

**ZENRIN**

Securities Code: 9474

# Briefing on Results for First 2 Quarters of Fiscal 2015 (Year Ending March 31, 2015)

November 13, 2014

**ZENRIN Co., Ltd.**  
Maps to the Future

President and CEO

Zenshi Takayama

Executive Vice President

Junya Amita

Executive Officer, and  
Head of Corporate Management Division

Masami Matsuo

Briefing on Results for First 2Qs of FY2015

1. Overview of Results for First 2 Quarters of Fiscal 2015
  2. Earnings Forecast for Fiscal 2015
  3. Income Distribution
  4. Business Summary
- Appendix

Note: This document contains forward-looking statements based on assumptions, forecasts and plans in light of information available to ZENRIN Co., Ltd. as of the preparation date of this document. Actual performance may vary significantly from the forecast figures due to various risks and uncertainties owing to global economic trends, market demand, status of competition, exchange fluctuations and other factors.  
The information that appears in this document rounds down fractions to the nearest specified unit and rounds off decimals in the percentage of change to the first decimal place.  
In addition, cases where the percentage of change exceeds 1000% and cases where one or both of the items of comparison are negative are shown as “-.”

# 1. Overview of Results for First 2 Quarters of Fiscal 2015

- 1) Overview of Results
- 2) Changes in Net Sales and Income
- 3) Causes for Change in Operating Income
- 4) Segment Information
- 5) Changes in Cash Flows

Appendix (1) Overview of Results for First 2 Quarters of Fiscal 2015

- Amount of Capital Investment, Depreciation and R&D Costs
- Changes in Composition of Net Sales by Quarter

# 1-1) Overview of Results

## Key Points of Results for First 2 Quarters of Fiscal 2015

Compared to First 2 Quarters of Fiscal 2014 <decrease in sales and decrease in income (increase in terms of net income)>

- Decrease in sales due in part to decrease in number of fee-paying subscribers to services for smartphones and restructuring of subsidiaries
- Recording of -735 million yen in deferred income taxes due in part to impact of deferred tax assets associated with loss carried forward of subsidiaries following restructuring, among other factors, led to improvement in net income to 194 million yen

Compared to Earnings Forecast <upward revision in light of change in sales composition and deferment of certain expenses to second fiscal half>

- Robust sales related to GIS utilizing residential map databases and data for Japanese in-car navigation systems
- Upward revision of earnings forecast for second quarter in light of deferment of certain expenses associated with map database maintenance and new development projects

Amounts in million yen

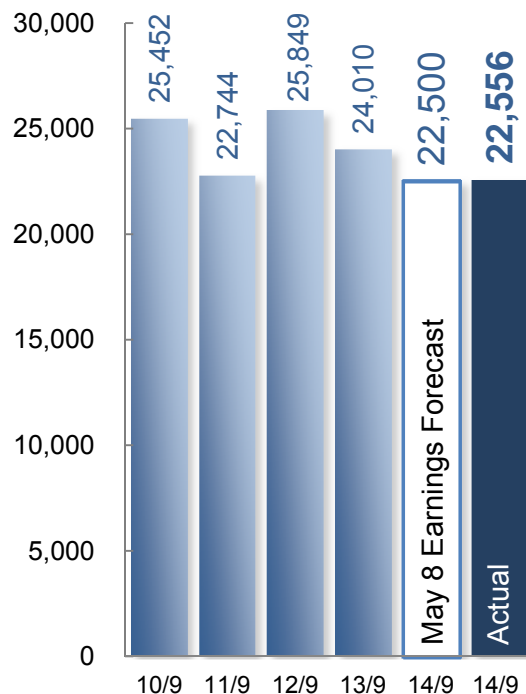
	FY2014 Actual	FY2015 Earnings Forecast (May 8)	FY2015 Revised Forecast (Oct. 24)	FY2015 Actual	Compared to First 2Qs of FY2014	% of Change	Compared to Earnings Forecast (May 8)	% of Change	Compared to Revised Forecast (Oct. 24)	% of Change
Net Sales	24,010	22,500	22,550	22,556	-1,453	-6.1	56	0.3	6	0.0
Operating Expenses	23,970	23,500	22,850	22,865	-1,104	-4.6	-634	-2.7	15	0.1
Operating Income	39	-1,000	-300	-308	-348	—	691	—	-8	—
Operating Margin	0.2%	-4.4%	-1.3%	-1.4%	-1.6pt	—	3.0pt	—	-0.1pt	—
Ordinary Income	225	-800	-20	-18	-244	—	781	—	1	—
Ordinary Margin	0.9%	-3.6%	-0.1%	-0.1%	-1.0pt	—	3.5pt	—	0.0pt	—
Net Income	-250	-300	190	194	445	—	494	—	4	2.3

\*No substantial change from the revised earnings forecast figures announced on October 24.

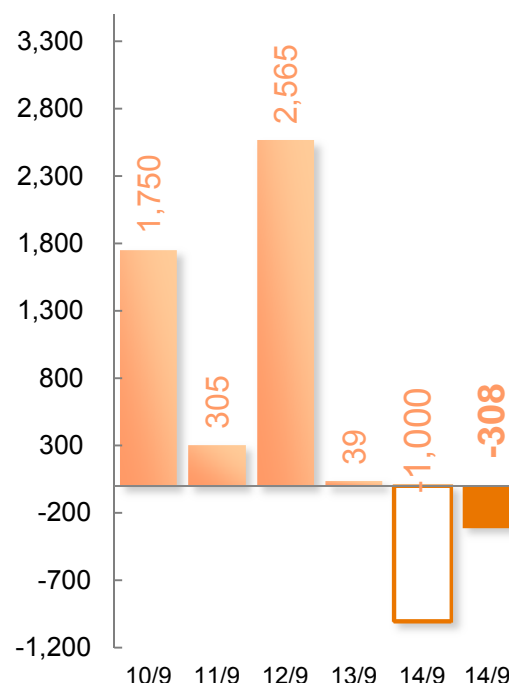
# 1-2) Changes in Net Sales and Income

Amounts in million yen

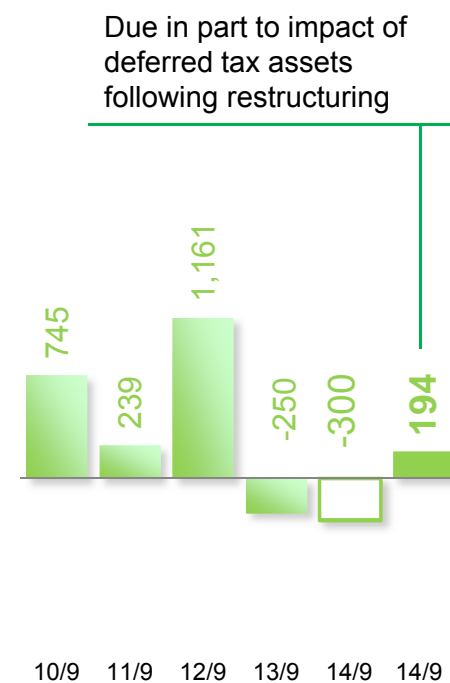
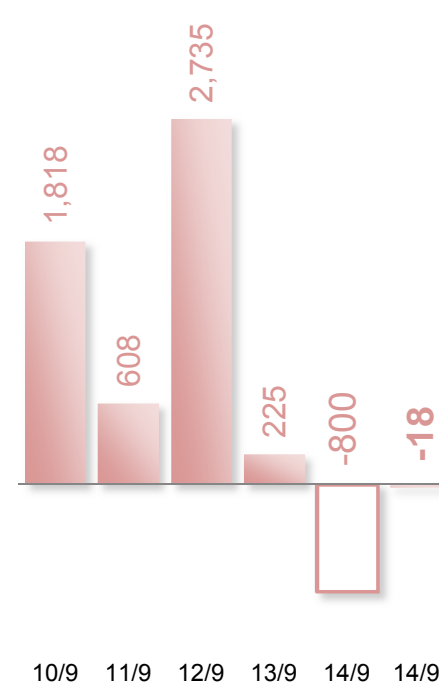
	Net Sales	Operating Income	Ordinary Income	Net Income
Compared to First 2Qs of FY2014	Down 1,453 (-6.1%)	Down 348 (—)	Down 244 (—)	Improved 445 (—)
Compared to Earnings Forecast (announced on May 8)	Up 56 (+0.3%)	Improved 691 (—)	Improved 781 (—)	Improved 494 (—)



Decrease in sales for 2 consecutive periods



Income in previous period → Loss



Loss in previous period → Income

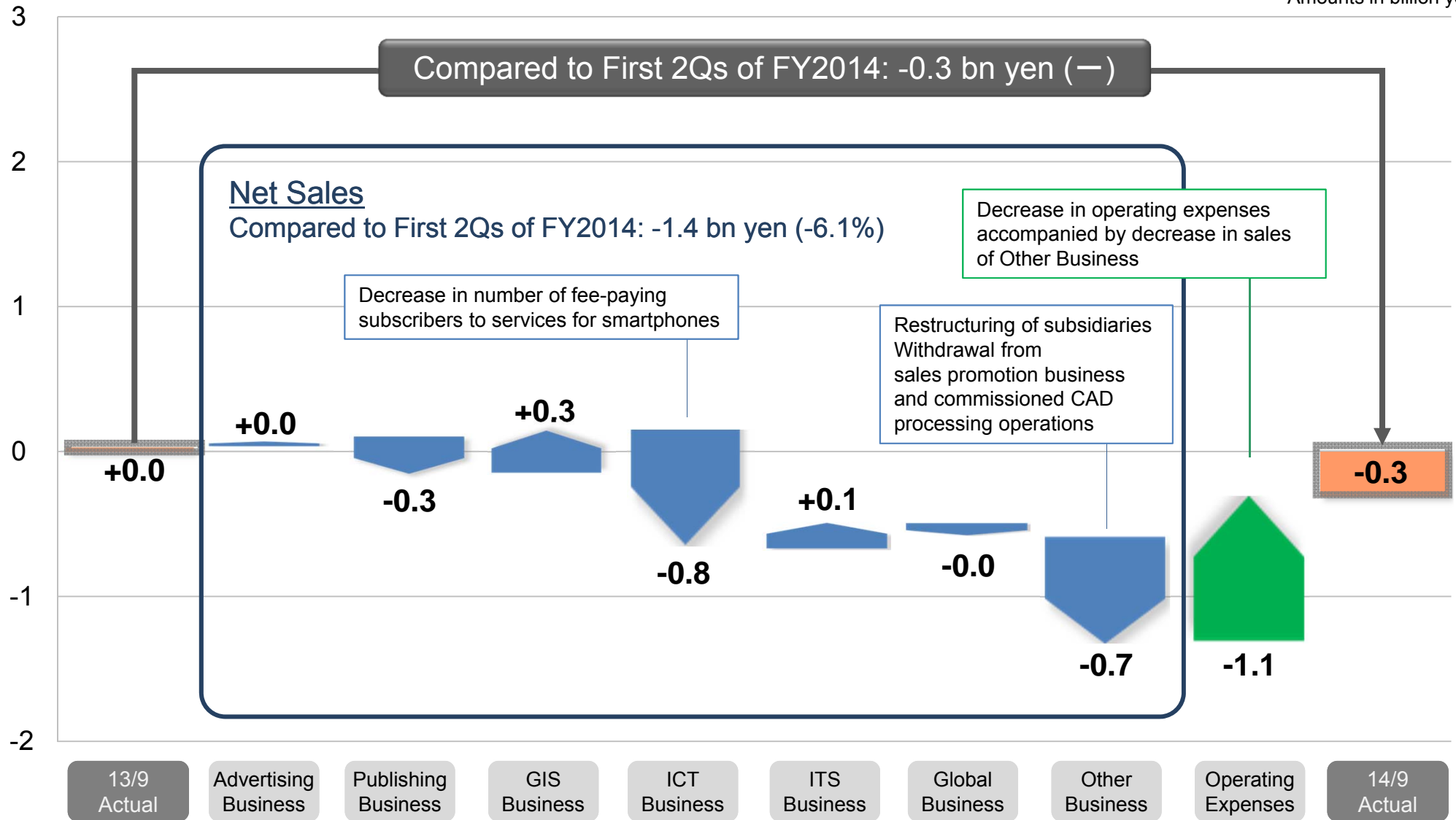
\*No substantial change from the revised earnings forecast figures announced on October 24.

