



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023 (Three Months Ended June 30, 2022) (Based on J-GAAP)

July 29, 2022

Company name: Marvelous Inc. Listing: Tokyo Stock Exchange
 Stock Code: 7844 URL <https://corp.marv.jp/english/index.html>
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 Scheduled commencement date of dividend payout: –
 Explanatory documents supplemental to the abridged Quarterly Financial Statements: 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, 2023 (April 1, 2022 - June 30, 2022)

(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 FY2023	5,319	(17.8)	780	(46.7)	1,132	(23.2)	752	(30.0)
1Q FY2022	6,473	38.6	1,464	64.6	1,474	65.5	1,074	81.1

Note: Comprehensive income (million yen): 1Q FY2023: 1,189 (6.9%) 1Q FY2022: 1,112 (93.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
1Q FY2023	12.45	–
1Q FY2022	17.80	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1Q FY2023	35,216	28,155	79.9	465.73
FY2022	36,531	28,973	79.2	479.23

Reference: Shareholders' equity: (million yen) 1Q FY2023: 28,124 FY2022: 28,939

2. Dividends

	Dividends per share				
	1Q-end	Interim	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2022	–	0.00	–	33.00	33.00
FY2023	–	–	–	–	–
FY2023 (forecasts)	–	–	–	–	–

Note: Revisions to the most recently announced dividend forecast: None
 The dividend forecasts for FY2023 are not decided at this point in time.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	25,000 - 28,800	(2.8) - 11.9	4,000 - 4,600	(13.1) - 0.0	4,200 - 4,800	(16.9) - (5.0)	2,940 - 3,360	(23.0) - (12.0)	48.68 - 55.64

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

The full-year financial forecast for the fiscal year ending March 2023 has been disclosed in a range format because it is difficult to forecast the financial results at a specific value due to a large number of new original titles for consumer and online games scheduled to be released this fiscal year, a large fluctuation in the financial results depending on the degree of their hits, and concerns over the impact of the COVID-19 pandemic in stage performances. For details, please refer to P.4 "1. Qualitative Information Concerning Quarterly Results (3) Explanation of Business Outlook Including Consolidated Business Forecast."

***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 shares) at end of period	1Q FY2023	62,216,400 shares	FY2022	62,216,400 shares
2) Number of treasury shares at end of period	1Q FY2023	1,828,646 shares	FY2022	1,828,646 shares
3) Average number of shares outstanding during the period	1Q FY2023	60,387,754 shares	1Q FY2022	60,359,954 shares

Note: The number of treasury shares at end of the period is stated, including 456,100 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

The forecasts and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual results may differ materially from these forecasts due to a variety of factors.

For details, please refer to P.4 "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 saw the domestic home video game market continue to experience a shortage of game consoles due to a prolonged shortage of semiconductors, which resulted in a decline in the market size compared to the previous year. In the mobile game market, the environment surrounding new entry titles remains severe, the competitive environment is becoming more severe, and the tendency in the struggle for existence has been strengthened. In the amusement market, the recovery trend is continuing and is approaching the level before COVID-19 pandemic, but there are concerns about the future impact of the current resurgence of infections. In the audio and visual market, there is a growing sense of stagnation due to the end of nesting demand even in the video distribution market, which has been doing well, such as drawing attention to the decline in the number of subscribers to major distribution services. In the live entertainment market, although there were signs of recovery, the recovery of audience participation was slow, there were frequent cancellations of performances due to infection of performers and staff, and the severe market environment remained unchanged.

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 excitement among today's users while endeavoring to enhance its services.

As a result, the Group's consolidated operating results for the period under review (April 1, 2022 - June 30, 2022) came to net sales of 5,319 million yen (down 17.8% compared with the same period of the previous year), operating profit of 780 million yen (down 46.7% compared with the same period of the previous year), ordinary profit of 1,132 million yen (down 23.2% compared with the same period of the previous year), and profit attributable to owners of parent of 752 million yen (down 30.0% compared with the same period of the previous year).

Results by business segment are described below.

