

Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (Based on J-GAAP)

May 12, 2016

Company name: Marvelous Inc. Listing: First Section of Tokyo Stock Exchange
 Stock Code: 7844 URL: <http://www.marv.jp/>
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Scheduled date of Annual General Meeting of Shareholders: June 21, 2016

Scheduled Commencement Date of Dividend Payout: June 6, 2016

Scheduled date of filing Annual Securities Report: June 21, 2016

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, 2016 (April 1, 2015 – March 31, 2016)

(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 2016	31,820	20.3	5,418	22.8	5,228	14.1	3,602	65.4
FY 2015	26,441	30.1	4,412	46.8	4,583	50.7	2,178	15.7

Note: Comprehensive income (million yen): FY 2016: 3,557 (60.8%) FY 2015: 2,212 (16.7%)

	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 2016	68.68	—	26.3	24.7	17.0
FY 2015	40.74	40.74	17.2	23.6	16.7

Reference: Equity in earnings of affiliates (million yen): FY 2016: — FY 2015: —

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2016	20,370	13,921	68.3	268.84
FY 2015	22,039	13,450	61.0	251.55

Reference: Shareholders' equity (million yen): FY 2016: 13,904 FY 2015: 13,450

(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 2016	5,986	(2,874)	(3,086)	8,786
FY 2015	4,031	(2,218)	(1,146)	8,937

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 2015	—	0.00	—	20.00	20.00	1,069	49.1	8.4
FY 2016	—	0.00	—	30.00	30.00	1,551	43.7	11.5
FY 2017 (forecasts)	—	0.00	—	30.00	30.00		37.4	

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: 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
- 2) Number of treasury stock at end of period
- 3) Average number of shares outstanding during the period

FY 2016	53,593,100 shares	FY 2015	53,593,100 shares
FY 2016	1,872,400 shares	FY 2015	122,400 shares
FY 2016	52,453,760 shares	FY 2015	53,467,751 shares

Reference: Non-Consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2016 (April 1, 2015 – March 31, 2016)

(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 2016	26,793	9.7	3,989	(1.5)	3,883	(7.5)	2,414	33.5
FY 2015	24,433	32.1	4,049	38.7	4,198	36.3	1,808	(9.4)

	Net income per share	Diluted net income per share
	Yen	Yen
FY 2016	46.02	—
FY 2015	33.82	33.81

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY 2016	18,529	12,425	67.0	239.95
FY 2015	21,354	13,098	61.3	244.97

Reference: Shareholders' equity (million yen): FY 2016: 12,410 FY 2015: 13,098

*** 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

The entertainment industry in the period under review saw in the domestic apps game market a gradually intensifying competitive market environment caused by factors such as the emergence of popular IP titles, and game companies in Japan, the U.S., Europe, and Asian countries entering each other's markets. In the overseas app game markets, expectations are for sustained growth in step with proliferating smartphones especially in emerging economies. In the market for home-use games, business was thriving overseas but in the domestic realm overall, the contracting trend continued. In the market for arcade games, although the market environment remains hostile, machines featuring popular IP themes performed well. In the audio & visual sectors, new music and video dissemination offerings by domestic and overseas subscription services (monthly subscription charges) continued expanding. Moreover, "2.5 dimensional musical" format, which transforms the two-dimensional world of manga, anime, and games into stage performance contents, has established itself in Japan as a full-fledged genre, with ongoing gains in market scale along with rising numbers of performances and personnel.

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, 2015 to March 31, 2016) came to net sales of 31,820 million yen (up 20.3% from the previous fiscal year), operating income of 5,418 million yen (up 22.8% from the previous fiscal year), and ordinary income of 5,228 million yen (up 14.1% from the previous fiscal year). Profit attributable to owners of parent for the term was 3,602 million yen (up 65.4% from the previous fiscal year).

Results by business segment are described below.

(Online Game Business)

In native apps, "Logres of Swords and Sorcery: Goddess of Ancient" continued to perform well with substantial contributions to income for the period. Service for this title was initiated on October 22, 2015, through Garena Online Private Limited in Taiwan, Hong Kong, and Macau. Performance has developed favorably from the time of the release, and as of December 4, 2015, this title attained in Taiwan the No. 1 position in the App Store sales ranking. Additionally, dissemination of "CHRONO DRAGON" started on August 28, 2015, and "Samurai Jam -Bakumatsu Rock-: Ultimate Soul" on September 10, 2015. In browser games, service for "VALKYRIE DRIVE -SIREN-" launched on November 25, 2015, with existing titles showing solid performance.

As a result, segment net sales totaled 19,755 million yen (up 28.5% from the previous fiscal year) with segment operating income at 4,182 million yen (up 9.6% from the previous fiscal year).