# 1-3) Causes for Change in Operating Income

(Compared to First 2 Quarters of Fiscal 2014)

Briefing on Results for First 2Qs of FY2015

Amounts in billion yen



# 1-4) Segment Information

Sales  
Composition

87.4%

## 1. Map Database Segment

**Main Items:** Printed residential maps, residential map databases, data for Japanese and overseas in-car navigation systems, services for smartphones, map data provision, etc. for various media/devices



8.0%

## 2. General Printing Segment

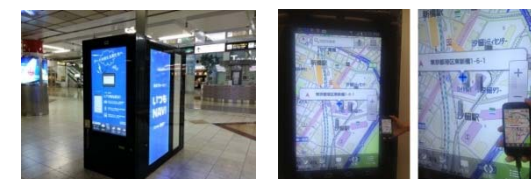
**Main Items:** Commercial printing



4.6%

## 3. Other

**Main Items:** Purchased products, Digital signage

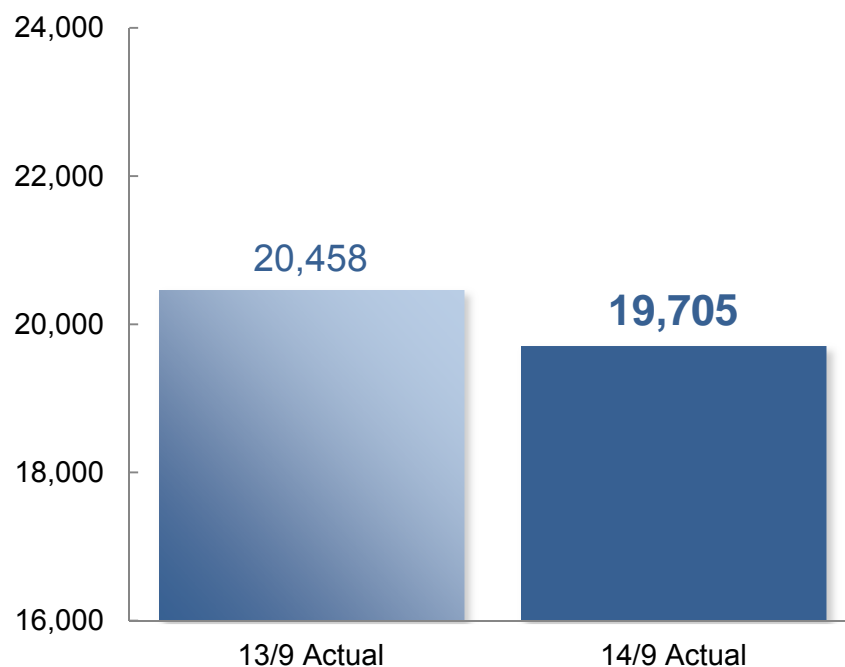


# 1-4) Map Database Segment

## Net Sales

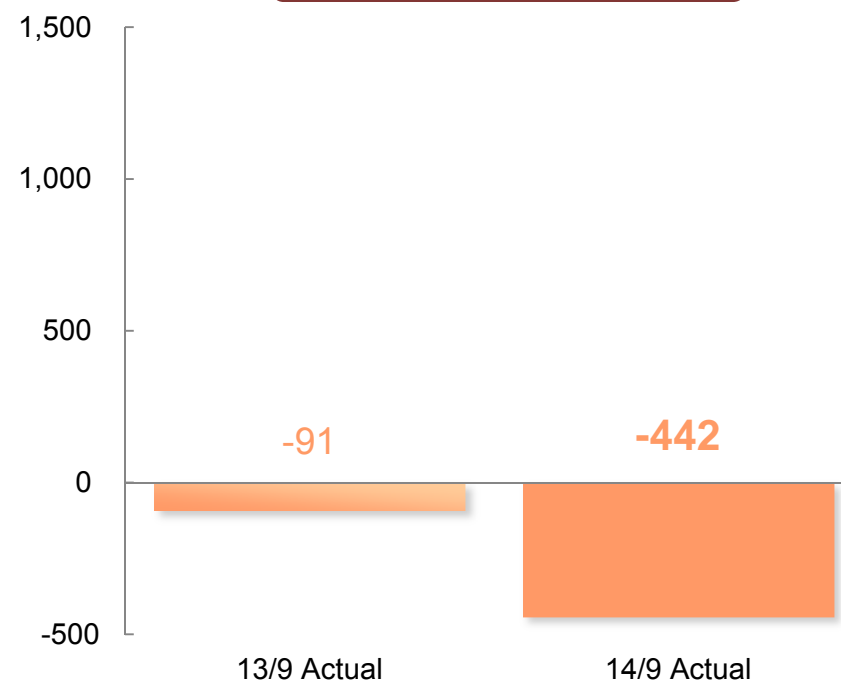
Compared to  
First 2Qs of  
FY2014

**Down 753 (-3.7%)**



## Operating Income

**Downturn of 351 (—)**



- Robust sales related to GIS utilizing residential map databases and data for Japanese in-car navigation systems
- Decrease in number of fee-paying subscribers to services for smartphones related to ICT

