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Consolidated Financial Results for the Year Ended December 31, 2023 [Japanese GAAP]

February 9, 2024

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 Annual General Meeting of Shareholders: March 26, 2024

Scheduled date of commencing dividend payments: March 27, 2024

Scheduled date of filing annual securities report: March 26, 2024

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 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	%
Fiscal year ended December 31, 2023	4,845	17.5	1,991	22.6	1,988	22.6	1,383	21.4
December 31, 2022	4,125	17.9	1,623	26.7	1,622	27.7	1,139	28.7

(Note) Comprehensive income: Fiscal year ended December 31, 2023: ¥ 1,450 million [26.5%]
Fiscal year ended December 31, 2022: ¥ 1,146 million [21.4%]

	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 December 31, 2023	Yen 104.69	Yen 104.59	% 27.8	% 29.3	% 41.1
December 31, 2022	86.27	86.17	28.4	29.3	39.4

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended December 31, 2023: ¥ (21) million
Fiscal year ended December 31, 2022: ¥ (21) million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of December 31, 2023	Millions of yen 7,484	Millions of yen 5,504	% 73.5	Yen 416.51
December 31, 2022	6,096	4,437	72.8	335.77

(Reference) Equity: As of December 31, 2023: ¥ 5,504 million
As of December 31, 2022: ¥ 4,437 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 December 31, 2023	Millions of yen 1,785	Millions of yen (601)	Millions of yen (384)	Millions of yen 5,521
December 31, 2022	1,387	(368)	(302)	4,695

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	Millions of yen	%	%
December 31, 2022	-	0.00	-	29.00	29.00	383	33.6	9.5
December 31, 2023	-	0.00	-	36.00	36.00	475	34.4	9.6
Fiscal year ending December 31, 2024 (Forecast)	-	0.00	-	42.00	42.00		34.7	

(Note) Breakdown of the year-end dividend for the fiscal year ended December 31, 2023 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024 (January 1, 2024 to December 31, 2024)

(% 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
Six months ending June 30, 2024	2,750	14.7	1,110	14.1	1,110	14.1	770	14.6	58.27
Full year	5,700	17.6	2,300	15.5	2,300	15.7	1,600	15.7	121.07

* 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: Yes

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, 2023:	13,215,200 shares
December 31, 2022:	13,215,200 shares

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

December 31, 2023:	442 shares
December 31, 2022:	442 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended December 31, 2023:	13,214,758 shares
Fiscal Year ended December 31, 2022:	13,211,075 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 2023)

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	4,439	16.9	1,733	21.3	1,870	21.1	1,338	20.2
December 31, 2022	3,796	18.1	1,428	27.0	1,543	30.6	1,113	34.5

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2023	101.28	101.18
December 31, 2022	84.26	84.16

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2023	6,923	5,182	74.9	392.17
December 31, 2022	5,623	4,184	74.4	316.67

(Reference) Equity: As of December 31, 2023: ¥ 5,182 million
As of December 31, 2022: ¥ 4,184 million

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	4,752,630	5,521,123
Accounts receivable - trade	313,815	234,811
Merchandise	10,039	26,650
Work in process	874	12,446
Advance payments to suppliers	31,527	23,258
Prepaid expenses	29,676	33,177
Other	8,343	23,513
Allowance for doubtful accounts	(3,118)	(2,403)
Total current assets	5,143,788	5,872,578
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,944	38,635
Accumulated depreciation	(8,222)	(10,937)
Buildings and structures, net	18,722	27,698
Land	348,997	367,207
Construction in progress	-	235,994
Other	50,562	69,218
Accumulated depreciation	(40,827)	(49,219)
Other, net	9,735	19,998
Total property, plant and equipment	377,455	650,899
Intangible assets		
Software	25,423	45,022
Other	8,130	10,183
Total intangible assets	33,553	55,206
Investments and other assets		
Investment securities	395,345	683,995
Distressed receivables	752	539
Deferred tax assets	47,786	32,975
Long-term prepaid expenses	604	262
Long-term time deposits	-	59,760
Leasehold and guarantee deposits	98,289	128,611
Allowance for doubtful accounts	(752)	(539)
Total investments and other assets	542,025	905,605
Total non-current assets	953,034	1,611,710
Total assets	6,096,822	7,484,288

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	77,803	90,714
Accounts payable - other	14,207	16,792
Accrued expenses	42,552	51,982
Income taxes payable	266,715	327,994
Accrued consumption taxes	46,543	56,150
Advances received	1,159,956	1,372,452
Deposits received	20,731	26,758
Provision for bonuses	12,151	14,633
Provision for bonuses for directors (and other officers)	11,000	13,000
Other	44	-
Total current liabilities	1,651,705	1,970,478
Non-current liabilities		
Retirement benefit liability	7,949	9,725
Total non-current liabilities	7,949	9,725
Total liabilities	1,659,654	1,980,203
Net assets		
Shareholders' equity		
Share capital	371,351	371,351
Capital surplus	289,158	289,158
Retained earnings	3,751,539	4,751,713
Treasury shares	(784)	(784)
Total shareholders' equity	4,411,265	5,411,438
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(12,213)	31,931
Foreign currency translation adjustment	38,115	60,714
Total accumulated other comprehensive income	25,902	92,646
Total net assets	4,437,168	5,504,084
Total liabilities and net assets	6,096,822	7,484,288

