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## Consolidated Financial Results for the Year Ended December 31, 2018 [Japanese GAAP]

February 13, 2019

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 27, 2019

Scheduled date of commencing dividend payments: March 28, 2019

Scheduled date of filing annual securities report: March 27, 2019

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, 2018 (January 01, 2018 to December 31, 2018)

#### (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, 2018	2,043	21.6	734	20.9	740	16.5	508	14.2
December 31, 2017	1,680	17.3	607	17.1	636	24.6	445	24.3

(Note) Comprehensive income: Fiscal year ended December 31, 2018: ¥ 456 million [ 2.4%]  
Fiscal year ended December 31, 2017: ¥ 445 million [ 30.2%]

	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, 2018	38.73	38.50	26.2	26.8	35.9
December 31, 2017	34.04	33.76	27.3	27.1	36.1

\*The Company conducted a 4-for-1 stock split on June 9, 2017. Figures per share stated above reflect retrospective restatement, taking the impact of the stock split into consideration.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
December 31, 2018	2,941	2,092	71.1	159.16
December 31, 2017	2,579	1,797	69.7	136.86

(Reference) Equity: As of December 31, 2018: ¥ 2,092 million  
As of December 31, 2017: ¥ 1,797 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, 2018	560	(165)	(161)	2,265
December 31, 2017	585	(170)	(117)	2,040

## 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, 2017	-	0.00	-	12.50	12.50	164	36.7	10.0
December 31, 2018	-	0.00	-	15.00	15.00	197	38.7	10.1
Fiscal year ending December 31, 2019 (Forecast)	-	0.00	-	18.00	18.00		38.4	

(Note) Breakdown of the year-end dividend for the fiscal year ended December 31, 2018 :

Commemorative dividend	- yen
Special dividend	- yen

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2019 (January 01, 2019 to December 31, 2019)

(% 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, 2019	1,183	18.2	405	13.2	411	18.1	290	22.7	21.94
Full year	2,434	19.1	875	19.2	890	20.1	620	21.8	46.87

### \* 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, 2018:	13,148,000 shares
December 31, 2017:	13,136,800 shares

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

December 31, 2018:	229 shares
December 31, 2017:	225 shares

3) Average number of shares during the period:

Fiscal Year ended December 31, 2018:	13,140,010 shares
Fiscal Year ended December 31, 2017:	13,094,816 shares

\* 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 31,2017	As of December 31,2018
<b>Assets</b>		
Current assets		
Cash and deposits	2,040,689	2,265,237
Accounts receivable - trade	59,386	96,532
Merchandise	-	115
Work in process	-	2,814
Prepaid expenses	10,050	12,229
Deferred tax assets	12,919	11,221
Other	2,582	4,173
Allowance for doubtful accounts	(689)	(908)
Total current assets	2,124,938	2,391,417
Non-current assets		
Property, plant and equipment		
Buildings and structures	40,651	43,111
Accumulated depreciation	(14,118)	(16,174)
Buildings and structures, net	26,533	26,936
Land	5,634	5,634
Other	29,592	34,320
Accumulated depreciation	(23,404)	(24,292)
Other, net	6,188	10,027
Total property, plant and equipment	38,356	42,598
Intangible assets		
Software	80,840	108,290
Software in progress	-	4,428
Total intangible assets	80,840	112,718
Investments and other assets		
Investment securities	249,774	288,797
Lease deposits	32,803	35,280
Claims provable in bankruptcy, claims provable in rehabilitation and other	639	402
Deferred tax assets	-	20,349
Long-term prepaid expenses	1,044	2,320
Long-term time deposits	51,840	48,450
Allowance for doubtful accounts	(639)	(402)
Total investments and other assets	335,461	395,197
Total non-current assets	454,658	550,515
Total assets	2,579,596	2,941,932

(Thousand yen)

	As of December 31,2017	As of December 31,2018
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	6,035	13,671
Accounts payable - other	28,953	24,105
Accrued expenses	27,510	31,275
Income taxes payable	94,816	125,233
Accrued consumption taxes	28,947	19,442
Advances received	555,241	598,283
Deposits received	12,710	23,948
Provision for bonuses	8,285	10,083
Provision for contingent loss	15,000	-
Accounts payable - facilities	3,650	3,276
Other	411	57
Total current liabilities	781,561	849,378
Non-current liabilities		
Deferred tax liabilities	183	-
Total non-current liabilities	183	-
Total liabilities	781,744	849,378
<b>Net assets</b>		
Shareholders' equity		
Capital stock	363,511	364,631
Capital surplus	281,318	282,438
Retained earnings	1,154,252	1,498,998
Treasury shares	(175)	(182)
Total shareholders' equity	1,798,907	2,145,885
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(8,139)	(54,240)
Foreign currency translation adjustment	7,084	909
Total accumulated other comprehensive income	(1,054)	(53,331)
Total net assets	1,797,852	2,092,554
<b>Total liabilities and net assets</b>	<b>2,579,596</b>	<b>2,941,932</b>