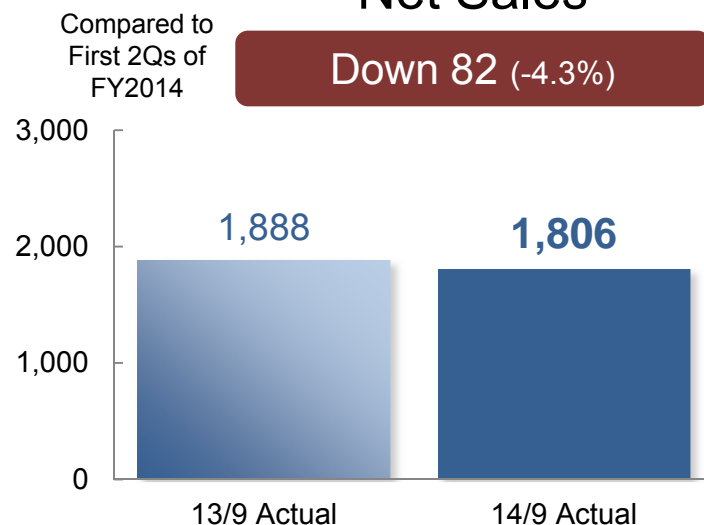


# 1-4) General Printing Segment, and Other

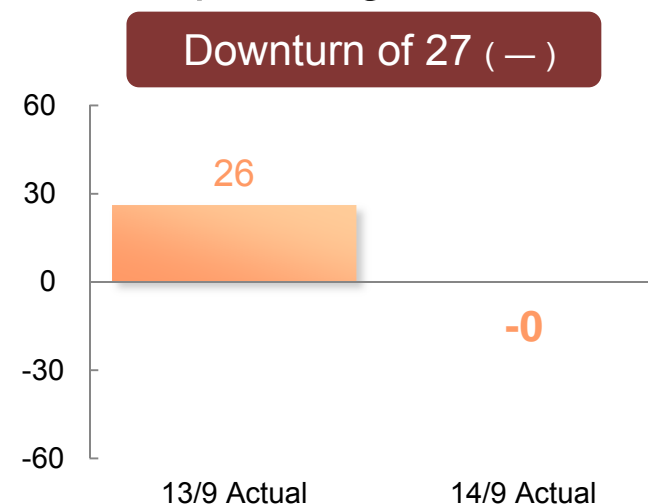
Amounts in million yen

General Printing Segment

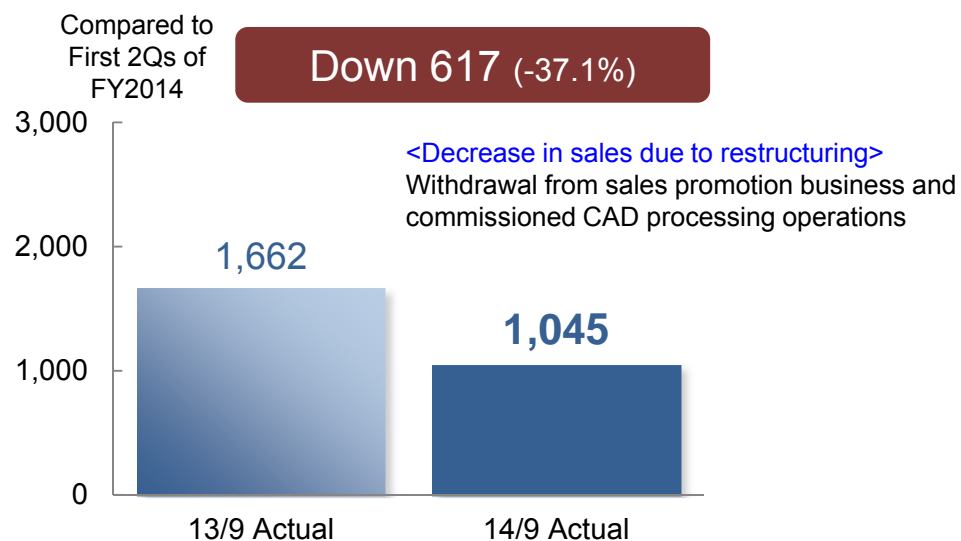
## Net Sales



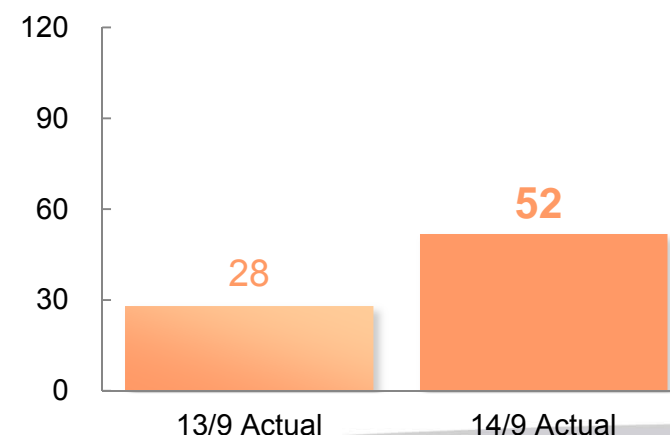
## Operating Income



Other



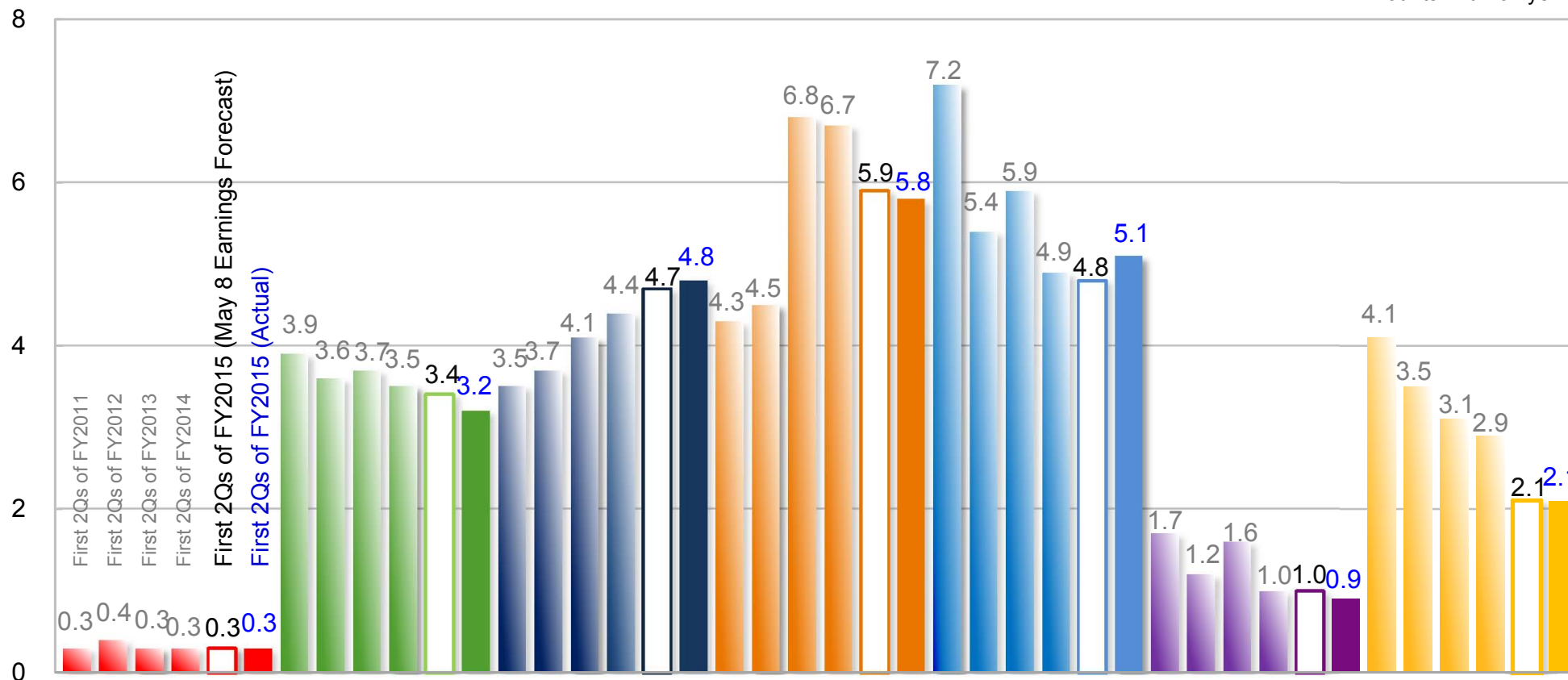
**Up 23 (83.1%)**



# 1-4) Net Sales by Business under Medium-Term Business Plan ZGP2015

Briefing on Results for First 2Qs of FY2015

Amounts in billion yen

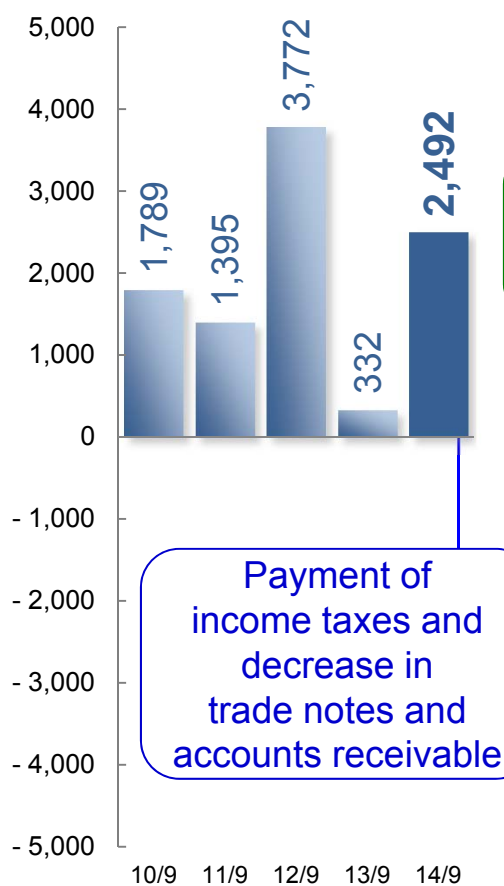


Business	Change vs. First 2Qs of FY2014	Percentage Change
Advertising	+0.0	(13.2%)
Publishing	-0.3	(-9.8%)
GIS	+0.3	(8.6%)
ICT	-0.8	(-13.1%)
ITS	+0.1	(3.9%)
Global	-0.0	(-9.4%)
Other	-0.7	(-25.6%)

# 1-5) Changes in Cash Flows

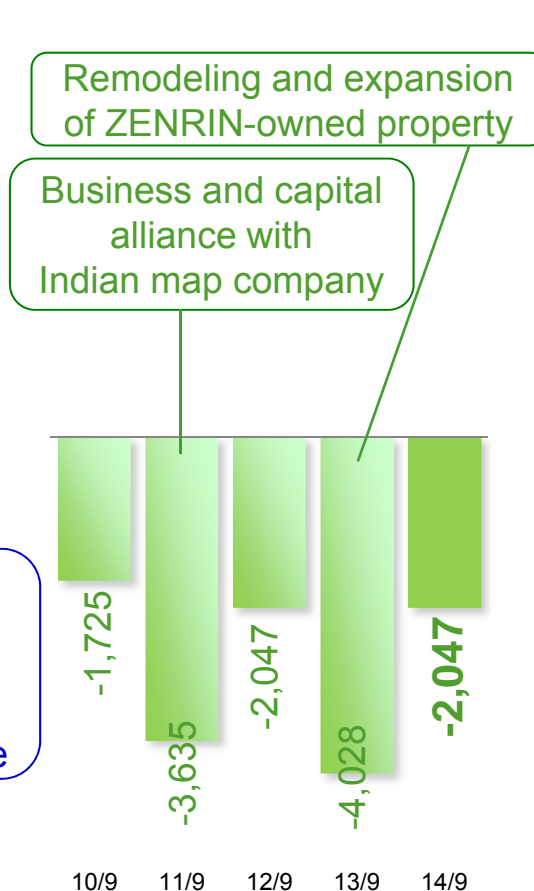
## Operating Cash Flows

Inflows up 2,159



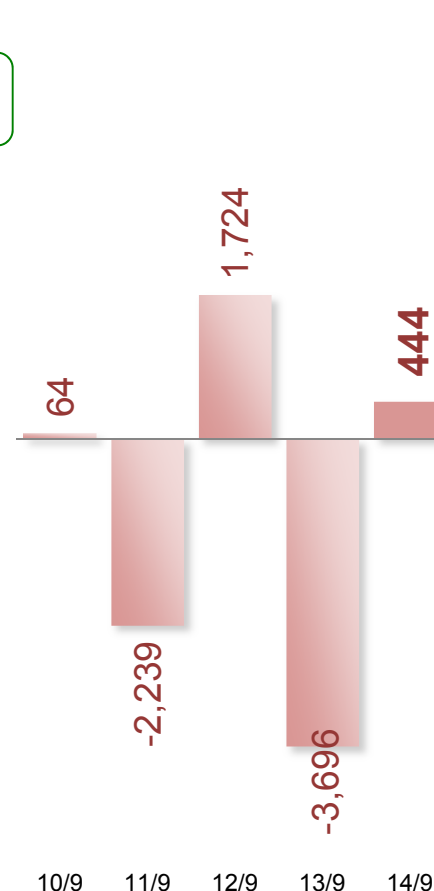
## Investing Cash Flows

Outflows down 1,981



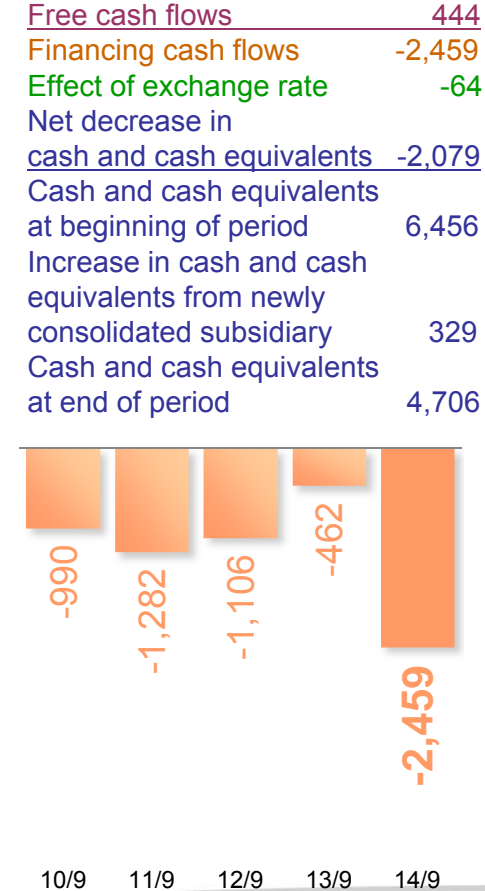
## Free Cash Flows

Inflows up 4,141



## Financing Cash Flows

Outflows up 1,997



Free cash flows	444
Financing cash flows	-2,459
Effect of exchange rate	-64
Net decrease in cash and cash equivalents	-2,079
Cash and cash equivalents at beginning of period	6,456
Increase in cash and cash equivalents from newly consolidated subsidiary	329
Cash and cash equivalents at end of period	4,706

## 2. Earnings Forecast for Fiscal 2015

### 1) Overview of Earnings Forecast for Fiscal 2015

(No change from the figures announced on May 8)

#### Appendix (2) Overview of Earnings Forecast for Fiscal 2015

- Changes in Net Sales and Income
- Causes for Change in Operating Income (Compared to Fiscal 2014)
- Segment Information
- Net Sales by Business under Medium-Term Business Plan ZGP2015
- Amount of Capital Investment, Depreciation and R&D Costs

## 2-1) Overview of Earnings Forecast for Fiscal 2015

### Earnings Forecast for Fiscal 2015

Given the many uncertainties over the business environment, the earnings forecast for fiscal 2015 is left unchanged from that announced on May 8, 2014 at this point in time

While striving to improve productivity, will steadily carry out maintenance of the 4D Geospatial Information DB and other prior developments that are indispensable for future business expansion

**Compared to FY2014 <decrease in sales and decrease in income (increase in terms of net income)>**

Decrease in sales is expected due to withdrawal from businesses by consolidated subsidiaries

Map database maintenance expenses and prior investments in new products will continue, but will strive to improve productivity and reduce costs

Net income is expected to increase due in part to gain on sales of non-current assets accompanying restructuring

Amounts in million yen

	FY2014 Actual	FY2015 Earnings Forecast	Compared to FY2014	% of Change
Net Sales	53,589	52,300	-1,289	-2.4
Operating Expenses	50,409	49,500	-909	-1.8
Operating Income	3,180	2,800	-380	-12.0
Operating Margin	5.9%	5.4%	-0.5pt	—
Ordinary Income	3,663	3,100	-563	-15.4
Ordinary Margin	6.8%	5.9%	-0.9pt	—
Net Income	1,272	2,100	827	65.1

\*The earnings forecast for fiscal 2015 is left unchanged from the figures announced on May 8, 2014.

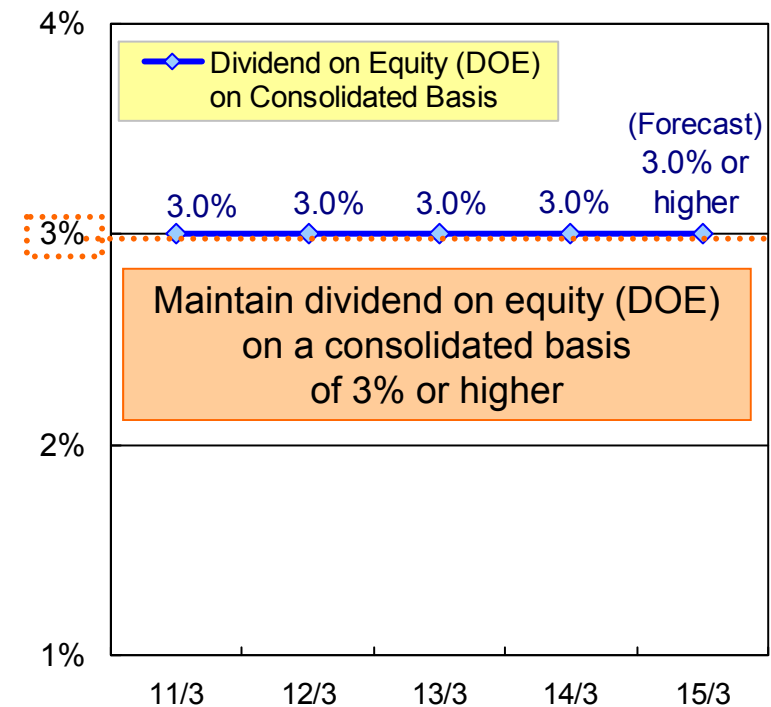
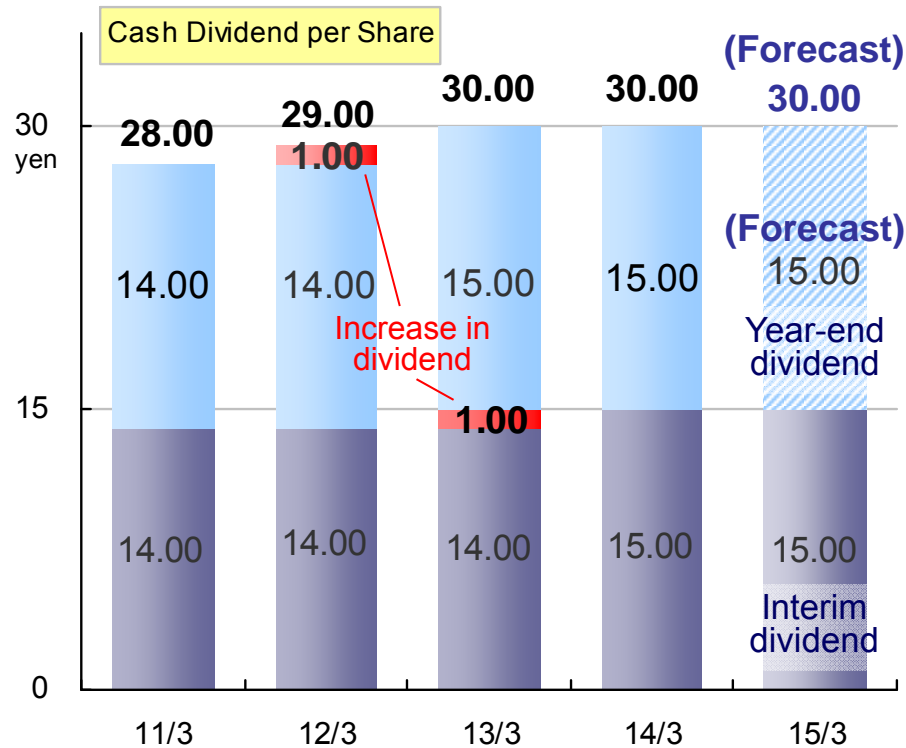
## 3. Income Distribution