The reportable segments have been changed since the first quarter under review, and the comparison and analysis for the first quarter under review are based on the changed categories.

(i) Digital Contents Business

In the consumer division of this business, a new multi-platform game "DEADCRAFT" was released simultaneously worldwide on May 19, 2022 as a title exclusively for download. However, sales fell short of the target. In addition, as a reactionary decline following the strong sales of "Rune Factory 5," which was launched in May of the previous fiscal year, sales and profit decreased from the same period of the previous fiscal year.

In the online division, the collaboration measures of "Logres of Swords and Sorcery: Goddess of Ancient" and the addition of new characters to commemorate the 4.5 year anniversary of "SHINOVI MASTER - SENRAN KAGURA NEW LINK-" were well received. In addition, "The Thousand Musketeers: Rhodoknight," which was released in November 2021, increased the number of users and sales at the half anniversary event held in May 2022, but its contribution to earnings was limited.

As a result, segment net sales totaled 3,030 million yen (down 32.6% compared with the same period of the previous year), with segment profit of 252 million yen (down 82.5% compared with the same period of the previous year).

(ii) Amusement Business

In this segment, sales of the new tag of "Pokémon MEZASTAR," the key kids' amusement machine, which started operation on April 21, 2022, were extremely favorable, achieving record sales. On the other hand, "Pokémon Ga-Olé," which is currently operating overseas, continued to be affected by the implementation of partial business restraint and business restrictions in areas where the COVID-19 outbreak has spread, while other regions performed well.

As a result, segment net sales totaled 1,726 million yen (up 40.9% compared with the same period of the previous year) with segment profit of 702 million yen (up 101.9% compared with the same period of the previous year).

(iii) Audio and Visual Business

In the audio and visual production division, the latest animated TV program of Yu-Gi-Oh! series, “Yu-Gi-Oh! GO RUSH!,” and the TV animation “Aoashi” began broadcasting from April 2022. In addition, the first part of the new trilogy of the animation “TOUKEN RANBU HANAMARU Season 3,” “YUKI NO MAKI” was released in theaters on May 20 of the same year.

In the stage production division, new plays of series such as “Musical HAKUOKI SHINKAI” and “Touken Ranbu the Stage” were performed. Although sales decreased due to a decrease in the number of performance titles recorded in the first quarter under review, there was a significant increase in profit owing to the recording of J-LODlive (Japan content LOCALization and Distribution live entertainment) Subsidy, etc.

As a result, segment net sales totaled 562 million yen (down 24.9% compared with the same period of the previous year), with segment profit of 229 million yen (segment profit in the same period of the previous fiscal year was 18 million yen).

(2) Explanation of Consolidated Financial Position

On the consolidated balance sheets at the end of the first quarter, the Group had total assets of 35,216 million yen (down 1,315 million yen from the end of the previous fiscal year), total liabilities of 7,060 million yen (down 497 million yen from the end of the previous fiscal year), and net assets of 28,155 million yen (down 817 million yen from the end of the previous fiscal year).

(Current assets)

Consolidated current assets at the end of the first quarter totaled 26,679 million yen, down 1,426 million yen from the end of the previous fiscal year, mainly due to a decrease in cash and deposits.

(Non-current assets)

Consolidated non-current assets at the end of the first quarter totaled 8,536 million yen, up 111 million yen from the end of the previous fiscal year, owing mainly to an increase in intangible assets.

(Current liabilities)

Consolidated current liabilities at the end of the first quarter totaled 6,645 million yen, a decrease of 497 million yen from the end of the previous fiscal year, owing 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 414 million yen, showing no change from the end of the previous fiscal year.

(Net assets)

Consolidated net assets at the end of the first quarter totaled 28,155 million yen, down 817 million yen from the end of the previous fiscal year, due to a decrease in retained earnings resulting from dividends for the previous fiscal year, despite recording 752 million yen in profit attributable to owners of the parent.

