

* Note

(1) Change of material subsidiaries during the period : None

(2) Application of accounting treatments specific to quarterly financial statements : None

(3) Changes in accounting policies, changes in accounting estimates and restatements

- (a) Changes in accounting policies in accordance with changes in accounting standards, etc. : Yes
- (b) Voluntary changes in accounting policies : None
- (c) Changes in accounting estimates : None
- (d) Restatement : None

(4) Number of issued shares (common stock)

(a) Number of issued shares at period-end (including treasury shares):	As of September 30, 2016	3,223,200 shares	As of December 31, 2015	3,181,800 shares
(b) Number of treasury shares at Period-end:	As of September 30, 2016	48 shares	As of December 31, 2015	27 shares
(c) Average outstanding shares (accumulated period):	Nine months ended September 30, 2016	3,188,323 shares	Nine months ended June 30, 2015	3,151,386 shares

* Implementation status of quarterly review procedure

This report is outside the scope of audit procedures based on the Financial Instruments and Exchange Act, and review procedure for quarterly consolidated financial statements has not been completed as of the date of disclosure of this report.

* Explanation regarding the appropriate use of forecasts, and other special note

The earnings forecasts are based on certain assumptions that Marklines Co., Ltd. deemed reasonable by the information currently available. Actual results may differ significantly due to a wide range of factors.

This report is an English translation of a statement written initially in Japanese for reference purpose only.

In the event of any discrepancy between English version and the Japanese original, the original shall prevail.

1 【Quarterly consolidated financial statements】

(1) 【Quarterly consolidated balance sheet】

(Unit : thousand yen)

	FY2015 As of Dec.31, 2015	FY2016 As of Sep.30, 2016
Assets		
Current asset		
Cash and deposits	1,359,336	1,459,169
Accounts receivable - trade	25,670	34,096
Work in process	3,275	86
Prepaid expenses	11,136	13,269
Deferred tax assets	8,471	11,739
Other	2,349	1,047
Allowance for doubtful accounts	(621)	(1,024)
Total current assets	1,409,619	1,518,385
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	40,725	40,566
Accumulated depreciation	(11,205)	(12,546)
Buildings and structures, net	29,519	28,019
Land	5,634	5,634
Other	21,887	22,318
Accumulated depreciation	(17,340)	(18,166)
Other, net	4,547	4,152
Total property, plant and equipment	39,701	37,805
Intangible assets		
Software	4,294	56,844
Software in progress	35,532	15,120
Total intangible asset	39,826	71,964
Investments and other assets		
Investment securities	253,290	268,424
Lease deposits	32,799	31,225
Other	1,270	1,513
Allowance for doubtful accounts	(1,183)	(931)
Total investments and other assets	286,177	300,232
Total noncurrent assets	365,705	410,002
Total assets	1,775,325	1,928,387

(Unit : thousand yen)

	FY2015 As of Dec.31, 2015	FY2016 As of Sep.30, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	2,017	—
Accounts payable - other	13,196	20,764
Accrued expenses	22,499	17,495
Income taxes payable	78,225	48,334
Accrued consumption taxes	24,205	14,078
Advances received	428,670	474,602
Deposits received	8,720	5,743
Provision for bonuses	6,853	27,111
Accounts payable-facilities	9,720	3,780
Other	408	884
Total current liabilities	594,516	612,795
Noncurrent liabilities		
Deferred tax liabilities	2,042	—
Total noncurrent liabilities	2,042	—
Total liabilities	596,559	—
Net assets		
Shareholders' equity		
Capital stock	323,864	339,111
Capital surplus	241,670	256,918
Retained earnings	598,343	724,074
Treasury shares	(74)	(138)
Total shareholders' equity	1,163,804	1,319,966
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,039	(1,025)
Foreign currency translation adjustment	11,921	(3,348)
Total accumulated other comprehensive income	14,961	(4,373)
Total net assets	1,178,766	1,315,592
Total liabilities and net assets	1,775,325	1,928,387

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income

【Quarterly consolidated statement of income】

Nine months ended September 30

(Unit : thousand yen)

	FY2015 Nine months ended September 30, 2015	FY2016 Nine months ended September 30, 2016
Net sales	909,544	1,050,208
Cost of sales	260,135	304,587
Gross profit	649,409	745,621
Selling, general and administrative expenses		
Promotion expenses	6,167	6,466
Sales commission	13,656	3,960
Advertising expenses	6,465	5,260
Directors' compensations	30,610	32,827
Salaries and allowances	148,329	154,282
Provision for bonuses	12,633	15,336
Retirement benefit expenses	2,244	2,792
Legal welfare expenses	27,643	25,443
Depreciation	3,691	3,593
Provision of allowance for doubtful accounts	231	848
Rent expenses	27,855	22,129
Other	68,760	91,357
Total selling, general and administrative expenses	348,292	364,299
Operating income	301,117	381,321
Non-operating income		
Interest income	1,159	704
Dividend income	5,142	5,045
Other	670	538
Total non-operating income	6,972	6,288
Non-operating expenses		
Foreign exchange losses	2,409	37,552
Other	—	2
Total non-operating	2,409	37,555
Ordinary income	305,680	350,054
Income before income taxes	305,680	350,054
Income taxes - current	108,600	116,808
Income taxes - deferred	(4,130)	(3,846)
Total income taxes	104,469	112,961
Profit	201,211	237,092
Profit attribute to owners of parent	201,211	237,092

【Quarterly consolidated statement of comprehensive income】

Nine months ended September 30

(Unit : thousand yen)

	FY2015 Nine months ended September 30, 2015	FY2016 Nine months ended September 30, 2016
Income before minority interests	201,211	237,092
Other comprehensive income		
Valuation difference on available-for-sale securities	(14,885)	(4,065)
Foreign currency translation adjustment	(1,204)	(15,269)
Total other comprehensive income	(16,089)	(19,335)
Total comprehensive income	185,122	217,757
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	185,122	217,757
Comprehensive income attributable to non-controlling interests	—	—