(Consumer Game Business)

At the Company's sales sector of the Consumer Game Business segment, altogether six new titles were released consisting of one title for Nintendo 3DS, four titles for PS Vita, and one title for PS3/PS4. Furthermore, U.S. subsidiary Marvelous USA, Inc. posted repeat-sales of the year-earlier launched "STORY OF SEASONS (Nintendo 3DS)" along with hugely successful sales of "SENTRAN KAGURA ESTIVAL VERSUS (PS Vita/PS4)" launched on March 15, 2016, resulting in the subsidiary's highest sales on record to date.

At the amusement division, solid performance was reported regarding its new machine model "MONSTER HUNTER SPIRITS" put into operation on June 25, 2015, along with continued good numbers also from the release of new sequel versions of "Pokémon TRETITA."

As a result, segment net sales totaled 7,544 million yen (up 18.3% from the previous fiscal year), with segment operating income of 1,006 million yen (up 100.4% from the previous fiscal year).

(Audio & Visual Business)

The audio & visual production sector of the Audio & Visual business segment implemented the video commercialization of "My Teen Romantic Comedy SNAFU TOO!," a TV *anime* lead-managed by the Company, with favorable sales performance. Additionally, income from secondary usage such as video dissemination sales and program sales, respectively from the Company's library, also developed favorably.

The stage production division reported good results from leading titles such as "MUSICAL THE PRINCE OF TENNIS Series" and "Stage [Yowamushi Pedal] Series" and from a large number of performances of new titles "Tokyo Ghoul the Stage," "MUSICAL AO HARUTETSUDO," and "musical-au revoir, Sorcier-."

As a result, segment net sales totaled 4,527 million yen (down 3.7% from the previous fiscal year), with segment operating income of 1,308 million yen (up 20.1% from the previous fiscal year).

(2) Outlook for the next term

In its business initiatives for the next fiscal year, the Group will take steps to extend the successful performance of existing hit titles and work to generate income through overseas initiatives and new title launches. In the Consumer Game Business, the Group plans at the amusement division the service start of amusement consoles using strong IP titles and have also in the package software division lined up new titles from popular series. The Group is therefore aiming at significant growth in revenues and earnings. In the Audio & Visual Business, the Group has likewise a line-up of promising new *anime* products and stage performances, and expects continued solid performance.

Based on the foregoing, consolidated results projections for the next fiscal year are for net sales of 34,000 million yen, operating income of 6,000 million yen, and ordinary income of 5,850 million yen, with 4,150 million yen in profit attributable to owners of parent.

(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 20,370 million yen, which was 1,668 million yen less than at the end of the previous fiscal year. Main factors included a decrease in cash and cash equivalents, and notes and accounts receivable.

Consolidated liabilities at the end of the fiscal year under review totaled 6,448 million yen, which was 2,139 million yen less than at the end of the previous fiscal year. Main factors were a decrease in accounts payable and income taxes payable, etc.

Consolidated net assets at the end of the fiscal year under review totaled 13,921 million yen, which was 470 million yen higher than at the end of the previous fiscal year. Main factors were a decrease in retained earnings due to dividend payments and, despite the acquisition of treasury stock, recognition of profit attributable to owners of parent.

2. Cash flows

Consolidated net cash and cash equivalents ("Cash") at the end of the consolidated fiscal year under review totaled 8,786 million yen, which was 151 million yen less 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 5,986 million yen (up 48.5% from the previous fiscal year). Main factors comprised 5,172 million yen in income before income taxes, 1,086 million yen in depreciation charges, a 2,253 million yen decrease in trade receivables, and 2,647 million yen in income tax payments.

[Cash flows from investing activities]

Net cash used in investing activities totaled 2,874 million yen (up 29.6% from the previous fiscal year). Main factors comprised 414 million yen in expenditure for the acquisition of property, plant, and equipment, 1,193 million yen in expenditure for the acquisition of intangible non-current assets, 1,532 million yen in expenditure for the acquisition of share equity in subsidiaries associated with a change in the scope of consolidation, and 600 million yen in income from the repayment of term deposits.

[Cash flows from financing activities]

Net cash used in financing activities totaled 3,086 million yen (up 169.3% from the previous fiscal year). Main factors comprised 2,033 million yen in expenditure for the acquisition of treasury stock and 1,069 million yen in dividend payments.

Reference: Trends in cash flow indicators

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Shareholders' equity ratio (%)	66.6	69.7	70.9	61.0	68.3
Shareholders' equity ratio based on market prices (%)	63.6	203.5	267.0	407.4	256.4
Interest-bearing debt to cash flow ratio (annual)	99.0	30.1	16.9	5.0	2.7
Interest coverage ratio (times)	54.7	280.3	490.0	704.6	4,832.4

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 30 yen. In addition, the annual dividend for the next term is expected to be 30 yen per share.