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Consolidated Financial Results for the Year Ended December 31, 2021 [Japanese GAAP]

February 10, 2022

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: 03-4241-3901

Scheduled date of Annual General Meeting of Shareholders: March 28, 2022

Scheduled date of commencing dividend payments: March 29, 2022

Scheduled date of filing annual securities report: March 28, 2022

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, 2021 (January 01, 2021 to December 31, 2021)

(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, 2021	3,498	31.4	1,281	33.4	1,270	32.8	885	40.5
December 31, 2020	2,663	11.9	960	9.9	957	8.2	630	3.0

(Note) Comprehensive income: Fiscal year ended December 31, 2021: ¥ 944 million [46.5%]
Fiscal year ended December 31, 2020: ¥ 644 million [5.7%]

	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
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2021	67.07	66.94	27.2	28.2	36.6
December 31, 2020	47.80	47.66	23.2	25.5	36.1

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended December 31, 2021: ¥ million
Fiscal year ended December 31, 2020: ¥ million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
December 31, 2021	4,992	3,593	72.0	272.07
December 31, 2020	4,024	2,920	72.6	221.45

(Reference) Equity: As of December 31, 2021: ¥ 3,593 million
As of December 31, 2020: ¥ 2,920 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, 2021	1,080	26	(248)	3,951
December 31, 2020	760	(61)	(233)	3,301

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, 2020	-	0.00	-	21.00	21.00	276	43.9	10.2
December 31, 2021	-	0.00	-	23.00	23.00	303	34.3	9.3
Fiscal year ending December 31, 2022 (Forecast)	-	0.00	-	28.00	28.00		34.8	

(Note) Breakdown of the year-end dividend for the fiscal year ended December 31, 2021 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2022 (January 01, 2022 to December 31, 2022)

(% 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, 2022	2,095	23.5	730	26.8	720	23.6	505	28.4	38.23
Full year	4,270	22.0	1,538	20.0	1,525	20.0	1,062	20.0	80.39

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New	1	(Company name: Automotive Industry Support Fund 2021 Investment Limited Partnership)
Exclusion:	1	(Company name: Automotive Industry Support Fund 2021 Investment Limited Partnership)

(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, 2021:	13,209,200 shares
December 31, 2020:	13,189,200 shares

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

December 31, 2021:	442 shares
December 31, 2020:	297 shares

3) Average number of shares during the period:

Fiscal Year ended December 31, 2021:	13,201,024 shares
Fiscal Year ended December 31, 2020:	13,185,100 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2021 (January 01, 2021 to December 31, 2021)

(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, 2021	3,215	28.1	1,124	28.5	1,181	28.3	827	32.9
December 31, 2020	2,511	11.9	875	11.8	921	10.0	622	5.1

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2021	62.69	62.57
December 31, 2020	47.24	47.10

(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, 2021	4,598	3,394	73.8	256.98
December 31, 2020	3,772	2,794	74.1	211.87

(Reference) Equity: As of December 31, 2021: ¥ 3,394 million
As of December 31, 2020: ¥ 2,794 million

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousand yen)

	As of December 31,2020	As of December 31,2021
Assets		
Current assets		
Cash and deposits	3,301,979	3,951,623
Accounts receivable - trade	131,811	227,985
Merchandise	9,956	11,717
Work in process	-	644
Advance payments to suppliers	38,728	62,802
Prepaid expenses	22,998	28,834
Other	7,126	6,150
Allowance for doubtful accounts	(1,450)	(2,190)
Total current assets	3,511,150	4,287,569
Non-current assets		
Property, plant and equipment		
Buildings and structures	54,938	28,407
Accumulated depreciation	(12,353)	(7,866)
Buildings and structures, net	42,585	20,541
Land	5,634	-
Other	39,173	47,072
Accumulated depreciation	(27,632)	(34,099)
Other, net	11,540	12,972
Total property, plant and equipment	59,760	33,514
Intangible assets		
Software	64,447	35,490
Total intangible assets	64,447	35,490
Investments and other assets		
Investment securities	194,307	446,032
Leasehold deposits	99,239	98,355
Distressed receivables	1,067	240
Deferred tax assets	45,153	34,936
Long-term prepaid expenses	3,383	2,306
Long-term time deposits	47,430	54,150
Allowance for doubtful accounts	(1,067)	(240)
Total investments and other assets	389,513	635,780
Total non-current assets	513,721	704,784
Total assets	4,024,872	4,992,354

