

Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (Based on J-GAAP)

May 11, 2017

Company name: Marvelous Inc. Listing: First Section of Tokyo Stock Exchange
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Scheduled date of Annual General Meeting of Shareholders: June 20, 2017

Scheduled commencement date of dividend payout: June 5, 2017

Scheduled date of filing Annual Securities Report: June 20, 2017

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, 2017 (April 1, 2016 – March 31, 2017)

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

(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 | % |
| FY 2017 | 29,387 | (7.6) | 5,754 | 6.2 | 5,810 | 11.1 | 4,165 | 15.6 |
| FY 2016 | 31,820 | 20.3 | 5,418 | 22.8 | 5,228 | 14.1 | 3,602 | 65.4 |

Note: Comprehensive income (million yen): FY 2017: 4,176 (17.4%) FY 2016: 3,557 (60.8%)

| | 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 2017 | 80.53 | — | 27.4 | 26.1 | 19.6 |
| FY 2016 | 68.68 | — | 26.3 | 24.7 | 17.0 |

Reference: Equity in earnings of affiliates (million yen): FY 2017: — FY 2016: —

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| FY 2017 | 24,228 | 16,539 | 68.2 | 319.58 |
| FY 2016 | 20,370 | 13,921 | 68.3 | 268.84 |

Reference: Shareholders' equity (million yen): FY 2017: 16,528 FY 2016: 13,904

(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 2017 | 6,701 | (3,609) | (1,451) | 10,337 |
| FY 2016 | 5,986 | (2,874) | (3,086) | 8,786 |

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 2016 | — | 0.00 | — | 30.00 | 30.00 | 1,551 | 43.7 | 11.5 |
| FY 2017 | — | 0.00 | — | 30.00 | 30.00 | 1,566 | 37.3 | 10.2 |
| FY 2018 (forecasts) | — | 0.00 | — | 33.00 | 33.00 | | 40.8 | |

Note: The year-end dividend of 33 yen per share of common stock for the fiscal year ending March 31, 2018, comprised an ordinary dividend of 30.0 yen and a special dividend of 3.0 yen commemorating the 20th founding anniversary of the Company.

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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 | 30,000 | 2.1 | 6,000 | 4.3 | 6,000 | 3.3 | 4,180 | 0.4 | 80.82 |

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: Yes

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 2017 | 53,593,100 shares | FY 2016 | 53,593,100 shares |
|---------|-------------------|---------|-------------------|

2) Number of treasury stock at end of period

| | | | |
|---------|------------------|---------|------------------|
| FY 2017 | 1,872,400 shares | FY 2016 | 1,872,400 shares |
|---------|------------------|---------|------------------|

3) Average number of shares outstanding during the period

| | | | |
|---------|-------------------|---------|-------------------|
| FY 2017 | 51,720,700 shares | FY 2016 | 52,453,760 shares |
|---------|-------------------|---------|-------------------|

Note: The number of treasury stock stated as of the end 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)."

Reference: Non-Consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(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 2017 | 25,812 | (3.7) | 4,482 | 12.4 | 4,554 | 17.3 | 3,076 | 27.4 |
| FY 2016 | 26,793 | 9.7 | 3,989 | (1.5) | 3,883 | (7.5) | 2,414 | 33.5 |

| | Net income per share | Diluted net income per share |
|---------|----------------------|------------------------------|
| | Yen | Yen |
| FY 2017 | 59.48 | — |
| FY 2016 | 46.02 | — |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| FY 2017 | 21,499 | 13,944 | 64.8 | 269.43 |
| FY 2016 | 18,529 | 12,425 | 67.0 | 239.95 |

Reference: Shareholders' equity (million yen): FY 2017: 13,935 FY 2016: 12,410

* This summary of financial statements is not subject to audit.

* 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. Summary of Consolidated Business Results

(1) Summary of business results for the period

The entertainment industry in the current fiscal year witnessed the continued dissemination of new games in the mobile games market, including the ascent of smartphone game apps using worldwide popular IPs, which became a craze in countries around the globe and turned into unprecedented mega hits. Furthermore, virtual reality (VR) emerged as a widely-discussed topic in Japan and overseas. In 2016, considered the Year One of VR, manufacturers released a diversity of VR related hardware. Meanwhile, the live entertainment market remained vibrant with continued 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 consolidated operating results for the current term (April 1, 2016 to March 31, 2017) came to net sales of 29,387 million yen (down 7.6% from the previous fiscal year), operating income of 5,754 million yen (up 6.2% from the previous fiscal year), and ordinary income of 5,810 million yen (up 11.1% from the previous fiscal year). Profit attributable to owners of parent for the term was 4,165 million yen (up 15.6% from the previous fiscal year).

Results by business segment are described below.

(Online Game Business)

In the Online Game Business, efforts continued to expand the user base and revive sales and earnings growth of "Logres of Swords and Sorcery: Goddess of Ancient" through the installation of new functions and the continued hosting of collaborative events as well as 3-year anniversary events, etc., marking the third anniversary of the service start of this core title. On the other hand, the division decided to end the title's launch in China after the original earnings expectations were disappointed. Elsewhere, service was terminated for iOS/Android app "SMASH DRAGOON," whose dissemination started in April 2016. Likewise terminated were titles with faltering returns and some titles in development. The development cost was written off in a lump sum.