### 1) Dividends

# 3-1) Dividends

Basic Policy: Return income to shareholders in accordance with the level of income on a consolidated basis while taking into account the maintaining of an adequate amount of internal reserves

**Interim dividend: 15 yen (as initially forecast)**  
**Annual dividend: 30 yen (forecast)**



## 4. Business Summary

### 1) Business Summary

- Net Sales Forecast for Fiscal 2015

  - (The figures announced on May 8, 2014)

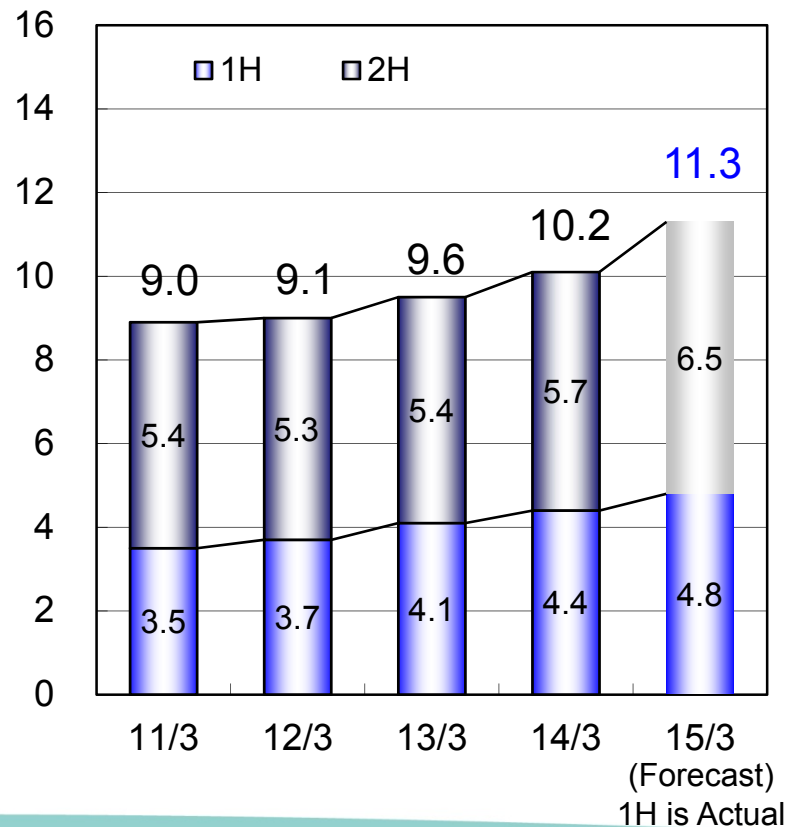
- Status of First 2 Quarters of Fiscal 2015

### 2) Present State and Upcoming Initiatives



**FY2015 Net Sales Forecast**  
Compared to FY2014: +1.1 bn yen (+10.8%)

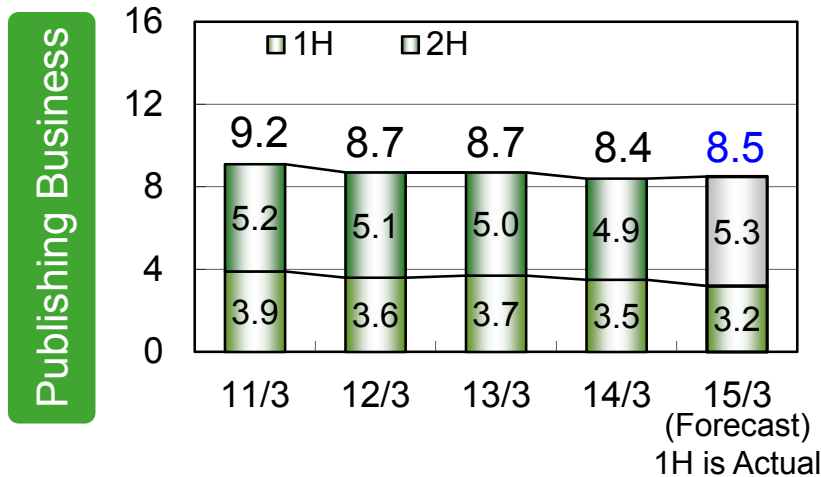
**Expansion of net sales and operating income**



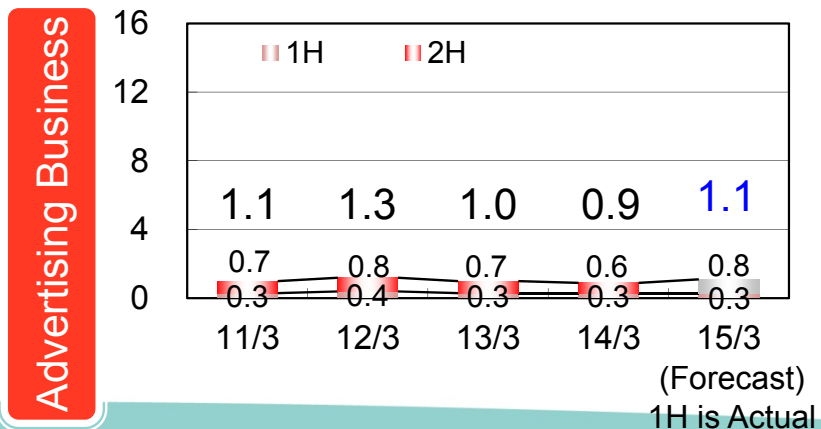
Strengthening of development of applications as top priority business

- ◇ Earnings forecast for fiscal 2015
  - Effects of release of stock-type models, increase in selling of existing residential map data, etc., resulting in +1.1 billion yen compared to fiscal 2014 to 11.3 billion yen
- ◆ Development of applications
  - ⇒ Promotion of stock-type models through GIS package products (real estate, building construction, etc.)
  - ⇒ Sales expansion through tracking system solutions
- ◇ Status of first 2 quarters of fiscal 2015
  - Robust performance of GIS packages (stock-type models)
  - Expansion of residential map printing service to approximately 45,000 convenience stores across Japan

**FY2015 Net Sales Forecast**  
Compared to FY2014: +0.0 bn yen (+0.6%)



**FY2015 Net Sales Forecast**  
Compared to FY2014: +0.2 bn yen (+24.1%)



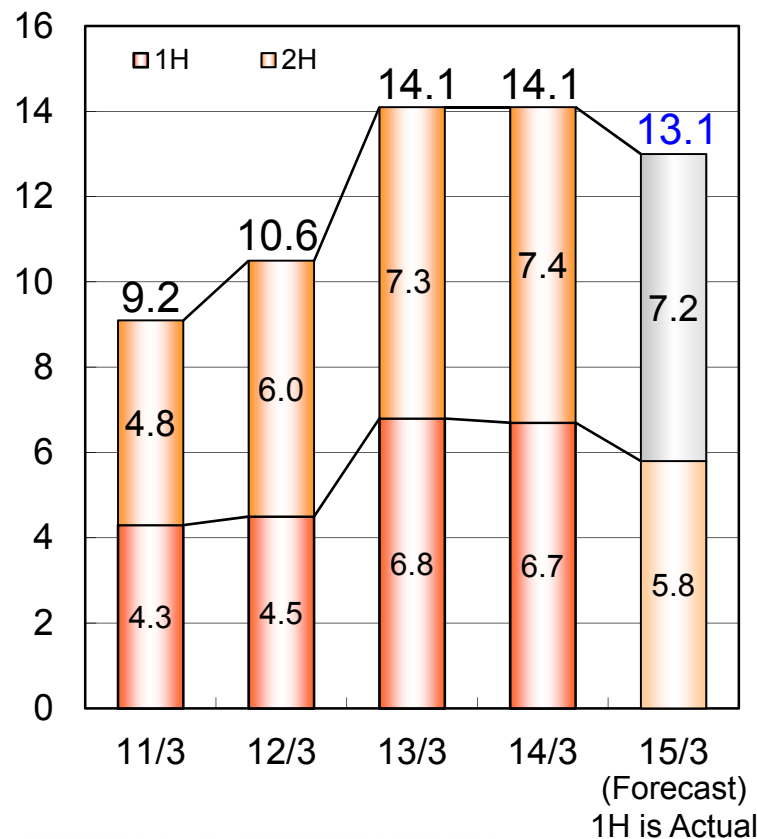
**Improvement of operating margin**

Redevelopment of marketing strategy

- ◇ Earnings forecast for fiscal 2015
  - +0.2 billion yen compared to fiscal 2014 for both Publishing Business and Advertising Business
- ◆ Marketing development
  - ⇒ Maintaining of sales of residential map related products
  - ⇒ Expansion of advertising products through establishment of marketing base
- ◆ Product planning in collaboration with local governments
- ◇ Status of first 2 quarters of fiscal 2015
  - Decrease in printed residential maps in Publishing Business
  - Advertising Business in collaboration with local governments progressing as planned
  - Signing of agreement on collaboration in disaster support with more than 70 local governments

