

Consolidated Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2017 (Nine Months Ended December 31, 2016) (Based on J-GAAP)

January 31, 2017

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 Scheduled commencement date of dividend payout: —
 Explanatory documents supplemental to the abridged Quarterly Financial Statement: Yes
 Quarterly results 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, 2017 (April 1, 2016 – December 31, 2016)

(1) Consolidated Results of Operations (nine months) (Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3Q FY 2017	21,636	(10.7)	3,821	(3.8)	3,917	(0.6)	2,820	4.8
3Q FY 2016	24,229	33.1	3,972	35.8	3,940	26.6	2,690	43.5

Note: Comprehensive income (million yen): 3Q FY 2017: 2,860 (6.3%) 3Q FY 2016: 2,689 (41.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q FY 2017	54.52	—
3Q FY 2016	51.06	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
3Q FY 2017	22,480	15,223	67.7	294.14
FY 2016	20,370	13,921	68.3	268.84

Reference: Shareholders' equity (million yen): 3Q FY 2017: 15,213 FY 2016: 13,904

2. Dividends

	Dividends per share				
	1Q-end	Interim	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2016	—	0.00	—	30.00	30.00
FY 2017	—	0.00	—	—	—
FY 2017 (forecasts)	—	—	—	30.00	30.00

Note: Revisions to the dividend forecast in the current quarter: None

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	34,000	6.9	6,000	10.7	5,850	11.9	4,150	15.2	80.24

Note: Revisions to the financial forecast in the current quarter: None

***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 creation of quarterly financial statement: Yes
- (3) Changes in accounting principles, estimates and restatement
1) Changes in accounting principles caused by revision of accounting standards: Yes
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 2017	53,593,100 shares	FY 2016	53,593,100 shares
2) Number of treasury stock at end of period	3Q FY 2017	1,872,400 shares	FY 2016	1,872,400 shares
3) Average number of shares outstanding during the period (nine months)	3Q FY 2017	51,720,700 shares	3Q FY 2016	52,696,336 shares

Note: The number of treasury stock stated as of the end of 3Q of FY 2017 includes 500,000 shares held by Trust & Custody Services Bank, Ltd. (Trust E Units) as trust assets of the "Board Benefit Trust (BBT)."

*** Information regarding the implementation of quarterly review procedures**

This summary of quarterly financial statements is not subject to quarterly review procedures pursuant to the Financial Instruments and Exchange Act (FIEA), and at the time of disclosure of this summary of consolidated quarterly financial statements, the quarterly review procedures of consolidated financial statements pursuant to the FIEA were not completed.

*** Cautionary statement with respect to forward-looking statements**

This document contains forward-looking statements including forecasts of the Company's business performance, which are based on information currently available to the Company as well as on certain assumptions that the Company deems reasonable. Therefore, results including actual business performance could differ materially from those described in these forward-looking statements as a result of numerous factors.

1. Qualitative Information Concerning Quarterly Results

(1) Explanation of consolidated business results

The entertainment industry in the period under review witnessed the rise of virtual reality (VR) as a much discussed topic in Japan and overseas, with VR-related news emerging as a major focus of attention. Furthermore, the industry marked game releases for smartphones using global IP, evolving into a worldwide social phenomenon. Likewise, the live entertainment market developed favorably, with sustained growth in stage performances such as musicals and theatricals.

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 diverse 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, 2016 to December 31, 2016) marked 21,636 million yen (down 10.7% compared with the same period of the previous year), with operating income of 3,821 million yen (down 3.8% compared with the same period of the previous year), ordinary income of 3,917 million yen (down 0.6% compared with the same period of the previous year), and profit attributable to owners of parent of 2,820 million yen (up 4.8% compared with the same period of the previous year).

Results by business segment are described below.

