

ZENRIN

Securities Code: 9474

Briefing on Results for Fiscal 2019

(Year Ended March 31, 2019)

May 15, 2019

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

Yumiko Toshima

1. Overview of Results for Fiscal 2019
2. New Medium- to Long-Term Business Plan
(Fiscal Year Ending March 31, 2020 to Fiscal Year Ending March 31, 2025)
「ZENRIN GROWTH PLAN 2025」(ZGP25)
3. Overview of Earnings Forecast for Fiscal 2020

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 is negative are shown as “-”.

1. Overview of Results for Fiscal 2019

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

1-1) Overview of Results

Key Points of Results for Fiscal 2019

Sales, operating income, ordinary income

<compared to Fiscal 2018: increase in sales and income> (<compared to forecast: decrease in sales and increase in income>)

- Sales increased for 4 consecutive periods, renewing a record high, although sales were slightly lower than the forecast (announced 2018/4/27)
The residential map data service for corporations and municipalities was firm and IoT-related sales such as contracted development also increased
- Despite an increase in cost of sales including commission fees and outsourcing fees, operating income and ordinary income also increased for 4 consecutive periods because of the increase in sales.
Profit attributable to owners of parent decreased for the first time in 5 periods due to the recognition of extraordinary loss (including impairment loss on goodwill)

(Amounts in million yen)

	FY2018 Actual	FY2019 Earnings Forecast (Apr. 27, 2018)	FY2019 Revised Forecast (Apr. 19, 2019)	FY2019 Actual	Compared to FY2018	% of Change	Compared to Earnings Forecast	% of Change	Compared to Revised Forecast	% of Change
Net Sales	61,332	64,000	63,700	63,747	2,415	3.9	-252	-0.4	47	0.1
Operating Expenses	55,890	58,200	57,850	57,923	2,032	3.6	-276	-0.5	73	0.1
Operating Income	5,441	5,800	5,850	5,824	382	7.0	24	0.4	-25	-0.4
Operating Margin	8.9%	9.1%	9.2%	9.1%	0.2pt		0.0pt		-0.0pt	
Ordinary Income	5,863	6,200	6,230	6,200	337	5.7	0	0.0	-29	-0.5
Profit Attributable to Owners of Parent	3,336	3,700	3,220	3,206	-129	-3.9	-493	-13.3	-13	-0.4

1-2) Changes in Net Sales, Income and Profit

(Amounts in million yen)

Compared to
FY2018
Compared to
Earnings
Forecast
(announced on
Apr. 27, 2018)

Net Sales

Up 2,415 (+3.9%)

Down 252 (-0.4%)

Operating Income

Up 382 (+7.0%)

Up 24 (+0.4%)

Ordinary Income

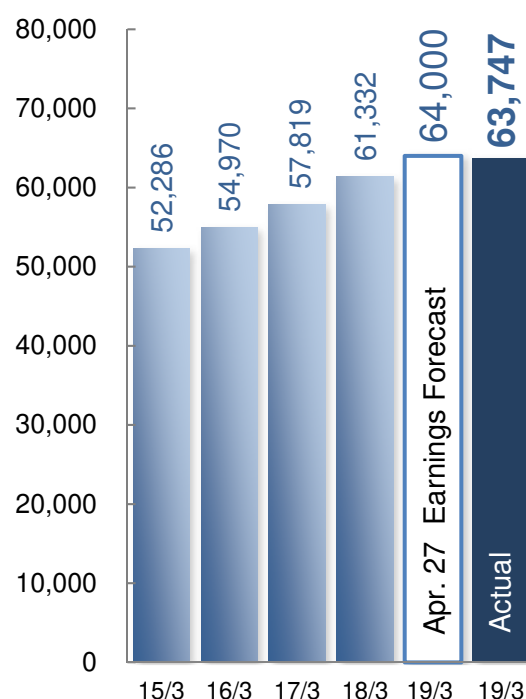
Up 337 (+5.7%)

Up 0 (+0.0%)