As a result, segment net sales totaled 14,750 million yen (down 25.3% from the previous fiscal year) with segment operating income at 3,271 million yen (down 21.8% from the previous fiscal year).

(Consumer Game Business)

At the Company's sales sector of the Consumer Game Business segment, Sales have been developing steadily for "BOKUJO MONOGATARI MITTSU NO SATO NO TAISETSU NA TOMODACHI (Nintendo 3DS)," brought to market on June 23, 2016. Likewise, "Fate/EXTELLA (PS Vita/PS4)," with sales launched on November 10, 2016, turned into a hit product outpacing sales of previous products in this series by a wide margin. Moreover, "SENTRAN KAGURA PEACH BEACH SPLASH (PS4)," brought to market on March 16, 2017, also posted favorable sales.

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 9,067 million yen (up 20.2% from the previous fiscal year) with segment operating income of 2,042 million yen (up 102.9% from the previous fiscal 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 broadcasted the TV anime "QUALIDEA CODE" lead-produced by the Company. TV anime "TOUKEN RANBU HANAMARU," with broadcasts continuing since October 2016, marked soaring sales of Blu-ray and DVD products. Income from secondary uses, centered on video dissemination in Japan and overseas, also developed favorably.

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. New titles have been extraordinarily successful. A public performance of "Touken Ranbu the Stage" in May was followed by a second performance in December, while "Ensemble Stars! On Stage" performed in June had its sequel staged in January. Blu-ray and DVD sales for both productions were highly favorable.

As a result, segment net sales totaled 5,607 million yen (up 23.8% from the previous fiscal year) with segment operating income of 1,603 million yen (up 22.5% from the previous fiscal year).

(2) Summary of financial position for the period

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 24,228 million yen, up 3,858 million yen from the end of the previous fiscal year. Main factors included an increase in cash and cash equivalents, and notes and accounts receivable.

Consolidated liabilities at the end of the fiscal year under review totaled 7,688 million yen, up 1,239 million yen from the end of the previous fiscal year. Main factors were higher accounts payable-other, income taxes payable, and advances received.

Consolidated net assets at the end of the fiscal year under review totaled 16,539 million yen, up 2,618 million yen from the end of the previous fiscal year. Main factors were dividend payments, causing a drop in retained earnings, and recognized net income for the period attributable to shareholders of the parent company.

(3) Summary of cash flows for the period

Consolidated net cash and cash equivalents ("Cash") at the end of the consolidated fiscal year under review totaled 10,337 million yen, up 1,551 million yen from 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 6,701 million yen (up 12.0% compared with the year earlier). Main factors were 5,792 million yen in income before income taxes, 1,586 million yen in depreciation charges, a 1,013 million yen increase in accounts receivable-trade, and 1,305 million yen expensed for income tax payments.

[Cash flows from investing activities]

Net cash used in investing activities totaled 3,609 million yen (up 25.6% compared with the year earlier). Main factors were 1,573 million yen in expenditure for the acquisition of property, plant, and equipment, 1,720 million yen in expenditure for the acquisition of intangible noncurrent assets, 2,040 million yen in expenditure for new term deposits, 1,279 million yen in income from withdrawals of term deposits, and 569 million yen in income from the redemption of investment securities.

[Cash flows from financing activities]

Net cash used in financing activities totaled 1,451 million yen (down 53.0% compared with the year earlier). Main factors were 428 million yen in expenditure for the acquisition of treasury shares, 1,551 million yen in expenditure for dividends, and 428 million yen in income from the sale of treasury shares.

Reference: Trends in cash flow indicators

| | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 |
|---|---------|---------|---------|---------|---------|
| Shareholders' equity ratio (%) | 69.7 | 70.9 | 61.0 | 68.3 | 68.2 |
| Shareholders' equity ratio based on market prices (%) | 203.5 | 267.0 | 407.4 | 256.4 | 186.1 |
| Interest-bearing debt to cash flow ratio (annual) | 30.1 | 16.9 | 5.0 | 2.7 | 3.9 |
| Interest coverage ratio (times) | 280.3 | 490.0 | 704.6 | 4,832.4 | 6,643.6 |

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.

(4) Outlook

The Online Game Business will work to sustain the steady performance of existing titles and continue in its efforts at new hit title creation through the use of own and other companies' popular IP and through alliances with strong partner companies. At the Consumer Game Business, the package software division will proactively promote in Japan and overseas the roll-out of series based on company-owned IP while working on the creation of new IP and on accommodating new platforms. The amusement business division will continue to emphasize its strength in the kids amusement segment while working on market development in new challenging fields. The Audio & Visual Business will in the division's audio & visual production operations respond swiftly and flexibly to market trends away from the package business and toward the dissemination business through highly selective contents investment and proactive expansion of secondary usage. In the field of stage production operations, the division will work on the acquisition and provision of high-quality contents in order to solidify its leading position in the 2.5D business and take steps to achieve further growth through secondary uses and overseas initiatives. These activities will be accompanied by attention to the creation of Company signature contents through lateral initiatives encompassing the Online Game Business, Consumer Game Business, and Audio & Visual Business.