(Thousand yen)

	As of December 31,2020	As of December 31,2021
Liabilities		
Current liabilities		
Accounts payable - trade	42,707	54,996
Accounts payable - other	8,230	9,298
Accrued expenses	43,812	41,066
Income taxes payable	169,853	228,126
Accrued consumption taxes	38,446	64,073
Advances received	764,267	954,648
Deposits received	19,764	21,327
Provision for bonuses	12,671	11,502
Provision for bonuses for directors (and other officers)	-	8,700
Total current liabilities	1,099,752	1,393,738
Non-current liabilities		
Retirement benefit liability	4,435	4,852
Total non-current liabilities	4,435	4,852
Total liabilities	1,104,187	1,398,591
Net assets		
Shareholders' equity		
Share capital	368,751	370,751
Capital surplus	286,558	288,558
Retained earnings	2,306,972	2,915,576
Treasury shares	(344)	(784)
Total shareholders' equity	2,961,938	3,574,101
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(38,003)	7,997
Foreign currency translation adjustment	(3,250)	11,663
Total accumulated other comprehensive income	(41,254)	19,661
Total net assets	2,920,684	3,593,762
Total liabilities and net assets	4,024,872	4,992,354

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended December 31,2020	For the fiscal year ended December 31,2021
Net sales	2,663,226	3,498,688
Cost of sales	893,929	1,256,679
Gross profit	1,769,297	2,242,009
Selling, general and administrative expenses		
Promotion expenses	7,714	8,765
Sales commission	1,661	1,287
Advertising expenses	9,334	10,589
Remuneration for directors (and other officers)	57,947	56,891
Salaries and allowances	385,773	480,742
Provision for bonuses	7,363	7,109
Provision for bonuses for directors (and other officers)	-	8,700
Retirement benefit expenses	7,222	7,455
Legal welfare expenses	59,372	77,736
Depreciation	15,613	15,265
Provision of allowance for doubtful accounts	2,634	1,156
Rent expenses	58,099	68,040
Other	195,636	216,313
Total selling, general and administrative expenses	808,372	960,053
Operating profit	960,924	1,281,955
Non-operating income		
Interest income	2,152	4,074
Dividend income	4,194	4,229
Other	3,454	5,572
Total non-operating income	9,801	13,876
Non-operating expenses		
Share of loss of entities accounted for using equity method	-	23,910
Foreign exchange losses	13,374	957
Other	13	67
Total non-operating expenses	13,387	24,935
Ordinary profit	957,338	1,270,896
Extraordinary income		
Gain on change in equity	-	12,839
Gain on sale of non-current assets	-	11,043
Total extraordinary income	-	23,883
Extraordinary losses		
Loss on valuation of investment securities	56,349	34,324
Total extraordinary losses	56,349	34,324
Profit before income taxes	900,988	1,260,454
Income taxes - current	288,769	387,108
Income taxes - deferred	(18,078)	(10,085)
Total income taxes	270,691	377,023
Profit	630,296	883,431
Profit attributable to non-controlling interests	-	(1,918)
Profit attributable to owners of parent	630,296	885,349

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended December 31,2020	For the fiscal year ended December 31,2021
Profit	630,296	883,431
Other comprehensive income		
Valuation difference on available-for-sale securities	16,472	46,001
Foreign currency translation adjustment	(2,280)	14,914
Total other comprehensive income	14,192	60,915
Comprehensive income	644,489	944,346
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	644,489	946,265
Comprehensive income attributable to non-controlling interests	-	(1,918)

