

**Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2017
(Three Months Ended June 30, 2016) (Based on J-GAAP)**

July 29, 2016

Company name: Marvelous Inc. Listing: First Section of Tokyo Stock Exchange
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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 First Quarter of Fiscal Year Ending March 31, 2017
(April 1, 2016 – June 30, 2016)**

(1) Consolidated Results of Operations (three 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	%
1Q FY 2017	6,203	(22.9)	638	(53.7)	410	(71.4)	303	(69.5)
1Q FY 2016	8,045	69.1	1,376	109.9	1,436	121.2	992	133.9

Note: Comprehensive income (million yen): 1Q FY 2017: 238 (-76.1%) 1Q FY 2016: 996 (135.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
1Q FY 2017	5.86	—
1Q FY 2016	18.57	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1Q FY 2017	19,660	12,601	64.0	243.44
FY 2016	20,370	13,921	68.3	268.84

Reference: Shareholders' equity (million yen): 1Q FY 2017: 12,591 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	—	—	—	—	—
FY 2017 (forecasts)	—	0.00	—	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

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 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 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	1Q FY 2017	53,593,100 shares	FY 2016	53,593,100 shares
2) Number of treasury stock at end of period	1Q FY 2017	1,872,400 shares	FY 2016	1,872,400 shares
3) Average number of shares outstanding during the period (three months)	1Q FY 2017	51,720,700 shares	1Q FY 2016	53,416,304 shares

*** 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 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 saw competition intensify in the domestic app games market due to powerful contents disseminations from game companies in Japan, Europe, US, and Asian countries. Buoyancy continues also in app games markets overseas on the back of proliferating smartphones. In the market for home-use games, domestic hardware and software sales overall were almost flat despite higher sales of new device models. In the arcade games market, although market conditions remain adverse, new machine model launches attracted attention. In the audio & visual sector, package sales remained in an uphill struggle but the market for video dissemination services expanded. Moreover, the "2.5D musicals" market displayed further growth along with swelling visitor numbers.

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 first quarter (April 1, 2016 to June 30, 2016) marked 6,203 million yen (down 22.9% compared with the same period of the previous year), with operating income of 638 million yen (down 53.7% compared with the same period of the previous year), ordinary income of 410 million yen (down 71.4% compared with the same period of the previous year), and profit attributable to owners of parent of 303 million yen (down 69.5% compared with the same period of the previous year).

Results by business segment are described below.

(Online Game Business)

The division initiated service for the iOS/Android app "SMASH DRAGOON" on April 28, 2016, but performance was weak and fell short of plan. Among existing titles, the division implemented new collaborative events surrounding "Logres of Swords and Sorcery: Goddess of Ancient" amid efforts at securing divisional earnings. Moreover, with a view to promote cost reductions, service was terminated for a number of titles affected by declining profitability.

As a result, segment net sales totaled 3,717 million yen (down 32.2% compared with the same period of the previous year), with segment income of 576 million yen (down 48.8% compared with the same period of the previous year).

(Consumer Game Business)

At the Company's sales sector of the Consumer Game Business segment, "BOKUJO MONOGATARI MITTSU NO SATO NO TAISETSU NA TOMODACHI (Nintendo 3DS)" was released on June 23, 2016.

The amusement division initiated operations of a new machine model "Dragon Quest: Monster Battle Scanner" on June 23, 2016. Although the new introduction led to higher costs, both titles marked successful starts. Additionally, as a replacement of "PokémonTRETTE," in operation for four years since July 2012, the division introduced a new machine model "Pokémon Ga-Olé" on July 7, 2016, and worked to promote the transition to this new introduction.

As a result, segment net sales totaled 1,542 million yen (down 6.8% compared with the same period of the previous year), with segment income of 123 million yen (down 53.0% compared with the same period of the previous year).

(Audio & Visual Business)

The division's audio & visual production operations launched package commercialization of products such as the TV anime "Witchy Pretty Cure!" Additionally, income from derivative usage mainly of video dissemination and program sales of the Company's library developed favorably. And at stage production operations, public performances of the established series "MUSICAL THE PRINCE OF TENNIS Concert Dream Live 2016" as well as new titles "Touken Ranbu the Stage" and "Ensemble Stars! On Stage" proved popular with audiences.

As a result, segment net sales totaled 945 million yen (up 3.7% compared with the same period of the previous year), with segment income of 253 million yen (down 17.3% 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 19,660 million yen (down 709 million yen from the end of the previous fiscal year), total liabilities of 7,058 million yen (up 609 million yen from the end of the previous fiscal year), and net assets of 12,601 million yen (down 1,319 million yen from the end of the previous fiscal year).

(Current Assets)

Consolidated current assets at the end of the first quarter totaled 14,805 million yen, which was 1,399 million yen less than at the end of the previous fiscal year, due to factors including lower cash and deposits, and lower notes and accounts receivable.

(Noncurrent Assets)

Consolidated noncurrent assets at the end of the first quarter totaled 4,855 million yen, which was 689 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 period under review totaled 7,011 million yen, an increase of 590 million yen compared with the year-earlier period, reflecting a drop in accrued income taxes and a rise in accounts payable.

(Noncurrent liabilities)

Consolidated noncurrent liabilities at the end of the period under review totaled 47 million yen, an increase of 19 million yen compared with the year-earlier period, reflecting higher asset retirement obligations.

(Net assets)

Consolidated net assets at the end of the first quarter totaled 12,601 million yen, which was 1,319 million yen less than at the end of the previous fiscal year as 303 million yen in profit attributable to owners of parent for the period were exceeded by the drop in retained earnings due to the payment of dividends.

(3) Explanation of business outlook including consolidated business forecast

The consolidated business forecast remains unchanged from the business forecast announced on May 12, 2016.