

# Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (Based on J-GAAP)

May 9, 2014

Company name: MarvelousAQL Inc. Listing: First Section of Tokyo Stock Exchange  
 Stock Code: 7844 URL: <http://www.maql.co.jp>  
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 Scheduled date of Annual General Meeting of Shareholders: June 23, 2014  
 Scheduled Commencement Date of Dividend Payout: June 9, 2014  
 Scheduled date of filing Annual Securities Report: June 23, 2014  
 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, 2014 (April 1, 2013 – March 31, 2014)

### (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 2014	20,330	15.6	3,006	29.0	3,041	30.8	1,882	(1.9)
FY 2013	17,579	68.6	2,329	123.0	2,325	126.9	1,919	(45.7)

Note: Comprehensive income (million yen): FY 2014: 1,894 (-1.1%) FY 2013: 1,915 (-45.8%)

	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 2014	35.21	—	16.6	18.9	14.8
FY 2013	35.90	—	19.4	16.0	13.3

Reference: Equity in earnings of affiliates (million yen): FY 2014: — FY 2013: -62

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 for the quarter 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 2014	16,816	11,921	70.9	223.02
FY 2013	15,341	10,694	69.7	200.07

Reference: Shareholders' equity (million yen): FY 2014: 11,921 FY 2013: 10,694

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 for the quarter as if the stock split had taken place at the start of the previous fiscal year.

### (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 2014	3,852	(634)	(873)	8,120
FY 2013	2,817	(2,130)	(975)	5,723

## 2. Dividends

	Dividends per share					Total dividends (annual)	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	Interim	3Q-end	Yearend	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2013	—	0.00	—	1,250.00	1,250.00	668	34.8	6.8
FY 2014	—	0.00	—	13.00	13.00	694	36.9	6.1
FY 2015 (forecasts)	—	0.00	—	15.00	15.00		35.3	

The year-end dividend of 1,250.00 yen for the fiscal year ended March 31, 2013 consists of a regular dividend of 1,200.00 yen and a special dividend of 50.00 yen commemorating the listing of the Company's shares on the first section of the Tokyo Stock Exchange.

Also, in conjunction with the stock split executed by the Company at the ratio of 100 shares to 1 on October 1, 2013, the Company has adopted a unit share plan in which 100 shares constitutes 1 unit of shares. As a result, the year-end cash dividend for the fiscal year ended March 2014 and the year-end dividend (provisional) for the fiscal year ending March 31, 2015, have been stated in consideration of the effects of this stock split.

## 3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(Percentages represent year-over-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
1H (six months)	10,300	7.5	1,210	(11.4)	1,205	(13.0)	723	(16.0)	13.53
Full year	25,000	23.0	3,800	26.4	3,790	24.6	2,274	20.8	42.54

**\*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 2014	53,593,100 shares	FY 2013	53,593,100 shares
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2) Number of treasury stock at end of period

FY 2014	138,000 shares	FY 2013	138,000 shares
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3) Average number of shares outstanding during the period

FY 2014	53,455,100 shares	FY 2013	53,455,100 shares
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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

**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (April 1, 2013 – March 31, 2014)**

## (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 2014	18,499	11.4	2,918	29.2	3,079	31.9	1,995	7.7
FY 2013	16,611	63.4	2,258	119.0	2,335	127.9	1,851	(47.9)

	Net income per share	Diluted net income per share
	Yen	Yen
FY 2014	37.33	—
FY 2013	34.65	—

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.

## (2) Non-consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen	Yen	Million yen	Yen	%	Yen	Yen	
FY 2014	16,337	224.00	11,973	224.00	73.3	224.00	224.00	
FY 2013	14,952	199.17	10,646	199.17	71.2	199.17	199.17	

Reference: Shareholders' equity (million yen): FY 2014: 11,973 FY 2013: 10,646

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.

**\* 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 entertainment industry in which the Group operates, the market for smartphone games achieved rapid growth as a result of the widespread adoption of smartphone devices. The App Store and Google Play app markets in particular showed pronounced growth. In the market for home-use games, following its early launch in North America and Europe, the novel stationary game machine Sony PlayStation 4 also got off to a great start after release in Japan. In the market for arcade games, while the overall market size continues to decrease year after year, games targeting the kids segment showed a bulge in growth after a stream of new titles hit the market. In the audio & visual sectors, the software market remains caught in an adverse environment stymied by plentiful offerings from free-of-charge video sites, etc., that have emerged with the diffusion of smartphones. On the other hand, the market for live entertainment, where fans can enjoy the venue atmosphere and a sense of togetherness with others, has been recording steady growth.

Under such circumstances, the Group has been operating as a comprehensive entertainment provider adopting a "multi-content, multi-use, and multi-device" strategy to deliver diverse entertainment content in all business segments and on a variety of devices. Leveraging its robust intellectual property, 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, 2013 to March 31, 2014) came to net sales of 20,330 million yen (up 15.6% from the previous fiscal year), operating income of 3,006 million yen (up 29.0% from the previous fiscal year), and ordinary income of 3,041 million yen (up 30.8% from the previous fiscal year). Net income for the term was 1,882 million yen (down 1.9% from the previous fiscal year).

Results by business segment are described below.