(Online Game Business)

The online game business reported favorable performance thanks to efforts surrounding "Logres of Swords and Sorcery: Goddess of Ancient" to expand the title's user base and revive sales and earnings growth. Specifically, measures included the installation of new functions and the hosting of collaborative events as well as 3-year anniversary events, etc., marking the third anniversary of the service start of this core title in December. On the other hand, the division decided to terminate the title's launch in China after initial assumptions and earnings expectations were disappointed. Likewise, the division terminated by the second quarter the service provision of underperforming titles and stopped the development of some titles in progress. The development cost was written off in a lump sum.

As a result, segment net sales totaled 11,455 million yen (down 25.4% compared with the same period of the previous year), with segment income of 2,489 million yen (down 26.1% compared with the same period of the previous year).

(Consumer Game Business)

The consumer game business own-sales operations, "Fate/EXTELLA (PS Vita / PS4)" launched on November 10, 2016, proved a hit product topping the results for precursor productions of the series by a wide margin. Furthermore, "BOKUJO MONOGATARI MITSU NO SATO NO TAISETSU NA TOMODACHI (Nintendo 3DS)" with sales initiated on June 23, 2016, has also been selling well and "UPPERS (PS Vita)" came to market on July 14, 2016.

At the amusement division, new machines "Dragon Quest: Monster Battle Scanner" and "Pokémon Ga-Olé" went into operation respectively on June 23 and July 7, 2016.

As a result, segment net sales totaled 6,498 million yen (up 9.8% compared with the same period of the previous year), with segment income of 1,197 million yen (up 83.3% compared with the same period of the previous year).

(Audio & Visual Business)

The division's audio & visual production operations commercialized package products such as TV anime "Witchy Pretty Cure!" and in July 2016 started broadcasting the TV anime "QUALIDEA CODE" lead-produced by the Company. Furthermore, the division initiated broadcasting of the TV anime "TOUKEN RANBU HANAMARU" in October 2016. Blu-ray / DVD sales of the title performed well. Also income from secondary uses developed favorably, such as video dissemination sales and program sales, etc., respectively from the Company's library.

Stage production operations came out with new performances of serialized productions, specifically "MUSICAL THE PRINCE OF TENNIS," "Stage [Yowamushi Pedal]," "Musical HAKUOKI," "Stage K," and "ULTRA MUSICAL Samurai Jam -Bakumatsu Rock-," all with favorable results. Additionally, as for new titles, performances comprised "Touken Ranbu the Stage" and "Ensemble Stars! On Stage" respectively accompanied by robust Blu-ray / DVD sales.

As a result, segment net sales totaled 3,709 million yen (up 25.2% compared with the same period of the previous year), with segment income of 990 million yen (up 24.2% 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 22,480 million yen (up 2,110 million yen from the end of the previous fiscal year), total liabilities of 7,256 million yen (up 807 million yen from the end of the previous fiscal year), and net assets of 15,223 million yen (up 1,302 million yen from the end of the previous fiscal year).

(Current Assets)

Consolidated current assets at the end of the third quarter totaled 17,252 million yen, which was 1,047 million yen more than at the end of the previous fiscal year, due to factors including an increase in cash and deposits, and increase in notes and accounts receivable-trade.

(Noncurrent Assets)

Consolidated noncurrent assets at the end of the third quarter totaled 5,228 million yen, which was 1,062 million yen more than at the end of the previous fiscal year, due to factors including an increase in property, plant, and equipment.

(Current Liabilities)

Consolidated current liabilities at the end of the third quarter totaled 7,194 million yen, which was 773 million yen more than at the end of the previous fiscal year, due to factors including an increase in accounts payable.

(Noncurrent liabilities)

Consolidated noncurrent liabilities at the end of the third quarter totaled 62 million yen, which was 34 million yen more than at the end of the previous fiscal year, due to factors including an increase in asset retirement obligations.

(Net assets)

Consolidated net assets at the end of the third quarter totaled 15,223 million yen, which was 1,302 million yen more than at the end of the previous fiscal year, due to a fall in retained earnings (which exceeded 2,820 million yen in profit attributable to owners of parent) owing to dividend payments for the previous fiscal year.

(3) Explanation of business outlook including consolidated business forecast

The consolidated business forecast for the current fiscal year remains unchanged from the business forecast announced on May 12, 2016.