

Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

Consolidated Financial Results for the Six Months Ended June 30, 2023 [Japanese GAAP]

August 3, 2023

Company name: MarkLines Co., Ltd.

Stock exchange listing: Tokyo

Code number: 3901

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

Representative: Makoto Sakai

President, CEO

Contact: Kenichi Sakai

Director, General Manager, Administration Dept.

Phone: +81-3-4241-3901

Scheduled date of filing quarterly securities report: August 9, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2023 (January 1, 2023 to June 30, 2023)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|--------------------------------|-----------------|------|------------------|------|-----------------|------|---|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended June 30, 2023 | 2,398 | 16.0 | 972 | 25.1 | 972 | 23.9 | 671 | 22.6 |
| June 30, 2022 | 2,066 | 21.8 | 777 | 35.1 | 785 | 34.8 | 547 | 39.3 |

(Note) Comprehensive income: Six months ended June 30, 2023: ¥ 746 million [30.1%]
Six months ended June 30, 2022: ¥ 574 million [27.3%]

| | Basic earnings per share | Diluted earnings per share |
|------------------|--------------------------|----------------------------|
| Six months ended | Yen | Yen |
| June 30, 2023 | 50.84 | 50.79 |
| June 30, 2022 | 41.48 | 41.43 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio |
|-------------------|-----------------|-----------------|------------------------|
| As of | Millions of yen | Millions of yen | % |
| June 30, 2023 | 6,736 | 4,800 | 71.3 |
| December 31, 2022 | 6,096 | 4,437 | 72.8 |

(Reference) Equity: As of June 30, 2023: ¥ 4,800 million
As of December 31, 2022: ¥ 4,437 million

2. Dividends

| | Annual dividends | | | | |
|--|--------------------|--------------------|--------------------|----------|-------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended December 31, 2022 | - | 0.00 | - | 29.00 | 29.00 |
| Fiscal year ending December 31, 2023 | - | 0.00 | | | |
| Fiscal year ending December 31, 2023 (Forecast) | | | - | 34.00 | 34.00 |

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of the 2nd quarter dividend for the fiscal year ending December 31, 2023 :

| | |
|------------------------|-------|
| Commemorative dividend | - yen |
| Special dividend | - yen |

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023(January 1, 2023 to December 31, 2023)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|-----------|-----------------|------|------------------|------|-----------------|------|--|------|-----------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 5,000 | 21.2 | 1,900 | 17.0 | 1,900 | 17.1 | 1,300 | 14.1 | 98.38 |

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the six months ended June 30, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

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

1) Changes in accounting policies due to the revision of accounting standards: Yes

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

June 30, 2023: 13,215,200 shares

December 31, 2022: 13,215,200 shares

2) Number of treasury shares at the end of the period:

June 30, 2023: 442 shares

December 31, 2022: 442 shares

3) Average number of shares outstanding during the period:

Six months ended June 30, 2023: 13,214,758 shares

Six months ended June 30, 2022: 13,210,713 shares

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Thousands of yen)

| | As of December 31, 2022 | As of June 30, 2023 |
|-------------------------------------|-------------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,752,630 | 5,168,615 |
| Accounts receivable - trade | 313,815 | 208,350 |
| Merchandise | 10,039 | 14,541 |
| Work in process | 874 | 3,360 |
| Advance payments to suppliers | 31,527 | 22,539 |
| Prepaid expenses | 29,676 | 26,950 |
| Other | 8,343 | 10,419 |
| Allowance for doubtful accounts | (3,118) | (2,154) |
| Total current assets | 5,143,788 | 5,452,623 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 26,944 | 38,770 |
| Accumulated depreciation | (8,222) | (9,476) |
| Buildings and structures, net | 18,722 | 29,293 |
| Land | 348,997 | 367,047 |
| Construction in progress | - | 2,800 |
| Other | 50,562 | 66,186 |
| Accumulated depreciation | (40,827) | (44,836) |
| Other, net | 9,735 | 21,349 |
| Total property, plant and equipment | 377,455 | 420,491 |
| Intangible assets | | |
| Software | 25,423 | 32,423 |
| Other | 8,130 | 11,099 |
| Total intangible assets | 33,553 | 43,522 |
| Investments and other assets | | |
| Investment securities | 395,345 | 700,896 |
| Distressed receivables | 752 | 2,562 |
| Long-term prepaid expenses | 604 | 58 |
| Leasehold and guarantee deposits | 98,289 | 99,215 |
| Deferred tax assets | 47,786 | 20,255 |
| Allowance for doubtful accounts | (752) | (2,793) |
| Total investments and other assets | 542,025 | 820,193 |
| Total non-current assets | 953,034 | 1,284,207 |
| Total assets | 6,096,822 | 6,736,830 |