**FY2015 Net Sales Forecast**  
Compared to FY2014: -1.0 bn yen (-7.5%)

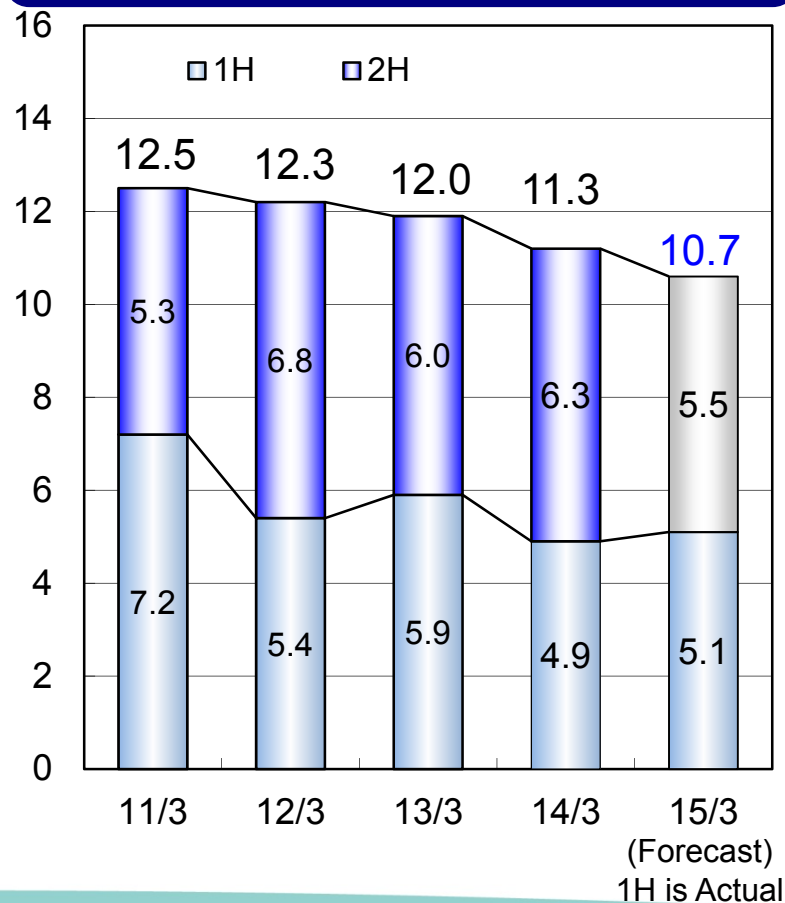
**Expansion of market share**



- Differentiation of services through brand strategy**
- ◇ Earnings forecast for fiscal 2015
    - Ongoing trend of decrease in fee-paying subscribers to its-mo NAVI service for smartphones, resulting in -1.0 billion yen compared to fiscal 2014 to 13.1 billion yen
  - ◆ Enrichment of services through new contents
  - ◆ Expansion of use through strengthening of promotional campaigns
- ◇ Status of first 2 quarters of fiscal 2015**
- Decrease in fee-paying subscribers to services for smartphones
  - Addition of new contents “3D maps” to “docomo map navi”
  - Robust performance of services for portal sites and Google Maps API (for business) carrier services development entrustment

## Maintaining and stabilization of operating income amount

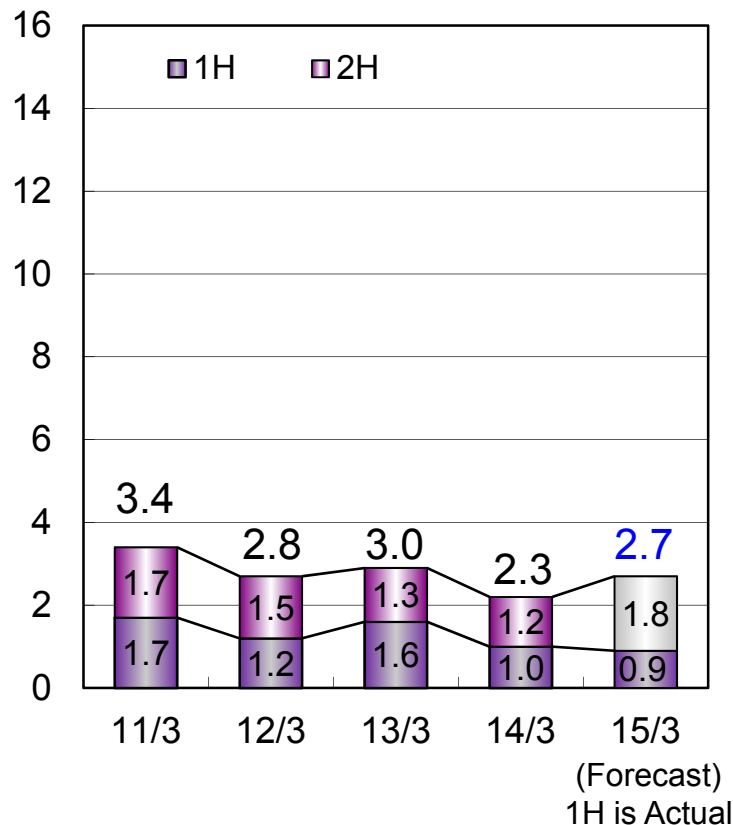
### FY2015 Net Sales Forecast Compared to FY2014: -0.6 bn yen (-5.4%)



### Maintaining of market share and establishment of next-generation models

- ◇ Earnings forecast for fiscal 2015
  - Given the trends of new vehicle sales in Japan, -0.6 billion yen compared to fiscal 2014 to 10.7 billion yen
- ◆ Existing market
  - ⇒ Compatibility with entry models and smartphone navigation apps
- ◆ Next-generation systems
  - ⇒ Development of Advanced Driver Assistance Systems (ADAS)
- ◇ Status of first 2 quarters of fiscal 2015
  - New vehicle sales volume in Japan continuing to fall below previous year's level
  - Launch of entry models employing ZENRIN map data
  - As ADAS research activities, establishment of development center in North America and start of test data provision based on specifications of manufacturers

**FY2015 Net Sales Forecast**  
Compared to FY2014: +0.4 bn yen (+18.0%)



**Creation of market in India**

Launch in India and ASEAN countries

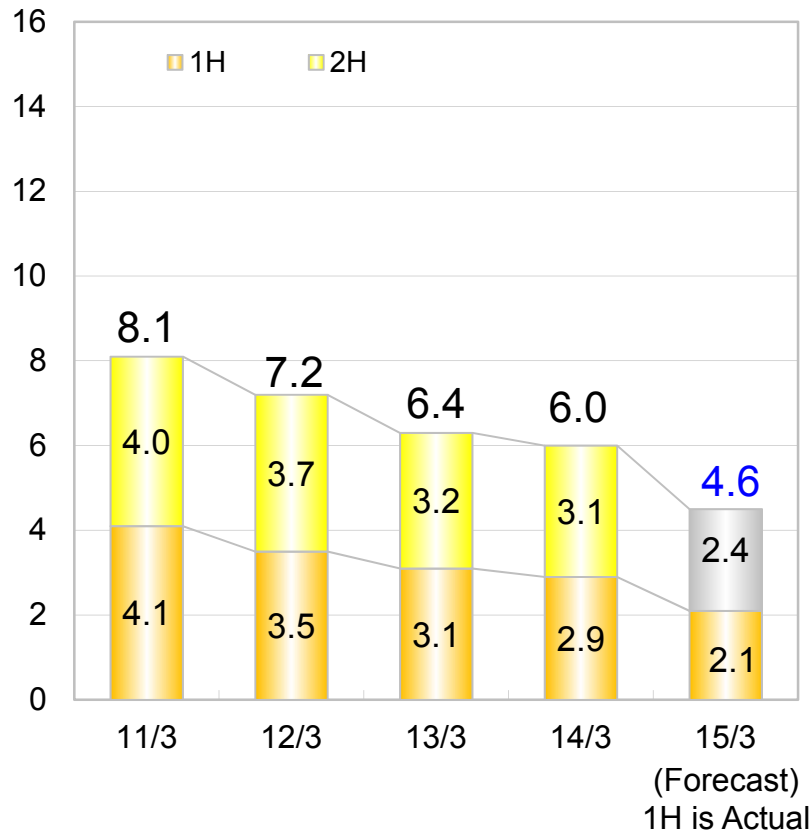
- ◇ Earnings forecast for fiscal 2015
  - Expansion of business in India, resulting in +0.4 billion yen compared to fiscal 2014 to 2.7 billion yen
- ◆ Full-scale launch of ITS and GIS in Indian market
- ◆ Building of business base in ASEAN countries

◇ Status of first 2 quarters of fiscal 2015

- Holding of seminar on map information utilization for Japanese companies expanding into Indian market
- Strengthening of in-car navigation system and GIS related marketing support in collaboration with India branch

**FY2015 Net Sales Forecast**  
Compared to FY2014: -1.4 bn yen (-23.4%)

**Reexamination of Group synergies**



**[Business Summary]**

Implementation of restructuring of consolidated subsidiaries for the purpose of reallocation of resources in fiscal 2014

◇ Earnings forecast for fiscal 2015

Withdrawal from sales promotion business and commissioned CAD processing operations, resulting in -1.4 billion yen compared to fiscal 2014 to 4.6 billion yen

◇ Status of first 2 quarters of fiscal 2015

- Despite decrease in sales due to restructuring, impact on earnings is minimal
  - Engaging in direct mail delivery services and in-ship advertising, starting from October 1, 2014
- Conversion of SEPTENI DIRECT MARKETING CO., LTD. into consolidated subsidiary as ZENRIN BIZNEXUS CO., LTD., effective from third quarter of fiscal 2015, with acquisition of all SEPTENI DIRECT MARKETING shares

## 4-2) Present State and Upcoming Initiatives

I. Earnings expansion through development of applications of existing and new map DB

**[Present State]**

Build earnings base through GIS package and other new products and services

Task is speed of development of applications using new map DB

II. Building of 4D Geospatial Information DB for optimization of the “Cycle of Knowledge”

**[Present State]**

Building of 4D Geospatial Information DB, although slightly delayed, is steadily underway

III. Productivity improvement and structural reform for lowering the fixed cost ratio

**[Present State]**

Continue productivity improvement and structural reform  
Task is sales growth for lowering the fixed cost ratio

### Upcoming Initiatives

Creation of business opportunities and strengthening of earnings base

Earnings expansion through 4D Geospatial Information DB

- Early launch of new services
- Restructuring of business model

Cost reduction through productivity reform

- Improvement of existing DB maintenance process
- Automation of processes from information gathering to maintenance

- Strengthen alliances for the purpose of project planning and productivity improvement

# Appendix

- **Overview of Results for First 2 Quarters of Fiscal 2015**

  - Amount of Capital Investment, Depreciation and R&D Costs

  - Changes in Composition of Net Sales by Quarter

- **Overview of Earnings Forecast for Fiscal 2015**

  - (Excerpt from Briefing on Results for Fiscal 2014 presentation materials)

  - Changes in Net Sales and Income

  - Causes for Change in Operating Income (Compared to Fiscal 2014)

