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Consolidated Financial Results for the Year Ended December 31, 2019 [Japanese GAAP]

February 13, 2020

Company name: MarkLines Co., Ltd.

Stock exchange listing: Tokyo

Code number: 3901

URL: <https://www.marklines.com>

Representative: Makoto Sakai

President, CEO

Contact: Masami Uchida

Director, General Manager, Administration Dept.

Phone: 03-5785-1380

Scheduled date of Annual General Meeting of Shareholders: March 26, 2020

Scheduled date of commencing dividend payments: March 27, 2020

Scheduled date of filing annual securities report: March 26, 2020

Availability of supplementary briefing material on annual financial results: Yes (Japanese Only)

Schedule of annual financial results briefing session: Yes (For institutional investors and analysts)

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2019 (January 01, 2019 to December 31, 2019)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended December 31, 2019	2,380	16.5	874	19.1	884	19.4	611	20.2
December 31, 2018	2,043	21.6	734	20.9	740	16.5	508	14.2

(Note) Comprehensive income: Fiscal year ended December 31, 2019: ¥ 609 million [33.5%]
Fiscal year ended December 31, 2018: ¥ 456 million [2.4%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2019	46.53	46.29	26.6	27.5	36.7
December 31, 2018	38.73	38.50	26.2	26.8	35.9

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
December 31, 2019	3,484	2,509	72.0	190.55
December 31, 2018	2,941	2,092	71.1	159.16

(Reference) Equity: As of December 31, 2019: ¥ 2,509 million
As of December 31, 2018: ¥ 2,092 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2019	779	(11)	(192)	2,836
December 31, 2018	560	(165)	(161)	2,265

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2018	-	0.00	-	15.00	15.00	197	38.7	10.1
December 31, 2019	-	0.00	-	18.00	18.00	237	38.7	10.3
Fiscal year ending December 31, 2020 (Forecast)	-	0.00	-	21.00	21.00		38.8	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2020 (January 01, 2020 to December 31, 2020)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ended June 30, 2020	1,426	18.9	482	10.1	488	10.4	343	10.1	25.94
Full year	2,900	21.8	1,000	14.4	1,000	13.0	705	15.2	53.29

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name: -)
 Exclusion: - (Company name: -)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2019: 13,169,600 shares

December 31, 2018: 13,148,000 shares

2) Total number of treasury shares at the end of the period:

December 31, 2019: 229 shares

December 31, 2018: 229 shares

3) Average number of shares during the period:

Fiscal Year ended December 31, 2019: 13,151,849 shares

Fiscal Year ended December 31, 2018: 13,140,010 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2019 (January 01, 2019 to December 31, 2019)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2019	2,244	16.6	783	18.1	837	17.6	592	18.8
December 31, 2018	1,924	23.2	662	25.0	712	22.4	498	20.6

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2019	45.05	44.82
December 31, 2018	37.96	37.73

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
December 31, 2019	3,258	2,388	73.3	181.35
December 31, 2018	2,745	1,988	72.4	151.27

(Reference) Equity: As of December 31, 2019: ¥ 2,388 million
As of December 31, 2018: ¥ 1,988 million

* This report is outside the scope of audit procedures based on the Financial Instruments and Exchange Law.

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousand yen)

