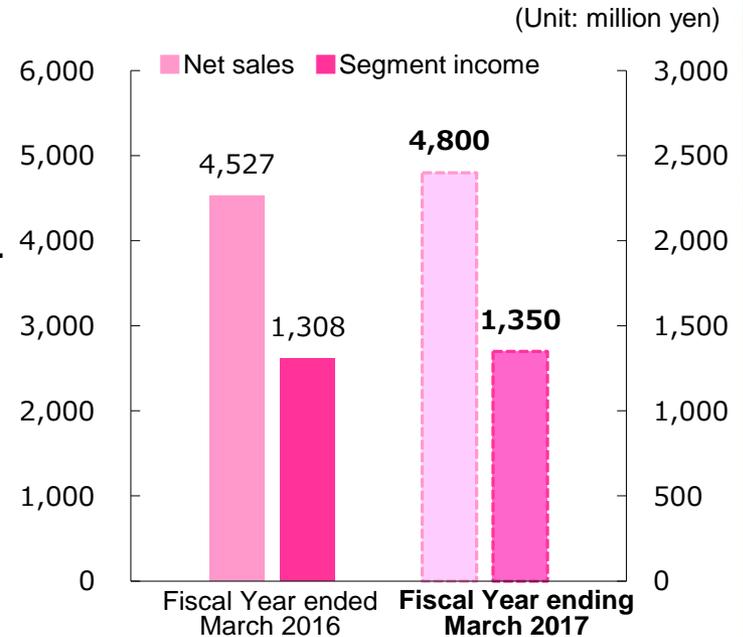
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# Audio & Visual Business: Initiatives Starting in 2Q of FY Ending March 2017



## TOPICS

- TV broadcasting launch of new anime production "QUALIDEA CODE" in July.
- TV broadcasting launch of new anime production "TOUKEN RANBU HANAMARU" slated for October.
- Series of public performances projected including "Stage K -Lost Small World-" and "ULTRA MUSICAL Samurai Jam-Bakumatsu The Arrival of the Black Ships."
- Performances of "Touken Ranbu the Stage" to be resumed on the back of huge success in the winter of 2016.



## <Title Rollouts>

### QUALIDEA CODE

TV broadcasting started in July 2016



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### TOUKEN RANBU HANAMARU

Scheduled to air on TV in October 2016



©2016 TOUKEN RANBU HANAMARU Project

Stage K  
-Lost Small World-  
Performances in July 2016



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© GoRA・GoHands / stage k-project

### ULTRA MUSICAL Samurai Jam -Bakumatsu Rock- The Arrival of the Black Ships

Performances scheduled for August to September 2016



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©2014 Marvelous Inc./ULTRA MUSICAL BakumatsuRock Production Committee



Thank you for your attention.

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