Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021 (Three Months Ended June 30, 2020) (Based on J-GAAP)

July 31, 2020

Company name:	Marvelous Inc.	Listing:	First Section of Tokyo Stock Exchange
Stock Code:	7844	URL:	https://corp.marv.jp
Representative:	Shuichi Motoda, President		
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Scheduled date of filing Quarterly Securities Report: August 4, 2020

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 First Quarter of the Fiscal Year Ending March 31, 2021 (April 1, 2020 – June 30, 2020)

(1) Consolidated Results of Operations (three 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	%
1Q FY2021	4,668	3.3	890	34.4	891	44.1	593	72.8
1Q FY2020	4,518	(28.2)	662	1.8	618	(11.6)	343	(22.0)

Note: Comprehensive income (million yen): 1Q FY2021: 576 (88.7%) 1Q FY2020: 305 (-37.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
1Q FY2021	11.06	–
1Q FY2020:	6.64	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1Q FY2021	29,079	23,919	82.3	396.27
FY2020	26,238	20,099	76.6	388.48

Reference: Shareholders' equity (million yen): 1Q FY2021: 23,919 FY2020: 20,099

2. Dividends

	Dividends per share				
	1Q-end	Interim	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2020	–	0.00	–	33.00	33.00
FY2021	–				
FY2021 (forecasts)		–	–	–	–

Note: Revisions to the most recently announced dividend forecast: None

The dividend forecasts for FY2021 are not decided at this point in time.

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 stage to reasonably assess the impact of the novel coronavirus. Consolidated forecasts will be promptly disclosed when it becomes possible.

***Notes**

(1) Changes in significant subsidiaries during the consolidated period (three 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	1Q FY2021	62,216,400 shares	FY2020	53,593,100 shares
2) Number of treasury stock at end of period	1Q FY2021	1,856,367 shares	FY2020	1,856,367 shares
3) Average number of shares outstanding during the period (three months)	1Q FY2021	53,631,964 shares	1Q FY2020	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).

* 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

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. 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

Although the entertainment industry in the period under review saw the domestic mobile games market in a sustained harsh competitive environment, the market remained robust as a whole thanks to the fact that users tended to play games for longer hours owing to refraining from going outside due to the novel coronavirus. Likewise, in the home-use games market, business remained robust owing to demand from nest dwellers, and both hardware and software exceeded their market scales in the previous year. In the amusement and live entertainment markets, the environment has deteriorated greatly due to the stay-at-home request, the closure of facilities, and the request to refrain from holding events owing to the spread of novel coronavirus infection. Likewise, in the music/video market, the broadcast of TV anime series was postponed in succession owing to the impact of the novel coronavirus. However, the video distribution market got active thanks to a substantial increase in the number of users owing to demand from nest dwellers.

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 first quarter (April 1, 2020 to June 30, 2020) marked 4,668 million yen (up 3.3% compared with the same period of the previous year), with operating profit of 890 million yen (up 34.4% compared with the same period of the previous year), ordinary profit of 891 million yen (up 44.1% compared with the same period of the previous year), and profit attributable to owners of parent of 593 million yen (up 72.8% compared with the same period of the previous year).

Results by business segment are described below.

(i) Online Game Business

In the division, in addition to the fact that “SHINOVI MASTER -SENRAN KAGURA NEW LINK-,” which is in the third year from release, remained robust, “Logres of Swords and Sorcery: Goddess of Ancient,” which marked its 6th anniversary, recorded good sales thanks mainly to collaboration measures. A new title for smartphones "Ikki-Tousen Extra Burst "started to be distributed in May 2020 and got off to a flying start, and new and existing titles remained robust. With regard to a China-originated barrage shooting RPG "GIRL CAFE GUN," its distribution and operation have been transferred to Seasun Entertainment Co., Ltd., which is a Japan subsidiary of the developer Seasun Games, as of July 22, 2020.

As a result, segment net sales totaled 2,068 million yen (up 24.7% compared with the same period of the previous year), with segment profit of 582 million yen (up 77.4% compared with the same period of the previous year).

(ii) Consumer Game Business

At the division's game software sales business, although no new game software was released in Japan, highly profitable repeat sales and the Steam summer sale at U.S. subsidiary remained robust thanks to nest-dweller consumption.

However, at the amusement business, owing to the great impact of the spread of novel coronavirus infection and due to store closures and refraining from going outside in response to the declaration of a state of emergency, income from all models of machines, including a key kids' amusement machine "Pokémon Ga-Olé," decreased substantially.

As a result, segment net sales totaled 1,623 million yen (down 7.8% compared with the same period of the previous year), with segment profit of 442 million yen (up 12.7% compared with the same period of the previous year).

(iii) Audio and Visual Business

The division's audio & visual business started to broadcast TV anime "Mewkledreamy" and "Woodpecker Detective’s Office." However, broadcast of "Mewkledreamy" was partially postponed due to the impact of the novel coronavirus. Broadcast of "My Teen Romantic Comedy SNAFU Climax" on television was postponed from April to July, and release of "Pretty Cure Miracle Leap the Movie," which is one of the Pretty Cure series, was postponed. Then the sale of their related goods was postponed.

At the stage production division cancelled public performances of "Musical HAKUOKI SHINKAI Side Soma Kazue," "MUSICAL THE PRINCE OF TENNIS CONCERT Dream Live 2020," "MUSICAL ACE OF DIAMOND," and "Touken Ranbu the Stage" owing to the impact of the novel coronavirus. With regard to

"Musical HAKUOKI SHINKAI Side Soma Kazue" and "MUSICAL THE PRINCE OF TENNIS CONCERT Dream Live 2020," a loss from the cancellation of their performances had been recorded in the previous term as extraordinary losses.

As a result, segment net sales totaled 977 million yen (down 11.0% compared with the same period of the previous year), with segment profit of 280 million yen (down 18.5% 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 first quarter, the Group had total assets of 29,079 million yen (up 2,841 million yen from the end of the previous fiscal year), total liabilities of 5,160 million yen (down 979 million yen from the end of the previous fiscal year), and net assets of 23,919 million yen (up 3,820 million yen from the end of the previous fiscal year).

(Current assets)
Consolidated current assets at the end of the first quarter totaled 21,094 million yen, up 2,561 million yen from the end of the previous fiscal year due mainly to increases in cash and deposits and in inventories.

(Non-current assets)
Consolidated non-current assets at the end of the first quarter totaled 7,985 million yen, up 280 million yen from the end of the previous fiscal year, due mainly to an increase in intangible assets.

(Current liabilities)
Consolidated current liabilities at the end of the first quarter totaled 5,048 million yen, down 974 million yen from the end of the previous fiscal year, due mainly to decreases in accounts payable - trade and in accounts payable - other.

(Non-current liabilities)
Consolidated non-current liabilities at the end of the first quarter totaled 111 million yen, down 4 million yen from the end of the previous fiscal year, due to a decrease in asset retirement obligations.

(Net assets)
Consolidated net assets at the end of the first quarter totaled 23,919 million yen, up 3,820 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 allocation of shares were paid in and that profit attributable to owners of parent of 593 million yen was recorded, despite of a decrease in retained earnings owing to dividends paid in the previous fiscal year.

(3) Explanation of Business Outlook Including Consolidated Business Forecast

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.