  - Segment Information

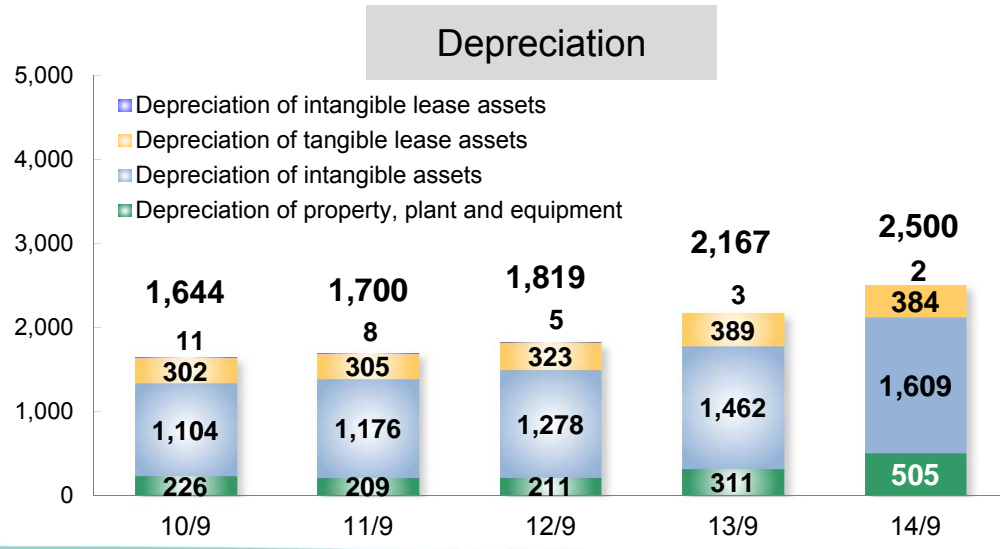
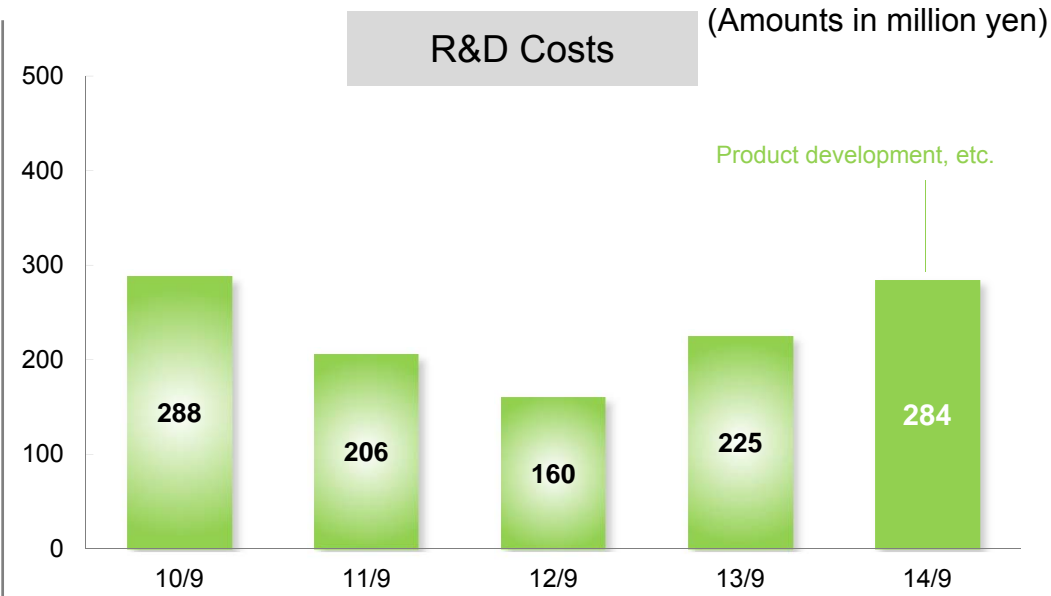
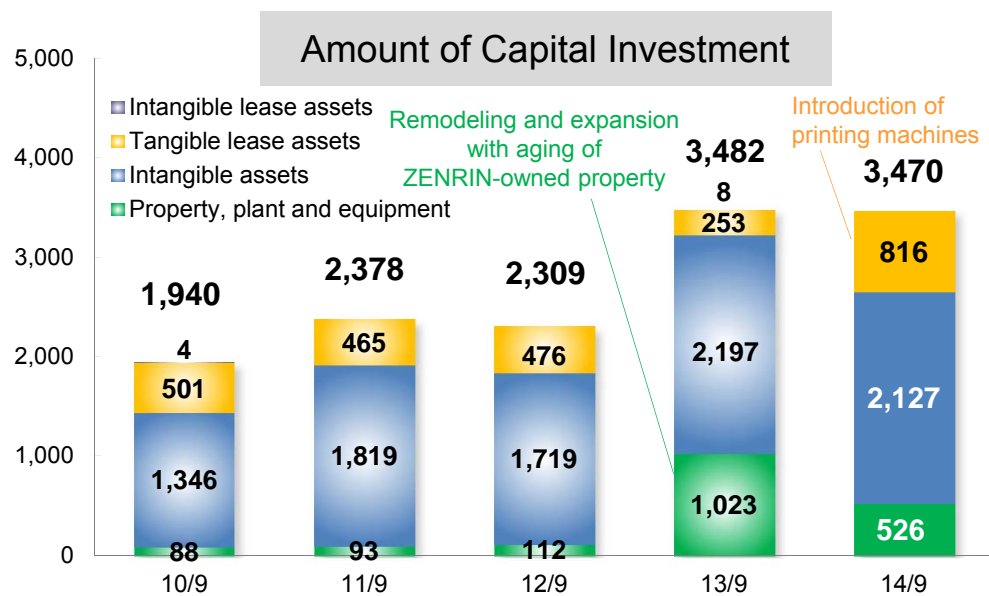
  - Net Sales by Business under Medium-Term Business Plan ZGP2015

  - Amount of Capital Investment, Depreciation and R&D Costs



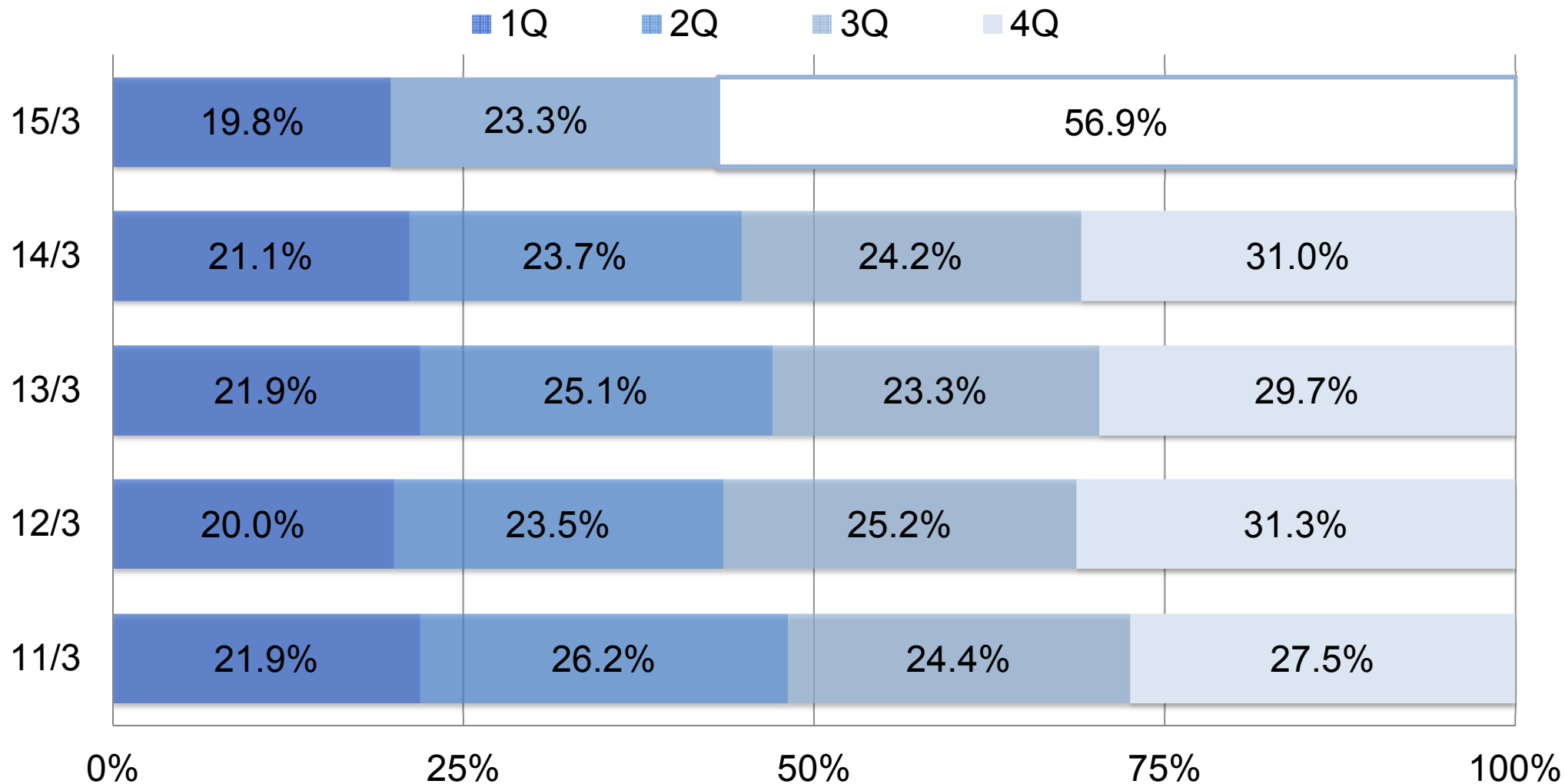
# Overview of Results for First 2 Quarters of Fiscal 2015 (Amount of Capital Investment, Depreciation and R&D Costs)

Briefing on Results for First 2Qs of FY2015



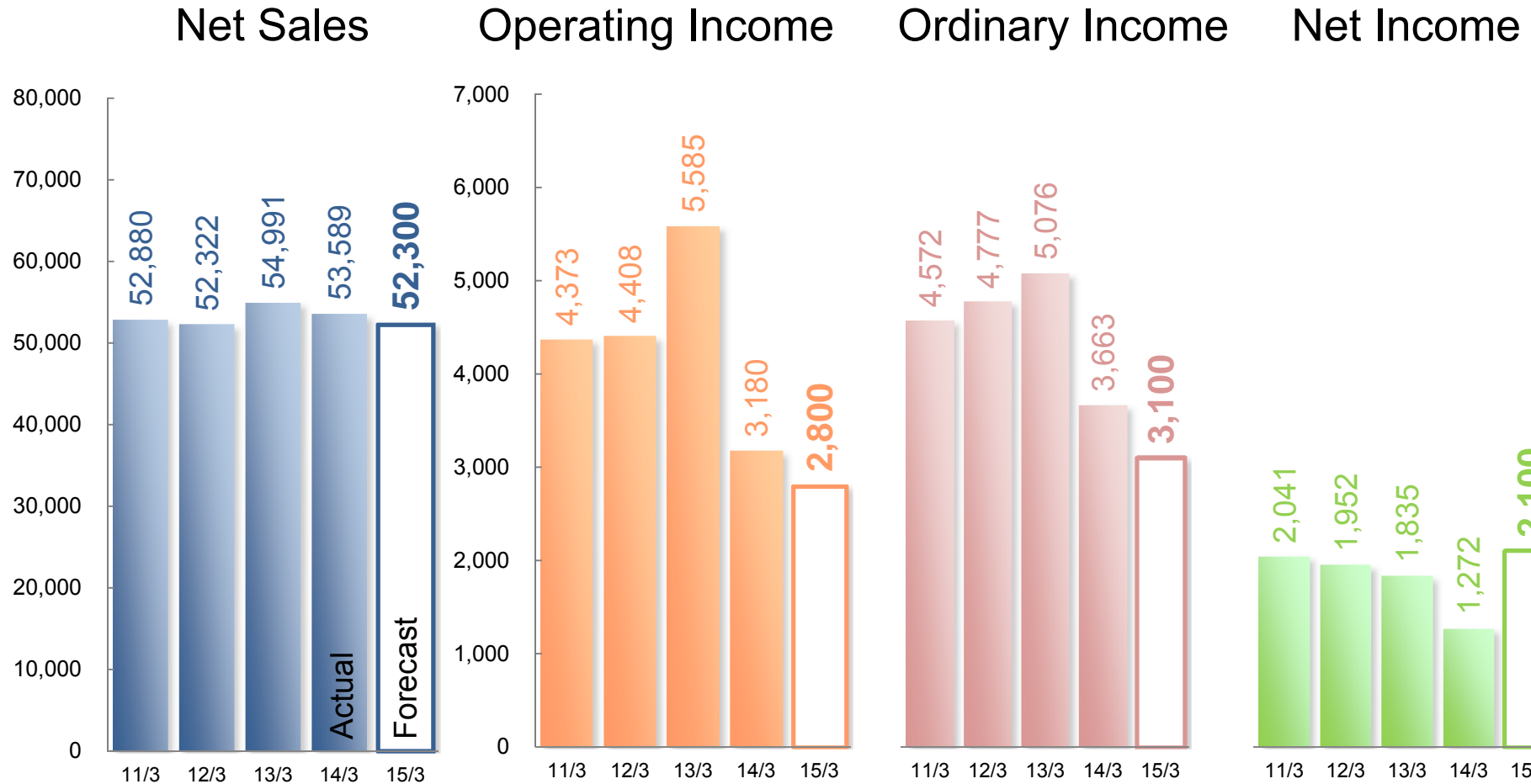
# Overview of Results for First 2 Quarters of Fiscal 2015 (Changes in Composition of Net Sales by Quarter)

Briefing on Results for First 2Qs of FY2015



# Overview of Earnings Forecast for Fiscal 2015 (Changes in Net Sales and Income)

(Amounts in million yen)