Consolidated Statements of Income and Comprehensive Income  
 Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended December 31,2017	For the fiscal year ended December 31,2018
Net sales	1,680,218	2,043,472
Cost of sales	455,966	624,911
Gross profit	1,224,252	1,418,560
Selling, general and administrative expenses		
Promotion expenses	9,729	5,307
Sales commission	5,481	3,620
Advertising expenses	8,233	12,282
Directors' compensations	43,705	52,023
Salaries and allowances	290,814	319,757
Provision for bonuses	4,987	6,451
Retirement benefit expenses	4,846	4,785
Legal welfare expenses	46,293	49,858
Depreciation	9,412	10,694
Provision of allowance for doubtful accounts	(1,049)	394
Rent expenses	33,626	32,381
Other	160,794	186,839
Total selling, general and administrative expenses	616,875	684,397
Operating profit	607,377	734,163
Non-operating income		
Interest income	844	2,298
Dividend income	12,033	13,444
Gain on sales of investment securities	10,062	14,151
Foreign exchange gains	4,924	-
Other	1,454	2,907
Total non-operating income	29,319	32,802
Non-operating expenses		
Going public expenses	-	17,768
Foreign exchange losses	-	7,823
Commission fee	404	414
Other	129	8
Total non-operating expenses	534	26,015
Ordinary profit	636,162	740,950
Extraordinary losses		
Litigation settlement	-	11,738
Provision for contingent loss	15,000	-
Total extraordinary losses	15,000	11,738
Profit before income taxes	621,162	729,211
Income taxes - current	177,282	218,747
Income taxes - deferred	(1,844)	1,511
Total income taxes	175,437	220,259
Profit	445,724	508,952
Profit attributable to owners of parent	445,724	508,952

## Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended December 31,2017	For the fiscal year ended December 31,2018
Profit	445,724	508,952
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,508)	(46,101)
Foreign currency translation adjustment	2,658	(6,175)
Total other comprehensive income	149	(52,276)
Comprehensive income	445,873	456,676
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	445,873	456,676
Comprehensive income attributable to non-controlling interests	-	-

## Consolidated Statements of Changes in Net Assets

For the fiscal year ended December 31,2017

(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	354,071	271,878	845,471	(138)	1,471,283	(5,630)	4,426	(1,204)	1,470,078
Changes of items during period									
Issuance of new shares	9,440	9,440			18,880				18,880
Dividends of surplus			(136,943)		(136,943)				(136,943)
Profit attributable to owners of parent			445,724		445,724				445,724
Purchase of treasury shares				(36)	(36)				(36)
Net changes of items other than shareholders' equity						(2,508)	2,658	149	149
Total changes of items during period	9,440	9,440	308,781	(36)	327,624	(2,508)	2,658	149	327,773
Balance at end of current period	363,511	281,318	1,154,252	(175)	1,798,907	(8,139)	7,084	(1,054)	1,797,852

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

## Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended December 31,2017	For the fiscal year ended December 31,2018
<b>Cash flows from operating activities</b>		
Profit before income taxes	621,162	729,211
Depreciation	26,757	35,179
Increase (decrease) in allowance for doubtful accounts	(1,332)	(18)
Increase (decrease) in provision for bonuses	532	1,798
Interest and dividend income	(12,878)	(15,743)
Foreign exchange losses (gains)	184	228
Litigation settlement	-	11,738
Decrease (increase) in notes and accounts receivable - trade	(3,753)	(37,797)
Loss (gain) on sales of investment securities	(10,062)	(14,151)
Increase (decrease) in provision for contingent loss	15,000	-
Increase (decrease) in accounts payable - other	7,579	(4,712)
Increase (decrease) in accrued consumption taxes	11,894	(9,486)
Increase (decrease) in advances received	76,280	47,968
Other, net	8,977	(8,093)
Subtotal	740,341	736,120
Interest and dividend income received	12,696	13,959
Income taxes paid	(167,198)	(189,858)
Net cash provided by (used in) operating activities	585,839	560,221
<b>Cash flows from investing activities</b>		
Payments into time deposits	(151,840)	(100,000)
Proceeds from withdrawal of time deposits	100,000	100,000
Proceeds from sales of securities	117,445	113,840
Purchase of property, plant and equipment	(3,739)	(11,470)
Purchase of intangible assets	(33,799)	(60,353)
Purchase of investment securities	(198,955)	(205,160)
Payments for lease deposits	-	(2,827)
Collection of lease deposits	674	170
Net cash provided by (used in) investing activities	(170,214)	(165,800)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common shares	18,880	2,240
Purchase of treasury shares	(36)	(7)
Cash dividends paid	(136,601)	(164,207)
Net cash provided by (used in) financing activities	(117,757)	(161,974)
Effect of exchange rate change on cash and cash equivalents	4,055	(7,897)
Net increase (decrease) in cash and cash equivalents	301,922	224,548
Cash and cash equivalents at beginning of period	1,738,766	2,040,689
Cash and cash equivalents at end of period	2,040,689	2,265,237