

Consolidated Financial Results for the Fiscal Year Ended March 31, 2015 (Based on J-GAAP)

May 12, 2015

Company name: Marvelous Inc. Listing: First Section of Tokyo Stock Exchange
 Stock Code: 7844 URL: <http://www.marv.jp/>
 Representative: Haruki Nakayama, Chairman, CEO
 Contact: Seiichiro Kato, Director, Executive Officer, CFO, Chief Senior Director of Administration
 Tel: +81-3-5769-7447
 Scheduled date of Annual General Meeting of Shareholders: June 23, 2015
 Scheduled Commencement Date of Dividend Payout: June 8, 2015
 Scheduled date of filing Annual Securities Report: June 23, 2015
 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, 2015 (April 1, 2014 – March 31, 2015)

(1) Consolidated Results of Operations (full-year)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2015	26,441	30.1	4,412	46.8	4,583	50.7	2,178	15.7
FY 2014	20,330	15.6	3,006	29.0	3,041	30.8	1,882	(1.9)

Note: Comprehensive income (million yen): FY 2015: 2,212 (16.7%) FY 2014: 1,894 (-1.1%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY 2015	40.74	40.74	17.2	23.6	16.7
FY 2014	35.21	—	16.6	18.9	14.8

Reference: Equity in earnings of affiliates (million yen): FY 2015: — FY 2014: —
 On October 1, 2013, the Company executed a stock split of its common shares at the ratio of 100 shares to 1. In conjunction with this action, the Company has calculated net income per share and diluted net income per share as if the stock split had taken place at the start of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2015	22,039	13,450	61.0	251.55
FY 2014	16,816	11,921	70.9	223.02

Reference: Shareholders' equity (million yen): FY 2015: 13,450 FY 2014: 11,921

(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
FY 2015	4,031	(2,218)	(1,146)	8,937
FY 2014	3,852	(634)	(873)	8,120

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	%	%
FY 2014	—	0.00	—	13.00	13.00	694	36.9	6.1
FY 2015	—	0.00	—	20.00	20.00	1,069	49.1	8.4
FY 2016 (forecasts)	—	0.00	—	30.00	30.00		39.1	

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2016 (April 1, 2015 – March 31, 2016)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	35,000	32.4	6,000	36.0	6,000	30.9	4,100	88.2	76.68

Note: The Company manages financial results based on the full fiscal year. Interim (2nd quarter) results projections are therefore omitted.

***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	FY 2015	53,593,100 shares	FY 2014	53,593,100 shares
2) Number of treasury stock at end of period	FY 2015	122,400 shares	FY 2014	138,000 shares
3) Average number of shares outstanding during the period	FY 2015	53,467,751 shares	FY 2014	53,455,100 shares

On October 1, 2013, the Company executed a stock split of its common shares at the ratio of 100 shares to 1. In conjunction with this action, the Company has calculated the number of shares issued and outstanding (shares of common stock) as if the stock split had taken place at the start of the previous fiscal year.

Reference: Non-Consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2015 (April 1, 2014 – March 31, 2015)

(1) Non-consolidated results of operations (full-year) (Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY 2015	24,433	32.1	4,049	38.7	4,198	36.3	1,808	(9.4)
FY 2014	18,499	11.4	2,918	29.2	3,079	31.9	1,995	7.7

	Net income per share	Diluted net income per share
	Yen	Yen
FY 2015	33.82	33.81
FY 2014	37.33	—

On October 1, 2013, the Company executed a stock split of its common shares at the ratio of 100 shares to 1. In conjunction with this action, the Company has calculated net income per share and diluted net income per share as if the stock split had taken place at the start of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2015	21,354	13,098	61.3	244.97
FY 2014	16,337	11,973	73.3	224.00

Reference: Shareholders' equity (million yen): FY 2015: 13,098 FY 2014: 11,973

*** Implementation of audit procedures**

This summary of financial statements is not subject to audit procedures pursuant to the Financial Instruments and Exchange Act (FIEA), and at the time of disclosure of this summary of financial statements, the audit procedures of 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. Analysis of Results of Operations and Financial Position