(3) Explanation of Business Outlook Including Consolidated Business Forecast

With regard to consumer games, the Steam® version of “Rune Factory 5” and the PlayStation® 4 version of “BOKUJO MONOGATARI OLIVE TOWN TO KIBO NO DAICHI,” which had been also released for the Nintendo Switch™ in 2021, were released on July 14 and July 28, respectively. “No More Heroes 3,” also released for the Nintendo Switch™ in 2021, will be available for PlayStation® 4/PlayStation® 5, Xbox Series X|S/Xbox One, and Steam® in October. In addition, another completely new juvenile RPG titled “LOOP8” for Nintendo Switch™, PlayStation®4, and Xbox One will be released in 2022.

With regard to online games, “Dolphin Wave,” a new original IP game application for smartphones is scheduled to be distributed in FY2022 and its pre-registration is now available in the brand name of “HONEY PARADE GAMES,” which has developed “SENTRAN KAGURA” series and other titles.

In the amusement business, sales of its mainstay “Pokémon MEZASTAR” series continued to be strong, with the new Tag starting operation on July 7. However, there are concerns that sales may be affected again depending on the future COVID-19 situation. Although sales of overseas “Pokémon Ga-Olé” have been

affected in some operating regions where the number of COVID-19 cases is increasing, it has been performing well in other regions.

In the audio and visual production division, the second part of the new trilogy of the animation “TOUKEN RANBU HANAMARU Season 3,” “TSUKI NO MAKI” was released in theaters on July 8. In addition, the last part, “HANA NO MAKI” of “TOUKEN RANBU HANAMARU Season 3” will be released on September 1. The latest new movie in the Pretty Cure series, “Delicious Party Pretty Cure the Movie” will also be released in theaters on September 23. In addition, as a new project, we have decided to hold a fireworks event project aiming for synergy with the audio and visual business. As the first project, we will host “ICHIKAMISATO HANAMIRAI-FIREWORKS * FUTURE-2022” to be held on October 2 in Ichikawa Misato-cho, Yamanashi.

In the stage production division, a new play of “Stage[Yowamushi Pedal]” was held from July 5 to 18. A new play of “MUSICAL THE PRINCE OF TENNIS” is scheduled to run from July 5 to August 28, but some performances have been canceled after a person concerned tested positive for COVID-19. In addition, new plays are scheduled for popular titles such as “World Trigger the Stage,” “MUSICAL AO HARU TETSUDO,” “MUSICAL 『MORIARTY THE PATRIOT』,” “Touken Ranbu the Stage,” and Musical “Ouran High School Host Club,” and live performances such as “MUSICAL THE PRINCE OF TENNIS II Revolution Live 2022” and “Musical HAKUOKI HAKU-MYU LIVE 3.” Further, we are preparing a large lineup of new productions for this fiscal year, including “MUSICAL ACE OF DIAMOND,” “MAHOROBAKANATA,” “TOKYO COLOR SONIC!! THE STAGE” and other planned new stage productions. However, the recovery of customers in the live entertainment field is uncertain, it is expected that the market environment will remain severe, and the achievement may be significantly affected by the possibility of cancellations due to infection of related persons.

The full-year financial forecast for the fiscal year ending March 2023 had not been determined due to the difficulty of making a reasonable calculation of the impact on the business amid uncertainty over the resolution of COVID-19. However, the forecast has been calculated based on currently available information, including the progress made in the first quarter and the impact on each business. However, due to the large number of new original titles in consumer and online games scheduled to be released this fiscal year, the achievement fluctuates greatly depending on the degree of their hits, and because there is considerable concern about the impact of COVID-19 in stage performances, it is difficult to predict with specific figures, and therefore, the disclosure is made in a range format. In the future, when it becomes possible to disclose the specified forecast values, we will promptly disclose them.

The year-end dividend forecast for the fiscal year ending March 2023 will be disclosed when it becomes possible to disclose specific figures in the earnings forecast.

	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
FY2023 (forecasts)	25,000 - 28,800	4,000 - 4,600	4,200 - 4,800	2,940 - 3,360	48.68 - 55.64
*Reference Results of the previous fiscal year (FY ended March 2022)	25,728	4,600	5,054	3,817	63.23