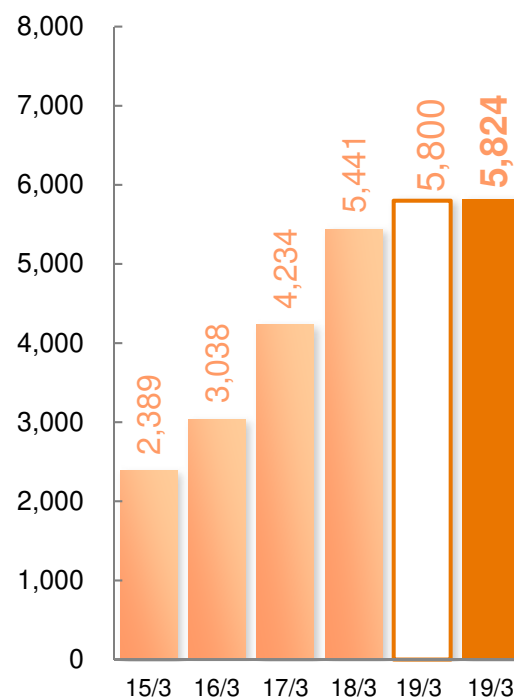
Profit Attributable to Owners of Parent

Down 129 (-3.9%)

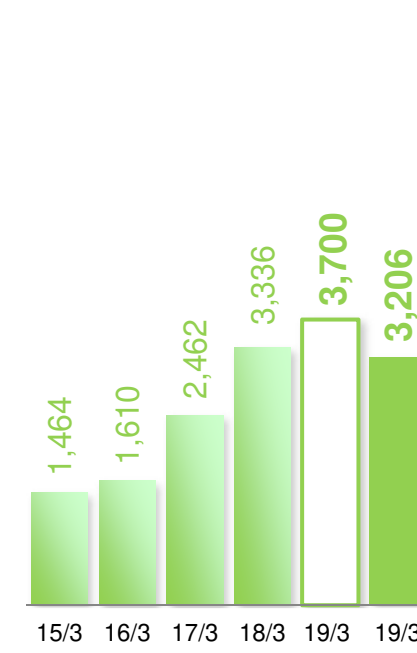
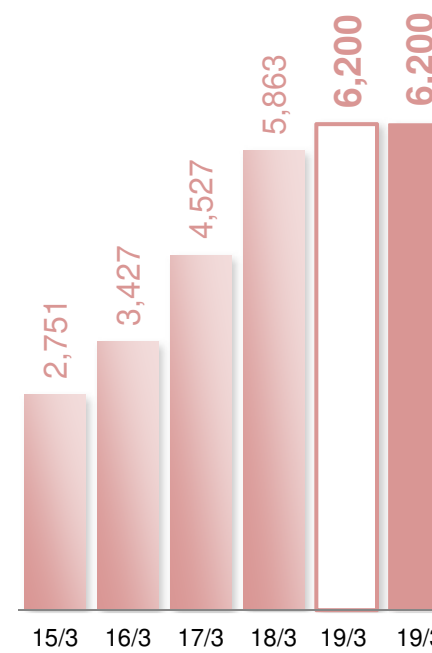
Down 493 (-13.3%)



Increase in sales for
four consecutive periods
(Record high)



