

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

October 31, 2016

Company name: Marvelous Inc. Listing: First Section of Tokyo Stock Exchange  
 Stock Code: 7844 URL: <http://www.marv.jp/>  
 Representative: Haruki Nakayama, Chairman, CEO  
 Contact: Seiichiro Kato, Director, Executive Officer, CFO, Chief Senior Director of Administration  
 Tel: +81-3-5769-7447  
 Scheduled date of filing Quarterly Securities Report: November 2, 2016  
 Scheduled commencement date of dividend payout: —  
 Explanatory documents supplemental to the abridged Quarterly Financial Statement: Yes  
 Quarterly results briefing: Yes (For Institutional Investors and Analysts)

(All amounts are rounded down to the nearest million yen)

**1. Consolidated Financial Results for the First Half of Fiscal Year Ending March 31, 2017  
(April 1, 2016 – September 30, 2016)**

(1) Consolidated Results of Operations (six 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	%
1H FY 2017	12,999	(21.0)	1,317	(53.6)	1,055	(62.2)	799	(58.2)
1H FY 2016	16,447	44.4	2,841	96.0	2,793	84.5	1,910	104.4

Note: Comprehensive income (million yen): 1H FY 2017: 722 (-62.1%) 1H FY 2016: 1,907 (102.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
1H FY 2017	15.45	—
1H FY 2016	35.92	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1H FY 2017	19,233	13,085	68.0	252.81
FY 2016	20,370	13,921	68.3	268.84

Reference: Shareholders' equity (million yen): 1H FY 2017: 13,075 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	—	0.00			
FY 2017 (forecasts)			—	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

**\*Notes**

(1) Changes in significant subsidiaries during the consolidated period (six 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	1H FY 2017	53,593,100 shares	FY 2016	53,593,100 shares
2) Number of treasury stock at end of period	1H FY 2017	1,872,400 shares	FY 2016	1,872,400 shares
3) Average number of shares outstanding during the period (six months)	1H FY 2017	51,720,700 shares	1H FY 2016	53,186,820 shares

Note: The number of treasury stock stated as of the end of 1H 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)."

**\* 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 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. Qualitative Information Concerning Quarterly Results

### (1) Explanation of consolidated business results

The entertainment industry in the period under review saw the virtual reality (VR) becoming a popular topic in Japan and overseas. Media across the board have been featuring scores of VR related news and also the TOKYO GAME SHOW 2016, where the year 2016 was declared the "VR Founding Year," promoted the topic vigorously. Trends in VR markets gripping the world look likely to remain a major focus of attention.

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 half (April 1, 2016 to September 30, 2016) marked 12,999 million yen (down 21.0% compared with the same period of the previous year), with operating income of 1,317 million yen (down 53.6% compared with the same period of the previous year), ordinary income of 1,055 million yen (down 62.2% compared with the same period of the previous year), and profit attributable to owners of parent of 799 million yen (down 58.2% compared with the same period of the previous year).

Results by business segment are described below.

#### (Online Game Business)

The online game business has been working to expand its user base and restore earnings through measures surrounding the core title "Logres of Swords and Sorcery: Goddess of Ancient" including new collaboration events, new function packages, and the launch of a China-based rollout of this title through a local publisher. However, sales of new titles with disseminations started in April disappointed. Service was discontinued and the development of a number of other titles in progress suspended, with a lump-sum charge taken for development costs.

As a result, segment net sales totaled 7,248 million yen (down 31.7% compared with the same period of the previous year), with segment income of 956 million yen (down 58.0% compared with the same period of the previous year).

#### (Consumer Game Business)

The consumer game business own-sales operations topped aggregate unit sales of 220,000 items for the "BOKUJO MONOGATARI MITTSU NO SATO NO TAISETSU NA TOMODACHI (Nintendo 3DS)" launched on June 23, 2016. In addition to the steady sales performance, on July 14, 2016, the division came to market with "UPPERS (PS Vita)."