(1) Analysis of results of operations

(1) Operating results for the current term

In the period under review, the entertainment industry saw continued growth in the applications market driven by the widespread adoption of smartphones, combined with increased user numbers along with a diversity of titles. Moreover, the Japanese market, the world's largest, has been attracting much interest from foreign companies and prompted a string of market entries of foreign-made content, associated with intensifying competition. In the domestic market for home-use games, high-performance dedicated game machines remain highly popular centered on core users. However, market scale has been losing out to the smartphone market and remains under intense pressure. In the market for arcade games, amid a diversity of games for young children, a number of strong contents offerings continued to monopolize the market. In the audio & visual sectors, sales of package products remain under the impact of an unfavorable environment, contrasted by steadily growing demand in the live entertainment business.

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 consolidated operating results for the current term (April 1, 2014 to March 31, 2015) came to net sales of 26,441 million yen (up 30.1% from the previous fiscal year), operating income of 4,412 million yen (up 46.8% from the previous fiscal year), and ordinary income of 4,583 million yen (up 50.7% from the previous fiscal year). Net income for the term was 2,178 million yen (up 15.7% from the previous fiscal year).

Results by business segment are described below.

(Online Game Business)

In the online game business, existing major titles continued to perform well. Although the PC browser games market itself has been contracting, performance has been robust centered on "Browser Sangokushi," a long-selling hit title. Likewise, existing titles performed well also in mobile browser games, exemplified by rising sales of "Ikki-Tousen Burst Fight." In native apps, sales have continued expanding for "Logres of Swords and Sorcery: Goddess of Ancient" released in December 2013, with significant contributions to income for the period. As new titles of app games, we launched "NBA CLUTCH TIME" in November 2014 in Japan, and in January 2015 started dissemination of a Chinese language version of that title in Taiwan, Hong Kong, and Macau. Subsequently in February 2015 we launched "Disney Magic Castle Dream Island" under a license agreement with The Walt Disney Company (Japan) Ltd. Additionally, we released two new app games titles.

As a result, segment net sales totaled 15,379 million yen (up 73.2% from the previous fiscal year) with segment operating income at 3,815 million yen (up 413.7% from the previous fiscal year).

(Consumer Game Business)

At the Company's sales sector of the Consumer Game Business segment, sales launches of "SENTRAN KAGURA 2 (Nintendo 3DS)" in August 2014, "Samurai Jam -Bakumatsu Rock-: Ultra Soul (PS Vita/PSP)" in September, and "KINKI NO MAGNA (Nintendo 3DS)" in October of the same year have been in an uphill struggle. Likewise, sales targets were missed for both the package version of "DEKAMORI SENTRAN KAGURA (PS Vita)," which used to be on sale as a download version only, launched in November 2014 and the new title "SENTRAN KAGURA ESTIVAL VERSUS (PS4/PS Vita)," which was launched in March 2015. Furthermore, regarding "KAIO", a development started with a view to creating a powerful original IP of the Company, the development effort was terminated and a development termination extraordinary loss recognized to account for the written-off work in progress. This move was due to a drastic change in market environments and unfavorable conditions rendering the formation of the initially projected media mix initiative impracticable.

At the amusement division, a significant delay occurred in the originally projected contributions to earnings from the "PUZZLE & DRAGONS Z Tamer Battle" kids' amusement console launched in June 2014. As the result of a careful assessment of the recoverability of the stated asset value based on estimates of future cash flow, an asset impairment extraordinary loss was recognized in the amount of the remaining asset balance.

As a result, segment net sales totaled 6,376 million yen (down 16.4% from the previous fiscal year), with segment operating income of 502 million yen (down 77.9% from the previous fiscal year).

(Audio & Visual Business)

The audio & visual production sector of the Audio & Visual business segment implemented the audio-visual product commercialization of the TV animation products "Samurai Jam -Bakumatsu Rock-" and "Tokyo Ghoul," both lead-managed by the Company. However, under the impact of a deteriorated market environment, sales of package products fell short of target.