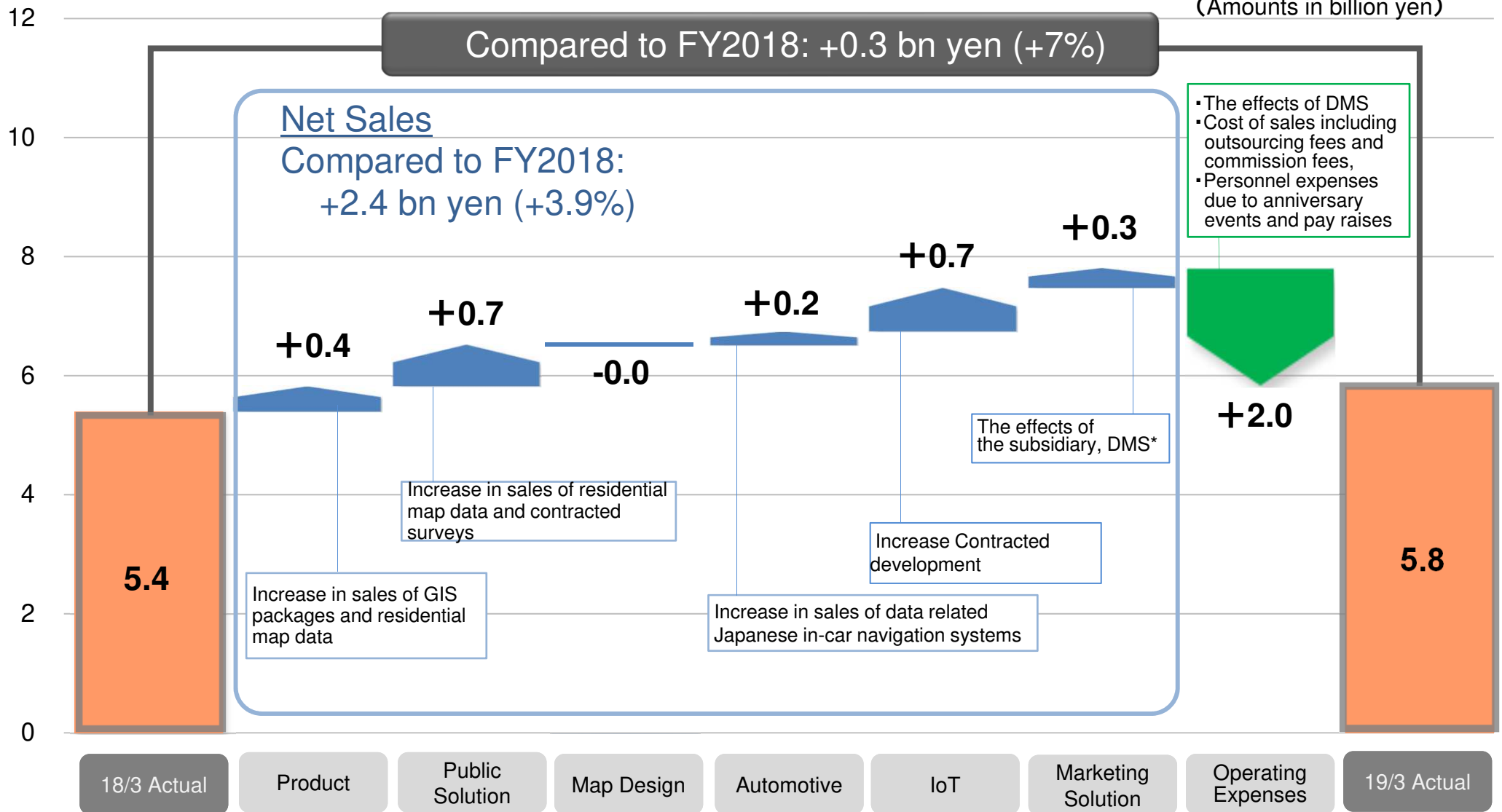
Increase in income for four consecutive periods