(Thousands of yen)

| | As of December 31, 2022 | As of June 30, 2023 |
|--|-------------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 77,803 | 63,512 |
| Accounts payable - other | 14,207 | 12,413 |
| Accrued expenses | 42,552 | 38,995 |
| Income taxes payable | 266,715 | 284,373 |
| Accrued consumption taxes | 46,543 | 43,941 |
| Advances received | 1,159,956 | 1,434,323 |
| Provision for bonuses for directors (and other officers) | 11,000 | 6,500 |
| Deposits received | 20,731 | 24,159 |
| Provision for bonuses | 12,151 | 18,391 |
| Other | 44 | - |
| Total current liabilities | 1,651,705 | 1,926,612 |
| Non-current liabilities | | |
| Retirement benefit liability | 7,949 | 9,652 |
| Total non-current liabilities | 7,949 | 9,652 |
| Total liabilities | 1,659,654 | 1,936,265 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 371,351 | 371,351 |
| Capital surplus | 289,158 | 289,158 |
| Retained earnings | 3,751,539 | 4,040,128 |
| Treasury shares | (784) | (784) |
| Total shareholders' equity | 4,411,265 | 4,699,854 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (12,213) | 36,613 |
| Foreign currency translation adjustment | 38,115 | 64,097 |
| Total accumulated other comprehensive income | 25,902 | 100,711 |
| Total net assets | 4,437,168 | 4,800,565 |
| Total liabilities and net assets | 6,096,822 | 6,736,830 |

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Thousands of yen)

| | For the six months ended June 30, 2022 | For the six months ended June 30, 2023 |
|---|---|---|
| Net sales | 2,066,884 | 2,398,115 |
| Cost of sales | 765,786 | 837,533 |
| Gross profit | 1,301,097 | 1,560,582 |
| Selling, general and administrative expenses | | |
| Promotion expenses | 12,998 | 11,253 |
| Sales commission | 454 | 190 |
| Advertising expenses | 7,488 | 8,066 |
| Remuneration for directors (and other officers) | 27,619 | 28,020 |
| Salaries and allowances | 253,213 | 287,761 |
| Provision for bonuses | 9,948 | 10,772 |
| Retirement benefit expenses | 5,427 | 7,130 |
| Legal welfare expenses | 42,720 | 49,996 |
| Depreciation | 4,498 | 4,751 |
| Provision of allowance for doubtful accounts | 101 | 1,077 |
| Rent expenses | 34,907 | 37,379 |
| Other | 124,180 | 141,205 |
| Total selling, general and administrative expenses | 523,560 | 587,605 |
| Operating profit | 777,537 | 972,976 |
| Non-operating income | | |
| Interest income | 2,797 | 3,364 |
| Dividend income | 3,152 | 3,513 |
| Foreign exchange gains | 11,219 | 892 |
| Other | 1,543 | 2,941 |
| Total non-operating income | 18,713 | 10,711 |
| Non-operating expenses | | |
| Share of loss of entities accounted for using equity method | 10,696 | 10,699 |
| Other | 221 | 0 |
| Total non-operating expenses | 10,918 | 10,699 |
| Ordinary profit | 785,332 | 972,989 |
| Profit before income taxes | 785,332 | 972,989 |
| Income taxes - current | 226,043 | 291,065 |
| Income taxes - deferred | 11,300 | 10,106 |
| Total income taxes | 237,343 | 301,172 |
| Profit | 547,988 | 671,816 |
| Profit attributable to owners of parent | 547,988 | 671,816 |

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Thousands of yen)

| | For the six months ended June 30, 2022 | For the six months ended June 30, 2023 |
|---|---|---|
| Profit | 547,988 | 671,816 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (7,444) | 48,826 |
| Foreign currency translation adjustment | 33,460 | 25,981 |
| Total other comprehensive income | 26,016 | 74,808 |
| Comprehensive income | 574,004 | 746,625 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 574,004 | 746,625 |