On the other hand, the stage production division reported significant growth for the standard "MUSICAL THE PRINCE OF TENNIS" as well as for "Stage Yowamushi Pedal," which solidified its position as a major title of the Company. Moreover, "Musical HAKUOKI" and "ULTRA MUSICAL Samurai Jam -Bakumatsu Rock-" have remained highly popular and performances of all titles have turned out hits. In addition to ticket sales, related goods and DVDs have been selling extremely well.

As a result, segment net sales totaled 4,699 million yen (up 22.9% from the previous fiscal year), with segment operating income of 1,089 million yen (up 18.3% from the previous fiscal year).

(2) Outlook for the next term

In its business initiatives for the next fiscal year, the Group will focus on achieving further growth in app games, which have been sustaining strong performance in the Online Game Business, accompanied by continuing efforts to maintain the popularity of existing titles. In the Consumer Game Business and the Audio & Visual Business, where operating environments remain adverse, the Group will use its special strength in planning abilities to best effect with the aim of achieving sales and earnings growth compared with the fiscal year under review.

As a result of the aforementioned efforts, consolidated results for the next term are forecast to achieve net sales of 35,000 million yen, operating income of 6,000 million yen, ordinary income of 6,000 million yen, and net income of 4,100 million yen.

(2) Analysis of financial position

1. Assets, liabilities, and net assets

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 fiscal year under review totaled 22,039 million yen, which was 5,222 million yen more than at the end of the previous fiscal year. Main factors included an increase in cash and cash equivalents, and notes and accounts receivable, in line with increased sales.

Consolidated liabilities at the end of the fiscal year under review totaled 8,588 million yen, which was 3,693 million yen more than at the end of the previous fiscal year. Main factors were decreases resulting from repayment of short-term and long-term borrowings which were offset by higher accounts payable and income taxes payable, etc.

Consolidated net assets at the end of the fiscal year totaled 13,450 million yen, which was 1,529 million yen more than at the end of the previous fiscal year. Main factors were dividend payments, causing a drop in retained earnings, and other factors such as earnings recognized for the period.

2. Cash flows

Consolidated net cash and cash equivalents ("Cash") at the end of the consolidated fiscal year under review totaled 8,937 million yen, which was 816 million yen more than at 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]

Net cash provided by operating activities totaled 4,031 million yen (up 4.7% from the previous fiscal year). Main factors included a 2,773 million yen increase in trade accounts receivable, 3,701 million yen in income before income taxes, 1,119 million yen in depreciation charges, and a 2,318 million yen increase in accounts payable.

[Cash flows from investing activities]

Net cash used in investing activities totaled 2,218 million yen (up 249.9% from the previous fiscal year). Main factors included expenditures of 646 million yen for the acquisition of property, plant, and equipment, 1,364 million yen for acquisition of intangible non-current assets, and 1,500 million yen for time deposits together with income of 1,800 million yen from return of time deposits.

[Cash flows from financing activities]

Net cash used in financing activities totaled 1,146 million yen (up 31.2% from the previous fiscal year). Main factors included a 463 million yen net decrease in short-term and long-term borrowings and 694 million yen in expenditures for dividend payments.

Reference: Trends in cash flow indicators

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Shareholders' equity ratio (%)	7.9	66.6	69.7	70.9	61.0
Shareholders' equity ratio based on market prices (%)	47.1	63.6	203.5	267.0	407.4
Interest-bearing debt to cash flow ratio (annual)	155.5	99.0	30.1	16.9	5.0
Interest coverage ratio (times)	21.7	54.7	280.3	490.0	704.6

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.

(3) Basic profit allocation policy, and dividends in the current and next fiscal years

The Company regards the redistribution of profits to our shareholders as one of the most important management priorities. It is our fundamental policy to provide continuing and stable distributions while securing the internal reserves necessary for future business expansion and reinforcement of the Company's financial position.

The Company's institution which determines the distribution of any retained earnings is stipulated in accordance with the Articles of Association as being the Board of Directors. After comprehensively considering expansion of the Group in the next term and after and so as to reward our shareholders for their support, the Board of Directors decided that the dividend per share would be 20 yen. In addition, the annual dividend for the next term is expected to be 30 yen per share.