At amusement division, a new machine type for "Dragon Quest: Monster Battle Scanner" was introduced on June 23, 2016, followed by a new machine type for "Pokémon Ga-Olé" on July 7, 2016. Despite the cost of the new machine introductions, results have been developing to plan.

As a result, segment net sales totaled 3,512 million yen (down 6.1% compared with the same period of the previous year), with segment income of 359 million yen (down 39.2% compared with the same period of the previous 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 started broadcasting the TV anime "QUALIDEA CODE" lead-produced by the Company. Additionally, income from secondary uses developed favorably, such as video dissemination sales and program sales, etc., respectively from the Company's library.

Stage production operations came out with new performances of serialized productions, specifically "MUSICAL THE PRINCE OF TENNIS" and "Stage [Yowamushi Pedal]" with favorable results. Additionally, as for new titles, performances comprised "Touken Ranbu the Stage" and "Ensemble Stars! On Stage." Both proved highly popular with audiences. Package sales of "Touken Ranbu the Stage" commenced in September 2016 posted the highest unit sales on record for any stage production of the Company.

As a result, segment net sales totaled 2,249 million yen (up 7.1% compared with the same period of the previous year), with segment income of 599 million yen (up 4.0% compared with the same period of the previous year).

**(2) Explanation of consolidated financial position**

**(1) Financial position analysis**

On the consolidated balance sheets at the end of the first half, the Group had total assets of 19,233 million yen (down 1,136 million yen from the end of the previous fiscal year), total liabilities of 6,147 million yen (down 301 million yen from the end of the previous fiscal year), and net assets of 13,085 million yen (down 835 million yen from the end of the previous fiscal year).

**(Current Assets)**

Consolidated current assets at the end of the first half totaled 13,954 million yen, which was 2,250 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-trade.

**(Noncurrent Assets)**

Consolidated noncurrent assets at the end of the first half totaled 5,278 million yen, which was 1,113 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 first half totaled 6,083 million yen, which was 337 million yen less than at the end of the previous fiscal year, due to factors including a decrease in accounts payable and accrued income taxes.

**(Noncurrent liabilities)**

Consolidated noncurrent liabilities at the end of the first half totaled 63 million yen, which was 35 million yen more than at the end of the previous fiscal year, due to factors including an increase in asset retirement obligations.

**(Net assets)**

Consolidated net assets at the end of the first half totaled 13,085 million yen, which was 835 million yen less than at the end of the previous fiscal year, due to a fall in retained earnings (which exceeded 799 million yen in profit attributable to owners of parent) owing to dividend payments for the previous fiscal year.

**(2) Cash flow analysis**

Consolidated net cash and cash equivalents ("Cash") at the end of the first half totaled 6,037 million yen, which was 2,748 million yen less than at the end of the previous fiscal year. Main factors for the change in cash were 2,487 million yen provided by operating activities (621 million yen less than in the same period of the previous year), 3,594 million yen used in investing activities (1,868 million yen more than in the same period of the previous year), and 1,551 million yen used in financing activities (1,534 million yen less than in the same period of the previous year), for a total of 2,748 million yen net cash used (1,721 million yen less than in the same period of the previous year).

**(Cash flows from operating activities)**

Net cash provided by operating activities was 2,487 million yen. Main factors included 531 million yen in expenditures for income taxes, 1,077 million yen in income for the period before income taxes and minority interests, a 943 million yen decrease in accounts receivable-trade, and 862 million yen in depreciation charges.

**(Cash flows from investing activities)**

Net cash used in investing activities totaled 3,594 million yen. Main factors comprised 1,531 million yen in expenditures for the acquisition of property, plant, and equipment, 800 million yen in expenditures for the acquisition of intangible non-current assets, 134 million yen in expenditures for the acquisition of investment securities, and 1,135 million yen in expenditures for term deposits posted.

**(Cash flows from financing activities)**

Net cash used in financing activities totaled 1,551 million yen. Main factors included expenditures comprised of 1,551 million yen for dividend payments.

**(3) Explanation of business outlook including consolidated business forecast**

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