Decrease in sales for 2 consecutive periods

Decrease in income for 2 consecutive periods

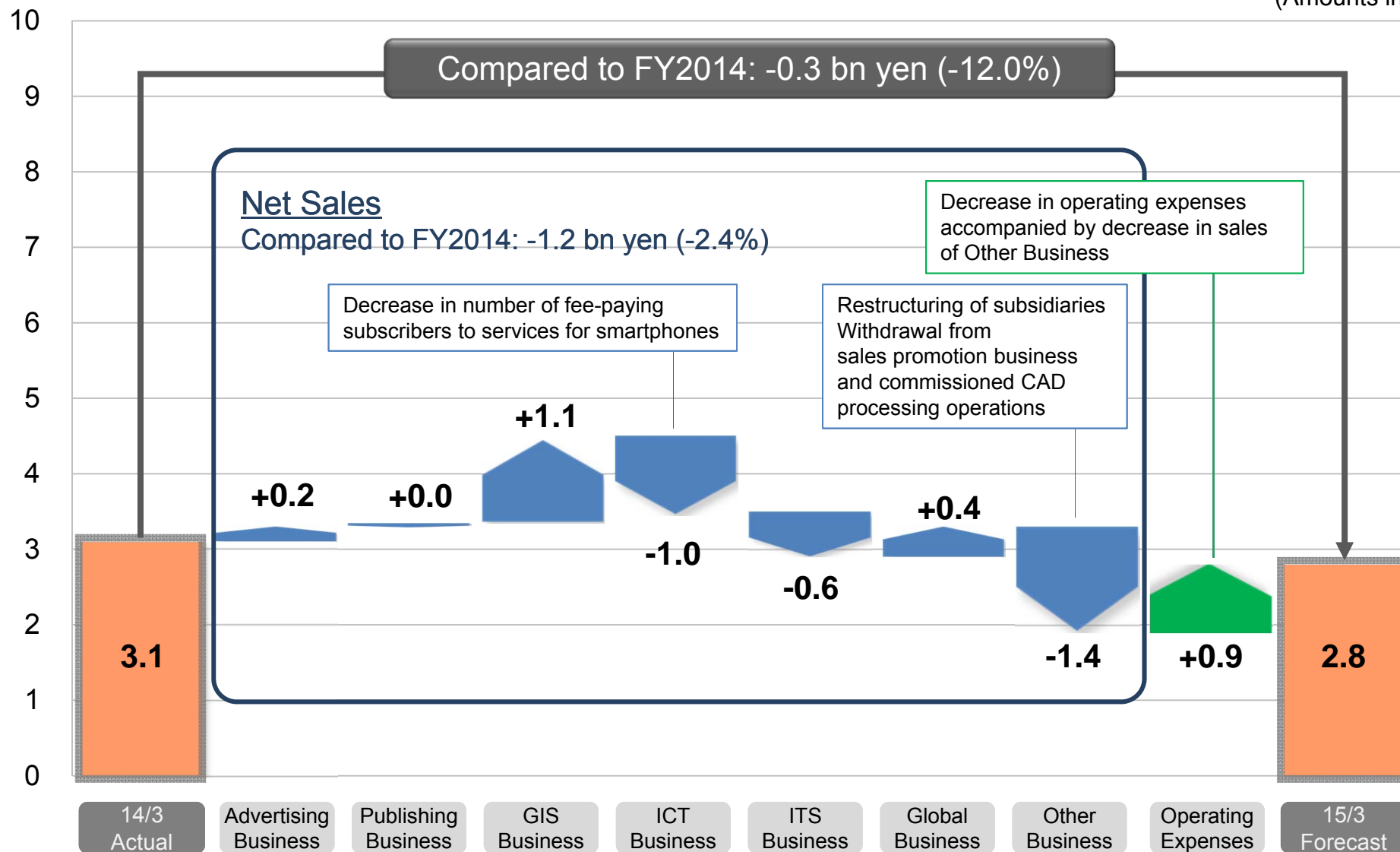
Decrease in income for 2 consecutive periods

Increase in income for first time in 4 periods

# Overview of Earnings Forecast for Fiscal 2015 (Causes for Change in Operating Income (Compared to Fiscal 2014))

Briefing on Results for First 2Qs of FY2015

(Amounts in billion yen)



Sales  
Composition

88.8%

## 1. Map Database Segment

**Main Items:** Printed residential maps, residential map databases, data for Japanese and overseas in-car navigation systems, services for smartphones, map data provision, etc. for various media/devices



7.0%

## 2. General Printing Segment

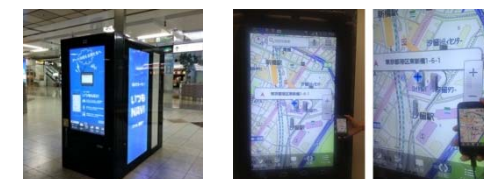
**Main Items:** Commercial printing



4.2%

## 3. Other

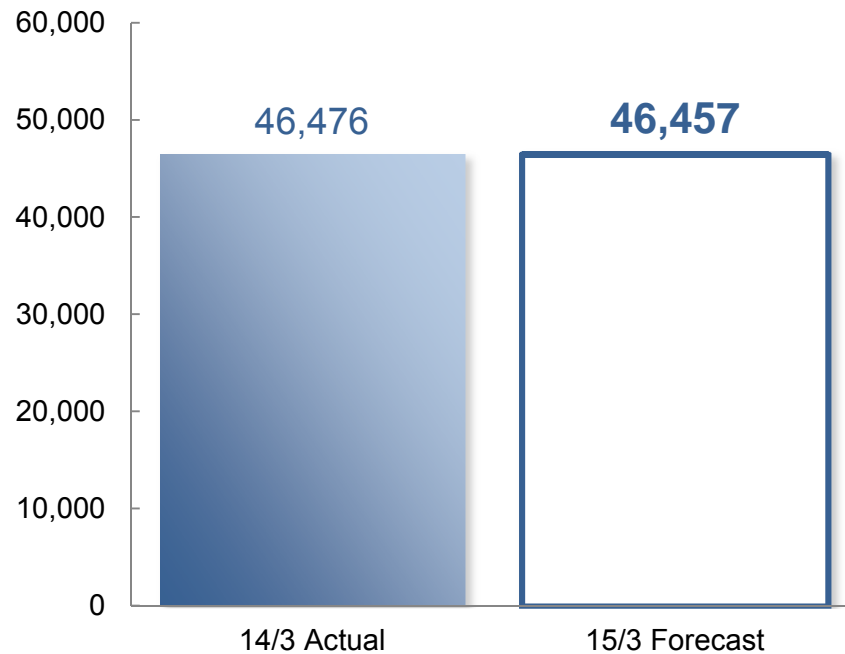
**Main Items:** Purchased products, digital signage (direct mail delivery services, etc., starting from October 1, 2014)



## Net Sales

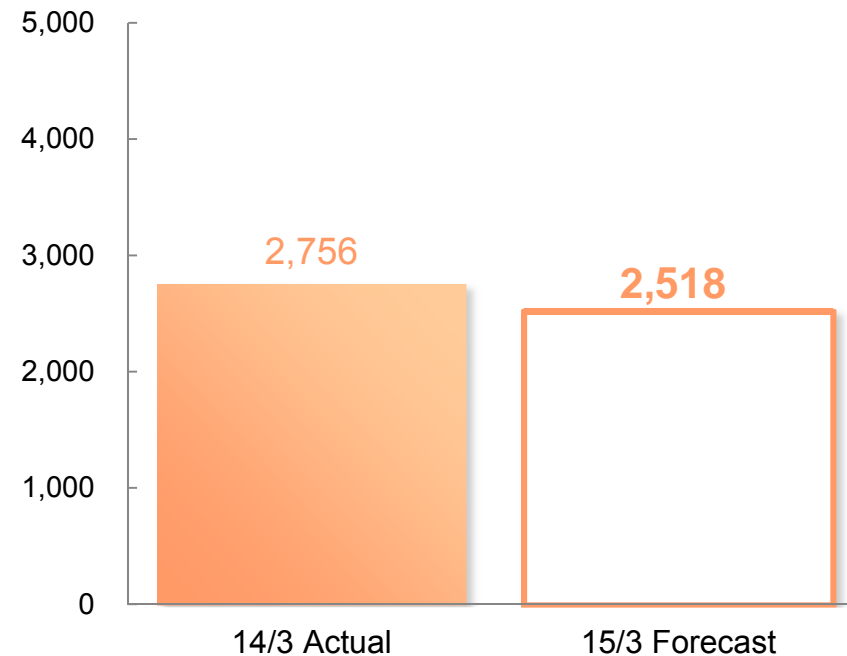
Compared to  
FY2014

Up 180 (+0.4%)



## Operating Income

Down 237 (-8.6%)

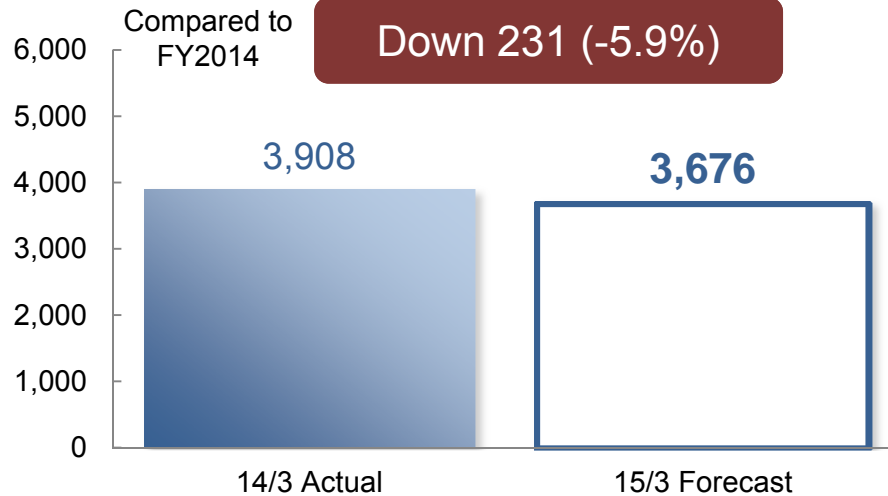


- Increase in sales resulting from shift to stock-type models and development of applications in GIS Business
- Decrease in fee-paying subscribers to services for smartphones expected in ICT Business
- Expenses for maintenance of 4D Geospatial Information DB and new map DB, development of new products and other operating expenses will precede

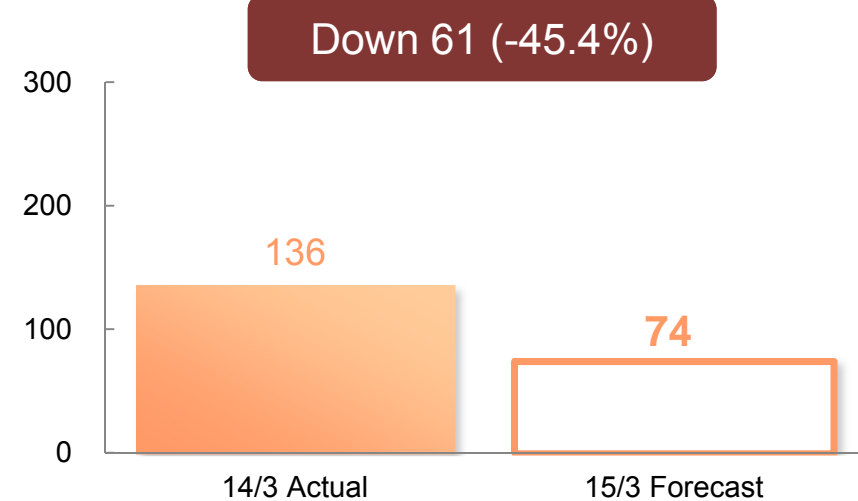
(Amounts in million yen)