decrease in income
for the first time in five periods

1-3) Causes for Change in Operating Income

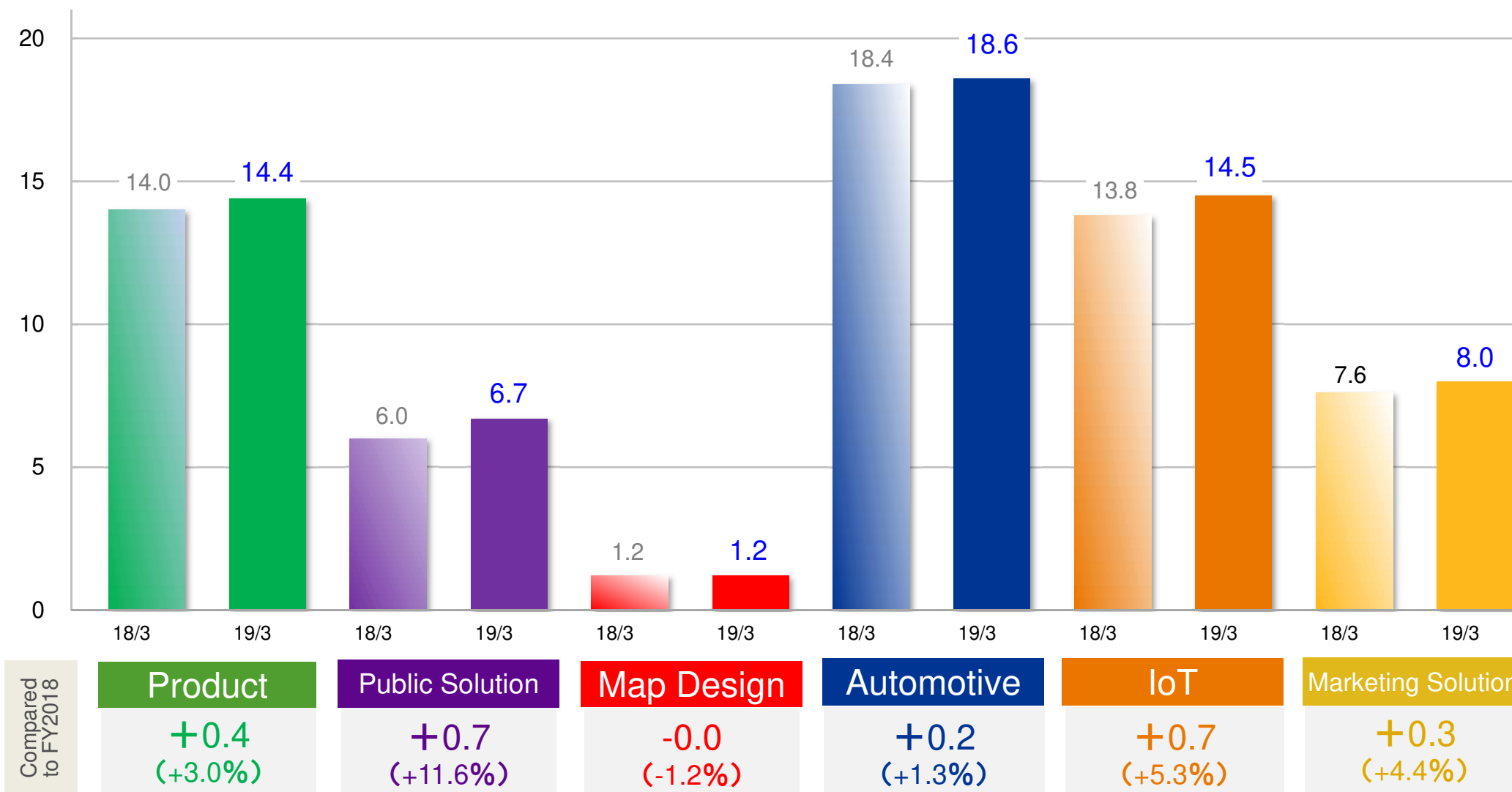
(Amounts in billion yen)



*DMS:DAITO MARKETING SOLUTIONS CO., LTD.

1-4) Net Sales by Business

(Amounts in billion yen)