	As of December 31,2018	As of December 31,2019
Assets		
Current assets		
Cash and deposits	2,265,237	2,883,357
Accounts receivable - trade	96,532	87,536
Merchandise	115	364
Work in process	2,814	-
Prepaid expenses	12,229	16,638
Other	4,173	18,826
Allowance for doubtful accounts	(908)	(731)
Total current assets	2,380,195	3,005,992
Non-current assets		
Property, plant and equipment		
Buildings and structures	43,111	43,197
Accumulated depreciation	(16,174)	(17,891)
Buildings and structures, net	26,936	25,305
Land	5,634	5,634
Other	34,320	29,639
Accumulated depreciation	(24,292)	(22,816)
Other, net	10,027	6,823
Total property, plant and equipment	42,598	37,763
Intangible assets		
Software	108,290	95,711
Software in progress	4,428	-
Total intangible assets	112,718	95,711
Investments and other assets		
Investment securities	288,797	226,914
Leasehold deposits	35,280	82,068
Claims provable in bankruptcy, claims provable in rehabilitation and other	402	1,250
Deferred tax assets	31,570	34,344
Long-term prepaid expenses	2,320	1,704
Long-term time deposits	48,450	-
Allowance for doubtful accounts	(402)	(1,250)
Total investments and other assets	406,419	345,032
Total non-current assets	561,737	478,507
Total assets	2,941,932	3,484,500

(Thousand yen)

	As of December 31,2018	As of December 31,2019
Liabilities		
Current liabilities		
Accounts payable - trade	13,671	9,162
Accounts payable - other	24,105	22,864
Accrued expenses	31,275	36,694
Income taxes payable	125,233	161,503
Accrued consumption taxes	19,442	33,852
Advances received	598,283	681,444
Deposits received	23,948	17,108
Provision for bonuses	10,083	11,635
Accounts payable - facilities	3,276	-
Other	57	750
Total current liabilities	849,378	975,015
Total liabilities	849,378	975,015
Net assets		
Shareholders' equity		
Capital stock	364,631	366,791
Capital surplus	282,438	284,598
Retained earnings	1,498,998	1,913,724
Treasury shares	(182)	(182)
Total shareholders' equity	2,145,885	2,564,932
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(54,240)	(54,476)
Foreign currency translation adjustment	909	(970)
Total accumulated other comprehensive income	(53,331)	(55,447)
Total net assets	2,092,554	2,509,485
Total liabilities and net assets	2,941,932	3,484,500

Consolidated Statements of Income and Comprehensive Income
 Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended December 31,2018	For the fiscal year ended December 31,2019
Net sales	2,043,472	2,380,655
Cost of sales	624,911	769,250
Gross profit	1,418,560	1,611,405
Selling, general and administrative expenses		
Promotion expenses	5,307	11,854
Sales commission	3,620	2,717
Advertising expenses	12,282	11,114
Remuneration for directors (and other officers)	52,023	56,535
Salaries and allowances	319,757	355,400
Provision for bonuses	6,451	6,617
Retirement benefit expenses	4,785	5,336
Legal welfare expenses	49,858	55,475
Depreciation	10,694	12,261
Provision of allowance for doubtful accounts	394	1,087
Rent expenses	32,381	38,785
Other	186,839	179,755
Total selling, general and administrative expenses	684,397	736,942
Operating profit	734,163	874,463
Non-operating income		
Interest income	2,298	1,951
Dividend income	13,444	10,570
Gain on sales of investment securities	14,151	5,218
Miscellaneous income	2,639	2,242
Other	267	97
Total non-operating income	32,802	20,080
Non-operating expenses		
Commission expenses	414	217
Listing expenses	17,768	-
Foreign exchange losses	7,823	8,958
Other	8	450
Total non-operating expenses	26,015	9,627
Ordinary profit	740,950	884,916
Extraordinary losses		
Litigation settlement	11,738	-
Total extraordinary losses	11,738	-
Profit before income taxes	729,211	884,916
Income taxes - current	218,747	275,643
Income taxes - deferred	1,511	(2,669)
Total income taxes	220,259	272,973
Profit	508,952	611,942
Profit attributable to owners of parent	508,952	611,942

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended December 31,2018	For the fiscal year ended December 31,2019
Profit	508,952	611,942
Other comprehensive income		
Valuation difference on available-for-sale securities	(46,101)	(235)
Foreign currency translation adjustment	(6,175)	(1,879)
Total other comprehensive income	(52,276)	(2,115)
Comprehensive income	456,676	609,827
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	456,676	609,827
Comprehensive income attributable to non-controlling interests	-	-