General Printing Segment

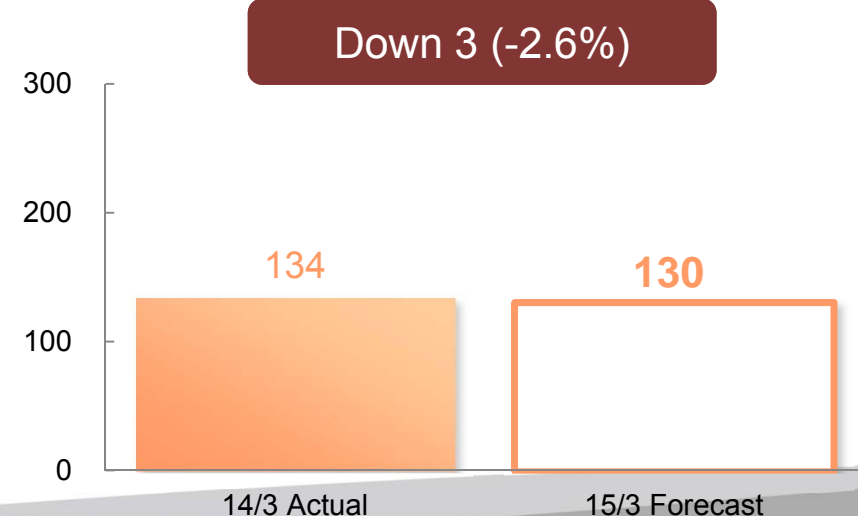
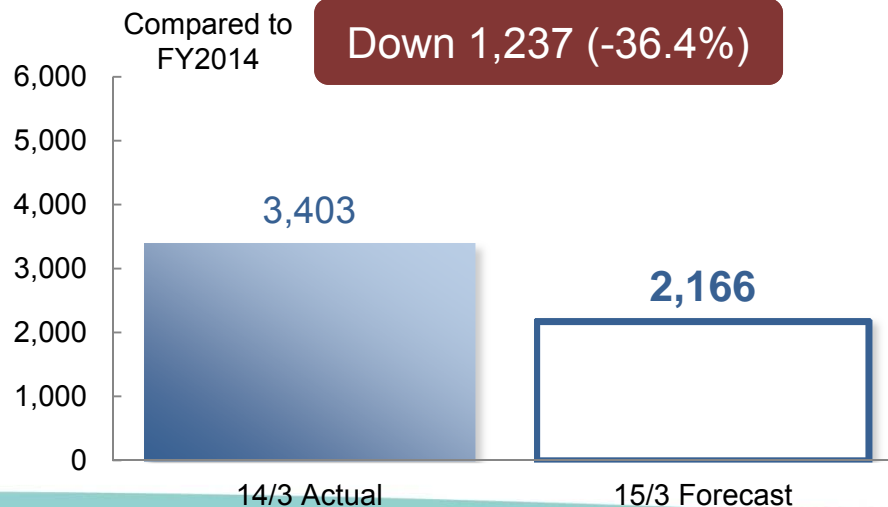
## Net Sales



## Operating Income



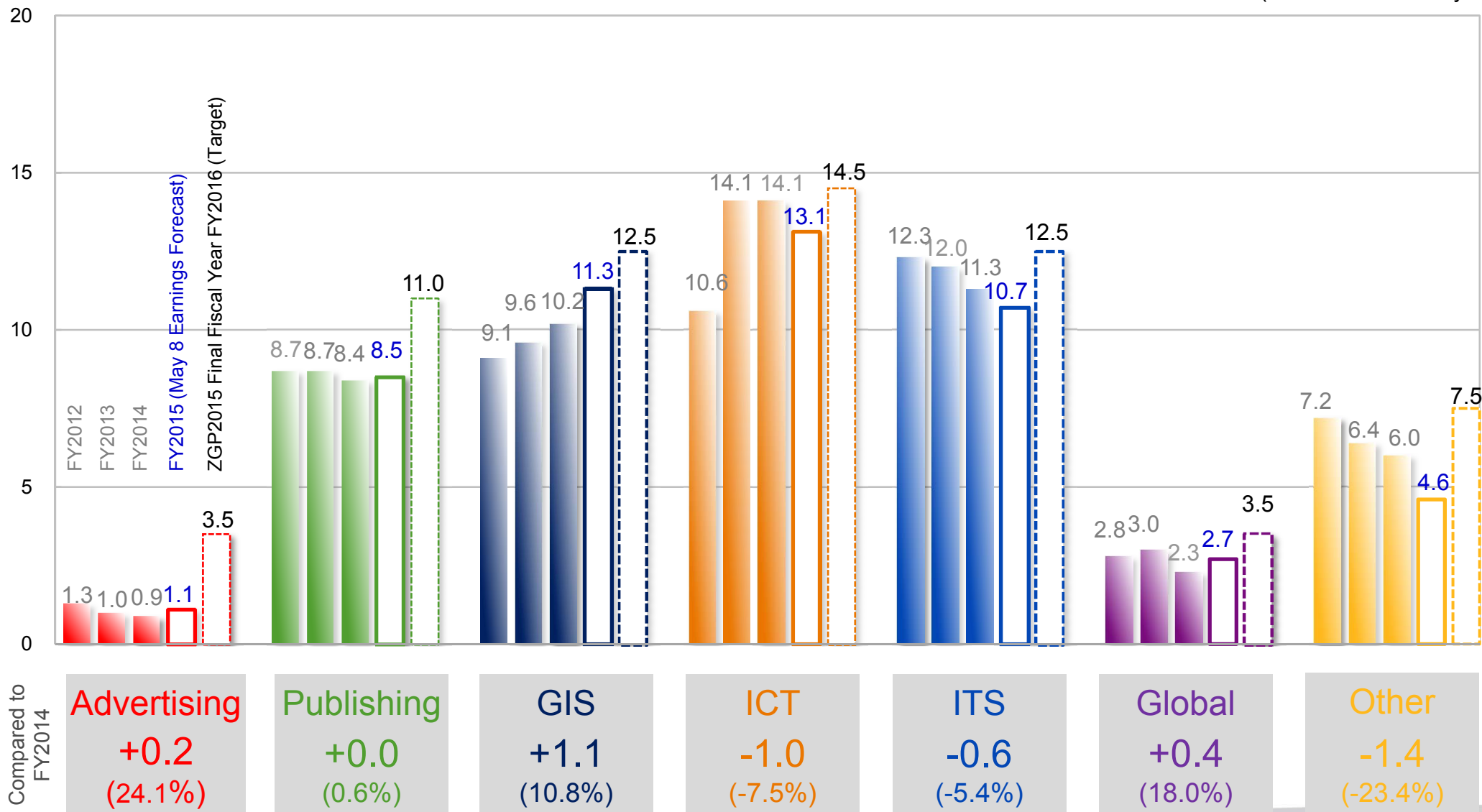
Other



# Overview of Earnings Forecast for Fiscal 2015 (Net Sales by Business under Medium-Term Business Plan ZGP2015)

Briefing on Results for First 2Qs of FY2015

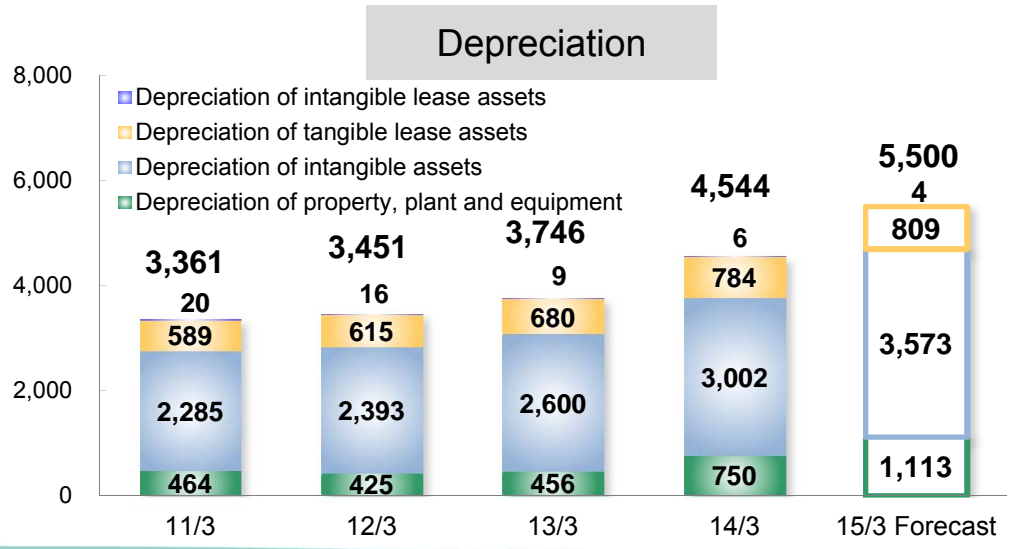
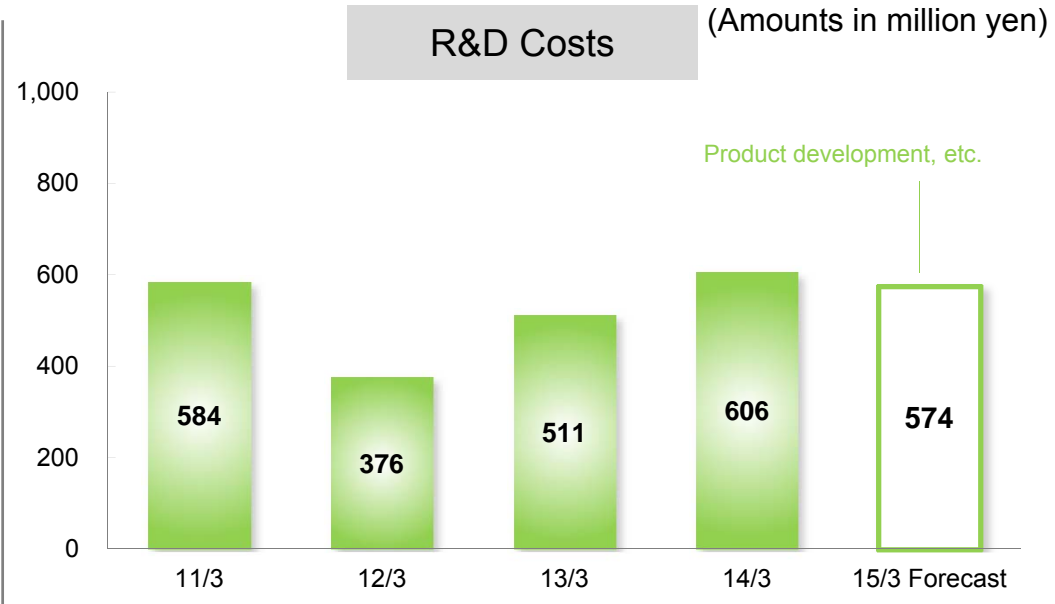
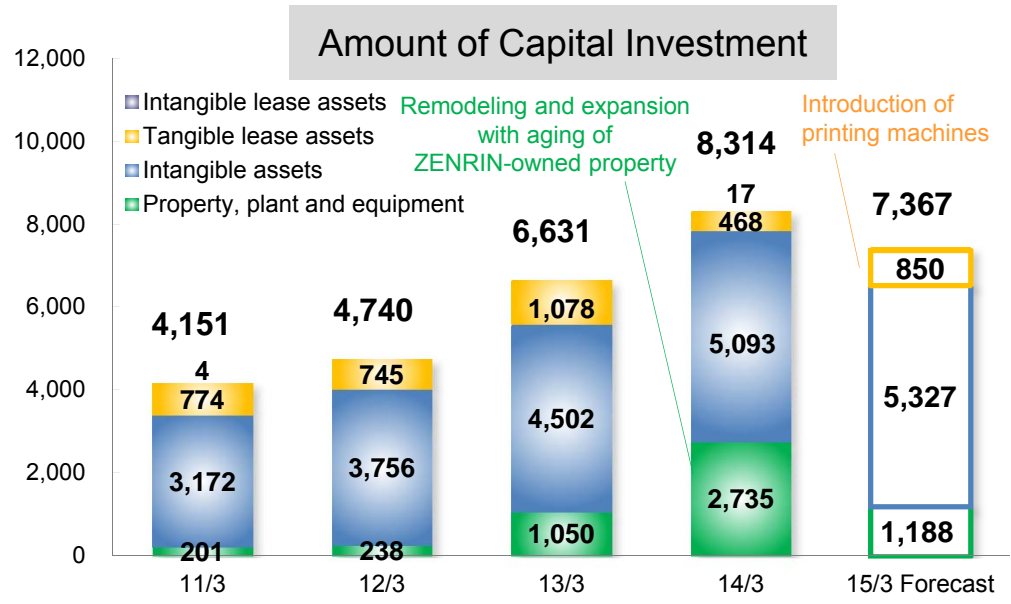
(Amounts in billion yen)





# Overview of Earnings Forecast for Fiscal 2015 (Amount of Capital Investment, Depreciation and R&D Costs)

Briefing on Results for First 2Qs of FY2015



# ZENRIN

Maps to the Future

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