Consolidated Statements of Changes in Net Assets

For the fiscal year ended December 31,2020

(Thousand 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	366,791	284,598	1,913,724	(182)	2,564,932	(54,476)	(970)	(55,447)	-	2,509,485
Changes during period										
Issuance of new shares	1,960	1,960			3,920					3,920
Dividends of surplus			(237,048)		(237,048)					(237,048)
Profit attributable to owners of parent			630,296		630,296					630,296
Purchase of treasury shares				(161)	(161)					(161)
Other					-					-
Net changes in items other than shareholders' equity						16,472	(2,280)	14,192	-	14,192
Total changes during period	1,960	1,960	393,248	(161)	397,006	16,472	(2,280)	14,192	-	411,199
Balance at end of period	368,751	286,558	2,306,972	(344)	2,961,938	(38,003)	(3,250)	(41,254)	-	2,920,684

For the fiscal year ended December 31,2021

(Thousand 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	368,751	286,558	2,306,972	(344)	2,961,938	(38,003)	(3,250)	(41,254)	-	2,920,684
Changes during period										
Issuance of new shares	2,000	2,000			4,000					4,000
Dividends of surplus			(276,966)		(276,966)					(276,966)
Profit attributable to owners of parent			885,349		885,349					885,349
Purchase of treasury shares				(440)	(440)					(440)
Other			221		221					221
Net changes in items other than shareholders' equity						46,001	14,914	60,915	-	60,915
Total changes during period	2,000	2,000	608,603	(440)	612,163	46,001	14,914	60,915	-	673,078
Balance at end of period	370,751	288,558	2,915,576	(784)	3,574,101	7,997	11,663	19,661	-	3,593,762

Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended December 31,2020	For the fiscal year ended December 31,2021
Cash flows from operating activities		
Profit before income taxes	900,988	1,260,454
Depreciation	49,120	42,676
Increase (decrease) in allowance for doubtful accounts	536	(87)
Increase (decrease) in provision for bonuses	1,036	(1,169)
Interest and dividend income	(6,346)	(8,303)
Foreign exchange losses (gains)	178	81
Share of loss (profit) of entities accounted for using equity method	-	23,910
Decrease (increase) in trade receivables	(44,169)	(95,523)
Increase (decrease) in provision for bonuses for directors (and other officers)	-	8,700
Loss (gain) on valuation of investment securities	56,349	34,324
Loss (gain) on sale of non-current assets	-	(11,043)
Loss (gain) on change in equity	-	(12,839)
Increase (decrease) in accounts payable - other	(14,479)	108
Increase (decrease) in accrued consumption taxes	4,718	21,805
Increase (decrease) in advances received	81,591	175,032
Other, net	1,720	(25,994)
Subtotal	1,031,244	1,412,132
Interest and dividends received	10,224	6,803
Income taxes paid	(280,900)	(338,131)
Net cash provided by (used in) operating activities	760,568	1,080,804
Cash flows from investing activities		
Payments into time deposits	(47,430)	-
Proceeds from withdrawal of time deposits	47,430	-
Purchase of property, plant and equipment	(33,030)	(8,019)
Purchase of intangible assets	(7,133)	(3,157)
Proceeds from sale of property, plant and equipment	-	38,173
Payments of leasehold deposits	(47,824)	(1,330)
Proceeds from refund of leasehold deposits	26,497	501
Net cash provided by (used in) investing activities	(61,490)	26,166
Cash flows from financing activities		
Proceeds from issuance of shares	3,920	4,000
Purchase of treasury shares	(161)	(440)
Dividends paid	(237,490)	(276,959)
Proceeds from share issuance to non-controlling shareholders	-	25,000
Net cash provided by (used in) financing activities	(233,732)	(248,399)
Effect of exchange rate change on cash and cash equivalents	75	31,624
Net increase (decrease) in cash and cash equivalents	465,421	890,196
Cash and cash equivalents at beginning of period	2,836,557	3,301,979
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	-	(240,551)
Cash and cash equivalents at end of period	3,301,979	3,951,623