#### (Online Game Business)

The online game business saw its legacy main titles put up a good fight in PC browser games, but revenues declined compared with the previous year given the time elapsed since release and affected by the shrinking market itself. Contrary to this trend, "Browser Sangokushi" regained lost ground towards the fiscal year end as the result of various measures and will remain a key management focus. In mobile browser games, "High School DxD" was released in September 2013 while app games celebrated its first LINE title, "LINE Runrun Hero," in November 2013. In December 2013, "Logres of Swords and Sorcery: Goddess of Ancient," a native app version of "Logres of Swords and Sorcery" which has been enjoying deep-rooted popularity also as a PC game, hit the market. "Logres of Swords and Sorcery: Goddess of Ancient" has reached the top spot in various rankings on App Store and Google Play—a strong launch that should foretell a big hit. Unfortunately, for the several titles that were not bringing in enough charge-based revenue, lump-sum amortization of the related development costs was carried out through means of service termination.

As a result, segment net sales totaled 8,877 million yen (up 22.1% from the previous fiscal year) with segment income at 742 million yen (up 11.6% from the previous fiscal year).

#### (Consumer Game Business)

At the Company's sales sector of the Consumer Game Business segment, "VALHALLA KNIGHTS 3 (PS Vita)" brought to market in May 2013 reported favorable conditions. Repeat order receipts were strong also for "SENTRAN KAGURA SHINOVI VERSUS (PS Vita)" and "OBOROMURAMASA (PS Vita)" launched last fiscal year as well as repeat orders for other existing works. In addition, the February 2014 release of "BOKUJYO MONOGATARI TSUNAGARU SHINTENCHI (Nintendo 3DS)" brought in orders at a faster pace than its predecessor to record healthy sales. The Company also came out with new titles for its original releases, including "BAKUMATSU ROCK (PSP)" and "VALHALLA KNIGHTS 3 GOLD (PS Vita)" in February 2014 and "DEKAMORI SENRAN KAGURA (PS Vita)" in March 2014. In overseas operations, U.S. subsidiary Marvelous USA, Inc. reported steady sales.

The amusement division made significant contributions to earnings coming from the continued popularity of "Pokémon TRETТА," the amusement console for children put into operation in July 2012.

As a result, segment net sales totaled 7,630 million yen (up 8.1% from the previous fiscal year), with segment income of 2,268 million yen (up 24.7% from the previous fiscal year).

#### (Audio & Visual Business)

The audio & visual production sector of the Audio & Visual business segment reported healthy sales from the video commercialization of "DOKIDOKI! PRECURE," a TV animation production in the "PRECURE" series, and "My Teen Romantic Comedy SNAFU," a TV animation product lead-managed by the Company. The musical artists "vistlip," who record and perform under contract to the Group, also enjoyed strong sales of their hit singles and

albums.

The stage production division marked a total 134 performances of "MUSICAL THE PRINCE OF TENNIS," accompanied by releases of nine related DVDs. This was followed up by an upsurge in performance attendance and related DVD sales for "Stage Yowamushi Pedal," which has grown into a major series for the segment. The "Musical HAKUOKI" also expanded revenue at a healthy pace.

As a result, segment net sales totaled 3,825 million yen (up 17.5% from the previous fiscal year), with segment income of 921 million yen (up 24.7% from the previous fiscal year).

(2) Outlook for the next term

In its business initiatives for the next fiscal year, the Group intends to maintain the favorable performances of the Consumer Game Business division and the Audio & Visual Business division. In the Online Game Business, it will place a large effort on strengthening its operations in best-selling titles and developing new app games.

As a result of the aforementioned efforts, consolidated results for the next term are forecast to achieve net sales of 25,000 million yen, operating income of 3,800 million yen, ordinary income of 3,790 million yen, and net income of 2,274 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 16,816 million yen, which was 1,474 million yen more than at the end of the previous fiscal year. Main factors included an increase in cash and cash equivalents, in line with increased sales.

Consolidated liabilities at the end of the fiscal year under review totaled 4,895 million yen, which was 248 million yen more than at the end of the previous fiscal year. Main factors were decreases resulting from repayment of long-term loans payable which were offset by higher accounts payable and income taxes payable.

Consolidated net assets at the end of the fiscal year totaled 11,921 million yen, which was 1,226 million yen more than at the end of the previous fiscal year. Main factors were dividend payments, causing a drop in retained earnings, and 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 8,120 million yen, which was 2,396 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 3,852 million yen (up 36.7% from the previous fiscal year). Main factors included a 688 million yen increase in inventories, 2,982 million yen in income before income taxes, 1,279 million yen in depreciation charges, and a 390 million yen increase in accounts payable.

[Cash flows from investing activities]

Net cash used in investing activities totaled 634 million yen (down 1,496 million yen compared with the previous fiscal year). Main factors included expenditures of 184 million yen for the acquisition of property, plant, and equipment, 1,032 million yen for acquisition of intangible non-current assets, and 1,500 million yen for time deposits together with income of 2,000 million yen from return of time deposits.

[Cash flows from financing activities]

Net cash used in financing activities totaled 873 million yen (down 101 million yen compared with the previous fiscal year). Main factors included a 205 million yen net decrease in short-term and long-term borrowings and 668 million yen in expenditures for dividend payments.

Reference: Trends in cash flow indicators

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Shareholders' equity ratio (%)	4.1	7.9	66.6	69.7	70.9
Shareholders' equity ratio based on market prices (%)	33.2	47.1	63.6	203.5	267.0
Interest-bearing debt to cash flow ratio (%)	—	155.5	99.0	30.1	16.9
Interest coverage ratio (times)	—	21.7	54.7	280.3	490.0

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.

**(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 13 yen. In addition, the annual dividend for the next term is expected to be 15 yen per share.