Consolidated Statements of Changes in Net Assets

For the fiscal year ended December 31,2018

(Thousand yen)

	Shareholders' equity					Accumulated other comprehensive income			Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	363,511	281,318	1,154,252	(175)	1,798,907	(8,139)	7,084	(1,054)	1,797,852
Changes of items during period									
Issuance of new shares	1,120	1,120			2,240				2,240
Dividends of surplus			(164,207)		(164,207)				(164,207)
Profit attributable to owners of parent			508,952		508,952				508,952
Purchase of treasury shares				(7)	(7)				(7)
Net changes of items other than shareholders' equity						(46,101)	(6,175)	(52,276)	(52,276)
Total changes of items during period	1,120	1,120	344,745	(7)	346,978	(46,101)	(6,175)	(52,276)	294,701
Balance at end of current period	364,631	282,438	1,498,998	(182)	2,145,885	(54,240)	909	(53,331)	2,092,554

For the fiscal year ended December 31,2019

(Thousand yen)

	Shareholders' equity					Accumulated other comprehensive income			Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	364,631	282,438	1,498,998	(182)	2,145,885	(54,240)	909	(53,331)	2,092,554
Changes of items during period									
Issuance of new shares	2,160	2,160			4,320				4,320
Dividends of surplus			(197,216)		(197,216)				(197,216)
Profit attributable to owners of parent			611,942		611,942				611,942
Purchase of treasury shares					-				-
Net changes of items other than shareholders' equity						(235)	(1,879)	(2,115)	(2,115)
Total changes of items during period	2,160	2,160	414,726	-	419,046	(235)	(1,879)	(2,115)	416,930
Balance at end of current period	366,791	284,598	1,913,724	(182)	2,564,932	(54,476)	(970)	(55,447)	2,509,485

Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended December 31,2018	For the fiscal year ended December 31,2019
Cash flows from operating activities		
Profit before income taxes	729,211	884,916
Depreciation	35,179	44,233
Increase (decrease) in allowance for doubtful accounts	(18)	671
Increase (decrease) in provision for bonuses	1,798	1,551
Interest and dividend income	(15,743)	(12,522)
Foreign exchange losses (gains)	228	82
Litigation settlement	11,738	-
Decrease (increase) in notes and accounts receivable - trade	(37,797)	8,935
Loss (gain) on sales of investment securities	(14,151)	(5,218)
Increase (decrease) in accounts payable - other	(4,712)	(1,267)
Increase (decrease) in accrued consumption taxes	(9,486)	14,379
Increase (decrease) in advances received	47,968	85,746
Other, net	(8,093)	(12,943)
Subtotal	736,120	1,008,565
Interest and dividend income received	13,959	11,235
Income taxes paid	(189,858)	(240,203)
Net cash provided by (used in) operating activities	560,221	779,596
Cash flows from investing activities		
Payments into time deposits	(100,000)	-
Proceeds from withdrawal of time deposits	100,000	-
Proceeds from sales of securities	113,840	71,438
Purchase of property, plant and equipment	(11,470)	(2,326)
Purchase of intangible assets	(60,353)	(23,581)
Purchase of investment securities	(205,160)	(4,676)
Payments for leasehold deposits	(2,827)	(52,246)
Collection of leasehold deposits	170	-
Net cash provided by (used in) investing activities	(165,800)	(11,392)
Cash flows from financing activities		
Proceeds from issuance of common shares	2,240	4,320
Purchase of treasury shares	(7)	-
Cash dividends paid	(164,207)	(197,216)
Net cash provided by (used in) financing activities	(161,974)	(192,896)
Effect of exchange rate change on cash and cash equivalents	(7,897)	(3,987)
Net increase (decrease) in cash and cash equivalents	224,548	571,319
Cash and cash equivalents at beginning of period	2,040,689	2,265,237
Cash and cash equivalents at end of period	2,265,237	2,836,557