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Consolidated Financial Results for the Year Ended December 31, 2020 [Japanese GAAP]

February 12, 2021

Company name: MarkLines Co., Ltd.

Stock exchange listing: Tokyo

Code number: 3901

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

Representative: Makoto Sakai

Contact: Kenichi Sakai

Phone: 03-4241-3901

President, CEO

Director, General Manager, Administration Dept.

Scheduled date of Annual General Meeting of Shareholders: March 26, 2021

Scheduled date of commencing dividend payments: March 29, 2021

Scheduled date of filing annual securities report: March 26, 2021

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, 2020 (January 01, 2020 to December 31, 2020)

(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, 2020	2,663	11.9	960	9.9	957	8.2	630	3.0
December 31, 2019	2,380	16.5	874	19.1	884	19.4	611	20.2

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

Fiscal year ended December 31, 2019: ¥ 609 million [33.5%]

	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, 2020	47.80	47.66	23.2	25.5	36.1
December 31, 2019	46.53	46.29	26.6	27.5	36.7

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

Fiscal year ended December 31, 2019: ¥ 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, 2020	4,024	2,920	72.6	221.45
December 31, 2019	3,484	2,509	72.0	190.55

(Reference) Equity: As of December 31, 2020: ¥ 2,920 million

As of December 31, 2019: ¥ 2,509 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, 2020	760	(61)	(233)	3,301
December 31, 2019	779	(11)	(192)	2,836

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, 2019	-	0.00	-	18.00	18.00	237	38.7	10.3
December 31, 2020	-	0.00	-	21.00	21.00	276	43.9	10.2
Fiscal year ending December 31, 2021 (Forecast)	-	0.00	-	21.00	21.00		37.9	

(Note) Breakdown of the year-end dividend for the fiscal year ended December 31, 2020 :

Commemorative dividend	- yen
Special dividend	- yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2021 (January 01, 2021 to December 31, 2021)

(% 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, 2021	1,500	14.6	540	20.4	520	15.8	360	29.8	27.30
Full year	3,100	16.4	1,100	14.5	1,050	9.7	730	15.8	55.35

* 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:)
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, 2020:	13,189,200 shares
December 31, 2019:	13,169,600 shares

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

December 31, 2020:	297 shares
December 31, 2019:	229 shares

3) Average number of shares during the period:

Fiscal Year ended December 31, 2020:	13,185,100 shares
Fiscal Year ended December 31, 2019:	13,151,849 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2020 (January 01, 2020 to December 31, 2020)

(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, 2020	2,511	11.9	875	11.8	921	10.0	622	5.1
December 31, 2019	2,244	16.6	783	18.1	837	17.6	592	18.8

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2020	47.24	47.10
December 31, 2019	45.05	44.82

(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, 2020	3,772	2,794	74.1	211.87
December 31, 2019	3,258	2,388	73.3	181.35

(Reference) Equity: As of December 31, 2020: ¥ 2,794 million
As of December 31, 2019: ¥ 2,388 million

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousand yen)

	As of December 31,2019	As of December 31,2020
Assets		
Current assets		
Cash and deposits	2,883,357	3,301,979
Accounts receivable - trade	87,536	131,811
Merchandise	364	9,956
Prepaid expenses	16,638	22,998
Other	18,826	45,854
Allowance for doubtful accounts	(731)	(1,450)
Total current assets	3,005,992	3,511,150
Non-current assets		
Property, plant and equipment		
Buildings and structures	43,197	54,938
Accumulated depreciation	(17,891)	(12,353)
Buildings and structures, net	25,305	42,585
Land	5,634	5,634
Other	29,639	39,173
Accumulated depreciation	(22,816)	(27,632)
Other, net	6,823	11,540
Total property, plant and equipment	37,763	59,760
Intangible assets		
Software	95,711	64,447
Total intangible assets	95,711	64,447
Investments and other assets		
Investment securities	226,914	194,307
Leasehold deposits	82,068	99,239
Distressed receivables	1,250	1,067
Deferred tax assets	34,344	45,153
Long-term prepaid expenses	1,704	3,383
Long-term time deposits	-	47,430
Allowance for doubtful accounts	(1,250)	(1,067)
Total investments and other assets	345,032	389,513
Total non-current assets	478,507	513,721
Total assets	3,484,500	4,024,872

(Thousand yen)

	As of December 31,2019	As of December 31,2020
Liabilities		
Current liabilities		
Accounts payable - trade	9,162	42,707
Accounts payable - other	22,864	8,230
Accrued expenses	36,694	43,812
Income taxes payable	161,503	169,853
Accrued consumption taxes	33,852	38,446
Advances received	681,444	764,267
Deposits received	17,108	19,764
Provision for bonuses	11,635	12,671
Other	750	-
Total current liabilities	975,015	1,099,752
Non-current liabilities		
Retirement benefit liability	-	4,435
Total non-current liabilities	-	4,435
Total liabilities	975,015	1,104,187
Net assets		
Shareholders' equity		
Share capital	366,791	368,751
Capital surplus	284,598	286,558
Retained earnings	1,913,724	2,306,972
Treasury shares	(182)	(344)
Total shareholders' equity	2,564,932	2,961,938
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(54,476)	(38,003)
Foreign currency translation adjustment	(970)	(3,250)
Total accumulated other comprehensive income	(55,447)	(41,254)
Total net assets	2,509,485	2,920,684
Total liabilities and net assets	3,484,500	4,024,872

Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended December 31,2019	For the fiscal year ended December 31,2020
Net sales	2,380,655	2,663,226
Cost of sales	769,250	893,929
Gross profit	1,611,405	1,769,297
Selling, general and administrative expenses		
Promotion expenses	11,854	7,714
Sales commission	2,717	1,661
Advertising expenses	11,114	9,334
Remuneration for directors (and other officers)	56,535	57,947
Salaries and allowances	355,400	385,773
Provision for bonuses	6,617	7,363
Retirement benefit expenses	5,336	7,222
Legal welfare expenses	55,475	59,372
Depreciation	12,261	15,613
Provision of allowance for doubtful accounts	1,087	2,634
Rent expenses	38,785	58,099
Other	179,755	195,636
Total selling, general and administrative expenses	736,942	808,372
Operating profit	874,463	960,924
Non-operating income		
Interest income	1,951	2,152
Dividend income	10,570	4,194
Gain on sales of investment securities	5,218	-
Other	2,339	3,454
Total non-operating income	20,080	9,801
Non-operating expenses		
Foreign exchange losses	8,958	13,374
Other	668	13
Total non-operating expenses	9,627	13,387
Ordinary profit	884,916	957,338
Extraordinary losses		
Loss on valuation of investment securities	-	56,349
Total extraordinary losses	-	56,349
Profit before income taxes	884,916	900,988
Income taxes - current	275,643	288,769
Income taxes - deferred	(2,669)	(18,078)
Total income taxes	272,973	270,691
Profit	611,942	630,296
Profit attributable to owners of parent	611,942	630,296

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended December 31,2019	For the fiscal year ended December 31,2020
Profit	611,942	630,296
Other comprehensive income		
Valuation difference on available-for-sale securities	(235)	16,472
Foreign currency translation adjustment	(1,879)	(2,280)
Total other comprehensive income	(2,115)	14,192
Comprehensive income	609,827	644,489
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	609,827	644,489
Comprehensive income attributable to non-controlling interests	-	-

Consolidated Statements of Changes in Net Assets

For the fiscal year ended December 31,2019

(Thousand yen)

	Shareholders' equity					Accumulated other comprehensive income			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	364,631	282,438	1,498,998	(182)	2,145,885	(54,240)	909	(53,331)	2,092,554
Changes during period									
Issuance of new shares	2,160	2,160			4,320				4,320
Dividends of surplus			(197,216)		(197,216)				(197,216)
Profit attributable to owners of parent			611,942		611,942				611,942
Purchase of treasury shares					-				-
Net changes in items other than shareholders' equity						(235)	(1,879)	(2,115)	(2,115)
Total changes during period	2,160	2,160	414,726	-	419,046	(235)	(1,879)	(2,115)	416,930
Balance at end of period	366,791	284,598	1,913,724	(182)	2,564,932	(54,476)	(970)	(55,447)	2,509,485

For the fiscal year ended December 31,2020

(Thousand yen)

	Shareholders' equity					Accumulated other comprehensive income			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)
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

Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended December 31,2019	For the fiscal year ended December 31,2020
Cash flows from operating activities		
Profit before income taxes	884,916	900,988
Depreciation	44,233	49,120
Increase (decrease) in allowance for doubtful accounts	671	536
Increase (decrease) in provision for bonuses	1,551	1,036
Interest and dividend income	(12,522)	(6,346)
Foreign exchange losses (gains)	82	178
Decrease (increase) in trade receivables	8,935	(44,169)
Loss (gain) on sales of investment securities	(5,218)	-
Loss (gain) on valuation of investment securities	-	56,349
Increase (decrease) in accounts payable - other	(1,267)	(14,479)
Increase (decrease) in accrued consumption taxes	14,379	4,718
Increase (decrease) in advances received	85,746	81,591
Other, net	(12,943)	1,720
Subtotal	1,008,565	1,031,244
Interest and dividends received	11,235	10,224
Income taxes paid	(240,203)	(280,900)
Net cash provided by (used in) operating activities	779,596	760,568
Cash flows from investing activities		
Payments into time deposits	-	(47,430)
Proceeds from withdrawal of time deposits	-	47,430
Proceeds from sales of securities	71,438	-
Purchase of property, plant and equipment	(2,326)	(33,030)
Purchase of intangible assets	(23,581)	(7,133)
Purchase of investment securities	(4,676)	-
Payments of leasehold deposits	(52,246)	(47,824)
Proceeds from refund of leasehold deposits	-	26,497
Net cash provided by (used in) investing activities	(11,392)	(61,490)
Cash flows from financing activities		
Proceeds from issuance of shares	4,320	3,920
Purchase of treasury shares	-	(161)
Dividends paid	(197,216)	(237,490)
Net cash provided by (used in) financing activities	(192,896)	(233,732)
Effect of exchange rate change on cash and cash equivalents	(3,987)	75
Net increase (decrease) in cash and cash equivalents	571,319	465,421
Cash and cash equivalents at beginning of period	2,265,237	2,836,557
Cash and cash equivalents at end of period	2,836,557	3,301,979