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Net sales	4,125,325	4,845,212
Cost of sales	1,452,770	1,659,239
Gross profit	2,672,555	3,185,973
Selling, general and administrative expenses		
Promotion expenses	17,287	18,617
Sales commission	1,019	902
Advertising expenses	13,327	14,673
Remuneration for directors (and other officers)	54,491	61,915
Salaries and allowances	516,889	585,842
Provision for bonuses	7,595	8,475
Provision for bonuses for directors (and other officers)	11,000	13,000
Retirement benefit expenses	11,329	13,429
Legal welfare expenses	85,223	102,750
Depreciation	10,039	10,177
Provision of allowance for doubtful accounts	1,962	(928)
Rent expenses	68,852	77,628
Other	249,613	287,881
Total selling, general and administrative expenses	1,048,631	1,194,365
Operating profit	1,623,923	1,991,607
Non-operating income		
Interest income	5,278	6,516
Dividend income	5,291	6,732
Foreign exchange gains	5,047	-
Other	4,766	5,795
Total non-operating income	20,384	19,044
Non-operating expenses		
Share of loss of entities accounted for using equity method	21,556	21,559
Foreign exchange losses	-	462
Other	221	0
Total non-operating expenses	21,778	22,021
Ordinary profit	1,622,529	1,988,629
Extraordinary income		
Extraordinary losses		
Profit before income taxes	1,622,529	1,988,629
Income taxes - current	486,694	606,482
Income taxes - deferred	(3,930)	(1,254)
Total income taxes	482,764	605,228
Profit	1,139,765	1,383,401
Profit attributable to owners of parent	1,139,765	1,383,401

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Profit	1,139,765	1,383,401
Other comprehensive income		
Valuation difference on available-for-sale securities	(20,210)	44,144
Foreign currency translation adjustment	26,451	14,854
Share of other comprehensive income of entities accounted for using equity method	-	7,744
Total other comprehensive income	6,241	66,743
Comprehensive income	1,146,006	1,450,144
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,146,006	1,450,144
Comprehensive income attributable to non-controlling interests	-	-

Consolidated Statements of Changes in Equity

For the fiscal year ended December 31, 2022

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Share capital	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 period	370,751	288,558	2,915,576	(784)	3,574,101	7,997	11,663	19,661	-	3,593,762
Changes during period										
Issuance of new shares	600	600			1,200					1,200
Dividends of surplus			(303,801)		(303,801)					(303,801)
Profit attributable to owners of parent			1,139,765		1,139,765					1,139,765
Net changes in items other than shareholders' equity						(20,210)	26,451	6,241	-	6,241
Total changes during period	600	600	835,963	-	837,163	(20,210)	26,451	6,241	-	843,405
Balance at end of period	371,351	289,158	3,751,539	(784)	4,411,265	(12,213)	38,115	25,902	-	4,437,168

For the fiscal year ended December 31, 2023

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Share capital	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 period	371,351	289,158	3,751,539	(784)	4,411,265	(12,213)	38,115	25,902	-	4,437,168
Changes during period										
Issuance of new shares					-					-
Dividends of surplus			(383,227)		(383,227)					(383,227)
Profit attributable to owners of parent			1,383,401		1,383,401					1,383,401
Net changes in items other than shareholders' equity						44,144	22,598	66,743	-	66,743
Total changes during period	-	-	1,000,173	-	1,000,173	44,144	22,598	66,743	-	1,066,916
Balance at end of period	371,351	289,158	4,751,713	(784)	5,411,438	31,931	60,714	92,646	-	5,504,084

Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	1,622,529	1,988,629
Depreciation	28,141	27,331
Increase (decrease) in allowance for doubtful accounts	1,441	(928)
Increase (decrease) in provision for bonuses	649	2,481
Interest and dividend income	(10,569)	(6,877)
Foreign exchange losses (gains)	141	(153)
Share of loss (profit) of entities accounted for using equity method	21,556	21,559
Decrease (increase) in trade receivables	(85,272)	79,598
Increase (decrease) in provision for bonuses for directors (and other officers)	2,300	2,000
Increase (decrease) in accounts payable - other	4,685	5,370
Increase (decrease) in accrued consumption taxes	(17,677)	5,938
Increase (decrease) in advances received	195,448	203,836
Other, net	59,290	(5,197)
Subtotal	1,822,664	2,323,589
Interest and dividends received	9,521	10,276
Income taxes paid	(444,207)	(548,296)
Net cash provided by (used in) operating activities	1,387,977	1,785,569
Cash flows from investing activities		
Payments into time deposits	-	(59,760)
Proceeds from withdrawal of time deposits	-	59,760
Purchase of property, plant and equipment	(351,631)	(283,383)
Purchase of intangible assets	(15,670)	(36,208)
Purchase of investment securities	-	(250,000)
Payments of leasehold and guarantee deposits	(1,815)	(31,804)
Proceeds from refund of leasehold and guarantee deposits	461	-
Net cash provided by (used in) investing activities	(368,655)	(601,395)
Cash flows from financing activities		
Proceeds from issuance of shares	1,200	(447)
Dividends paid	(303,623)	(383,685)
Net cash provided by (used in) financing activities	(302,423)	(384,132)
Effect of exchange rate change on cash and cash equivalents	26,808	25,751
Net increase (decrease) in cash and cash equivalents	743,706	825,792
Cash and cash equivalents at beginning of period	3,951,623	4,695,330
Cash and cash equivalents at end of period	4,695,330	5,521,123