

Consolidated Financial Results for the First Quarter of Fiscal Year Ending March 31, 2018 (Three Months Ended June 30, 2017) (Based on J-GAAP)

July 31, 2017

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, 2018 (April 1, 2017 – June 30, 2017)

(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 2018	4,822	(22.3)	708	11.1	711	73.4	528	74.5
1Q FY 2017	6,203	(22.9)	638	(53.7)	410	(71.4)	303	(69.5)

Note: Comprehensive income (million yen): 1Q FY 2018: 530 (122.6%) 1Q FY 2017: 238 (-76.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
1Q FY 2018	10.22	—
1Q FY 2017	5.86	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1Q FY 2018	21,336	15,497	72.6	299.54
FY 2017	24,228	16,539	68.2	319.58

Reference: Shareholders' equity (million yen): 1Q FY 2018: 15,492 FY 2017: 16,528

2. Dividends

	Dividends per share				
	1Q-end	Interim	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2017	—	0.00	—	30.00	30.00
FY 2018	—	—	—	—	—
FY 2018 (forecasts)	—	0.00	—	33.00	33.00

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

The year-end dividend of 33.0 yen per share of common stock for the fiscal year ending March 31, 2018 (forecasts), 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: 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: 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 stock) at end of period	1Q FY 2018	53,593,100 shares	FY 2017	53,593,100 shares
2) Number of treasury stock at end of period	1Q FY 2018	1,872,421 shares	FY 2017	1,872,400 shares
3) Average number of shares outstanding during the period (three months)	1Q FY 2018	51,720,682 shares	1Q FY 2017	51,720,700 shares

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

* Summaries of quarterly financial statements are not subject to quarterly review

* 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 the pace of market growth slow in the domestic mobile games market. At the same time, disseminations of large numbers of newly produced games continued, comprised of cooperative titles of companies such as the major manufacturers of home-use games, social network services (SNS), and social application providers (SAP), as well as works using popular intellectual property (IP), and works targeting specific female audience strata. The domestic home-use games market posted in the first half of fiscal year 2017 its first year-on-year growth in three years, aided by the emergence of new hardware formats. The amusement market was vibrant with new developments such as the introduction of virtual reality (VR) contents and new subscriber charging propositions. In the audio & visual market, the physical music market continued in its decline, but music live entertainment thrived and the peripheral business expanded such as hit movie productions for theatric stages and growth in secondary-use merchandise such as anime goods, etc. The live entertainment market, which has remained highly active, continued to see growing numbers of public performances. At the same time, a serious shortage of performance venues in Japan has invigorated efforts to create new earning opportunities such as live viewings in cinemas and on the Internet as well as performances on stages in overseas locations.

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, 2017 to June 30, 2017) marked 4,822 million yen (down 22.3% compared with the same period of the previous year), with operating income of 708 million yen (up 11.1% compared with the same period of the previous year), ordinary income of 711 million yen (up 73.4% compared with the same period of the previous year), and profit attributable to owners of parent of 528 million yen (up 74.5% compared with the same period of the previous year).

Results by business segment are described below.

(i) Online Game Business

The Online Game Business marked the service inception of smartphone game app "Sengoku Night Blood," which staged a favorable start with over two million downloads in the space of less than one month since its launch on May 29, 2017. By contrast, PC browser app "Tenka Touitsu Project," initiated on April 17, 2017, failed to connect to revenues and earnings, prompting service termination and write-off of the development costs in a lump-sum. Additionally, among existing titles, "Logres of Swords and Sorcery: Goddess of Ancient" has remained highly popular but performance turned out weak compared with the previous fiscal year.

As a result, segment net sales totaled 2,330 million yen (down 37.3% compared with the same period of the previous year), with segment income of 313 million yen (down 45.7% compared with the same period of the previous year).

(ii) Consumer Game Business

Although the Consumer Game Business own-sales operations launched no new production in Japan, "Fate/EXTELLA (PS Vita / PS4)" and "SENTRAN KAGURA PEACH BEACH SPLASH (PS4)" released in the previous fiscal year performed well on repeat-purchases, etc. Likewise, in overseas markets "STORY OF SEASONS: Trio of Towns (Nintendo 3DS)" and "SENTRAN KAGURA ESTIVAL VERSUS (Windows PC)" showed favorable performances driven by repeat purchases.

At the amusement division, "Pokémon Ga-Olé" taken into operation in the previous fiscal year did well. Likewise, the predecessor model "Pokémon TRETТА" rolled out in overseas markets developed to plan.

As a result, segment net sales totaled 1,338 million yen (down 13.2% compared with the same period of the previous year), with segment income of 271 million yen (up 119.5% compared with the same period of the previous year).

(iii) Audio & Visual Business

The division's audio & video production came out with package products such as TV anime production "Kira Kira☆Pretty Cure A La Mode" and posted continued robust Blu-ray and DVD sales of TV anime production "TOUKEN RANBU HANAMARU," which was broadcast last fiscal year. Moreover, thanks to the commercialization in Japan and overseas of core anime production "Tokyo Ghoul" out of the Company's

library, sales and earnings developed favorably.

Stage production operations marked strong results for "JOKER GAME THE STAGE," a new production with tickets completely sold out for the May 2017 stage performances (revenues to be recognized on second-quarter accounts). In established series, stage performances of "Musical HAKUOKI" (revenues recognized on fourth-quarter accounts for the period under review) and "MUSICAL THE PRINCE OF TENNIS" took place in April 2017, followed by "Concert Dream Live 2017" in May (revenues from the latter two will be recognized on second-quarter accounts). Additionally, Blu-ray and DVD sales launched in May 2017 for "Ensemble Stars! On Stage" ~Take your marks!~ soared after highly popular performances in the previous fiscal year. Package sales, live viewings, and dissemination operations in Japan, etc., surrounding the various stage and musical series also did well.

As a result, segment net sales totaled 1,164 million yen (up 23.1% compared with the same period of the previous year), with segment income of 435 million yen (up 72.0% 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 21,336 million yen (down 2,892 million yen from the end of the previous fiscal year), total liabilities of 5,838 million yen (down 1,849 million yen from the end of the previous fiscal year), and net assets of 15,497 million yen (down 1,042 million yen from the end of the previous fiscal year).

(Current Assets)

Consolidated current assets at the end of the first quarter totaled 16,695 million yen, which was 2,589 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 4,640 million yen, which was 302 million yen less than at the end of the previous fiscal year, due to factors including a decrease in property, plant, and equipment, and intangible assets.

(Current Liabilities)

Consolidated current liabilities at the end of the period under review totaled 5,776 million yen, a decrease of 1,849 million yen compared with the year-earlier period, reflecting a drop in accounts payable-other and income taxes payable.

(Noncurrent liabilities)

Consolidated non-current liabilities at the end of the period under review totaled 62 million yen, unchanged from the end of the previous fiscal year.

(Net assets)

Consolidated net assets at the end of the first quarter totaled 15,497 million yen, which was 1,042 million yen less than at the end of the previous fiscal year as 528 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 11, 2017.