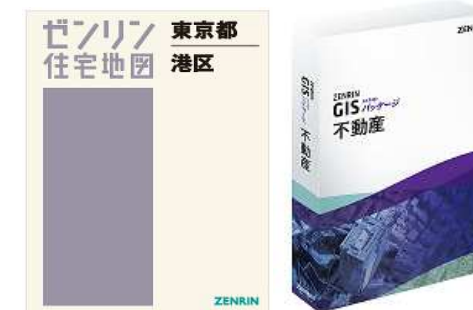
1-5) Segment Information

Sales
Composition

82.7%

1. Map Database Segment

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



6.1%

2. General Printing Segment

Main Items: Commercial printing



11.2%

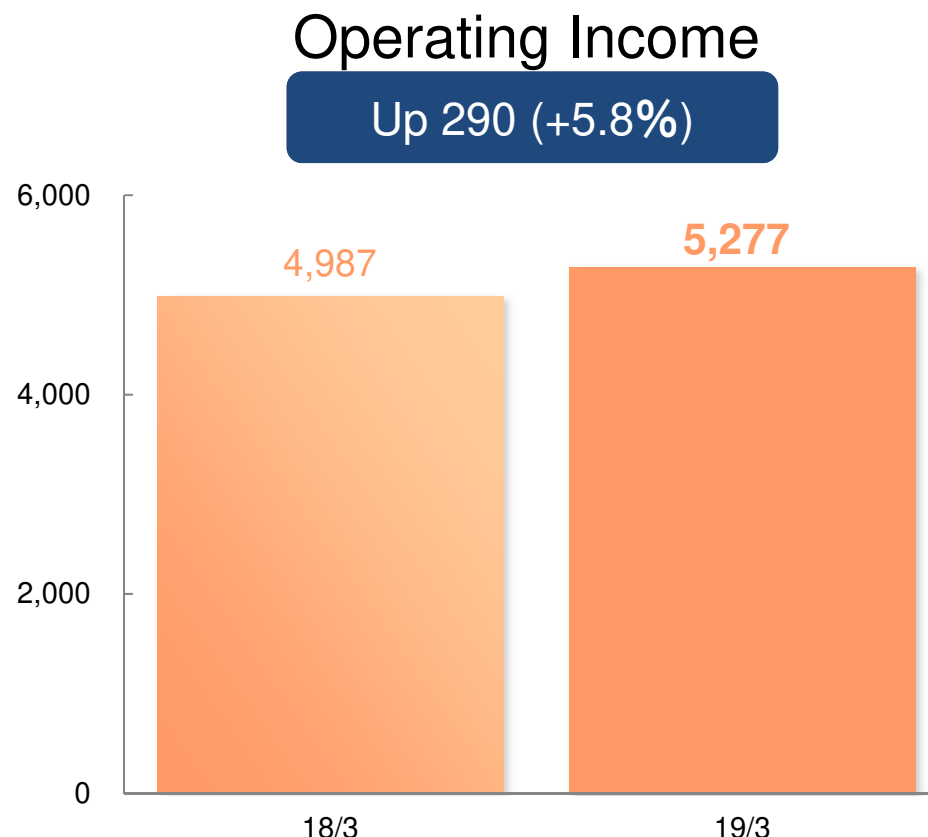
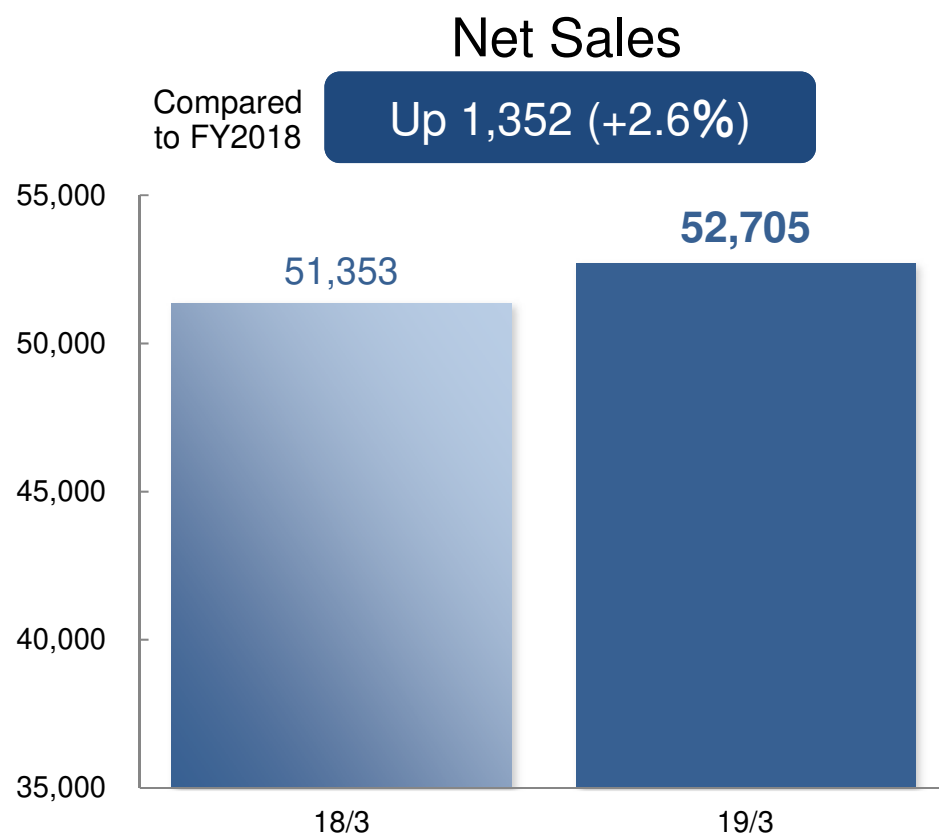
3. Other

Main Items: Purchased products, digital signage, provision of Marketing Solution



1-5) Map Database Segment

(Amounts in million yen)



- The residential map data service for corporations and municipalities was firm and IoT-related sales such as contracted development also increased
- Despite an increase in cost of sales including commission fees and outsourcing fees, operating income and ordinary income also increased because of the increase in sales.

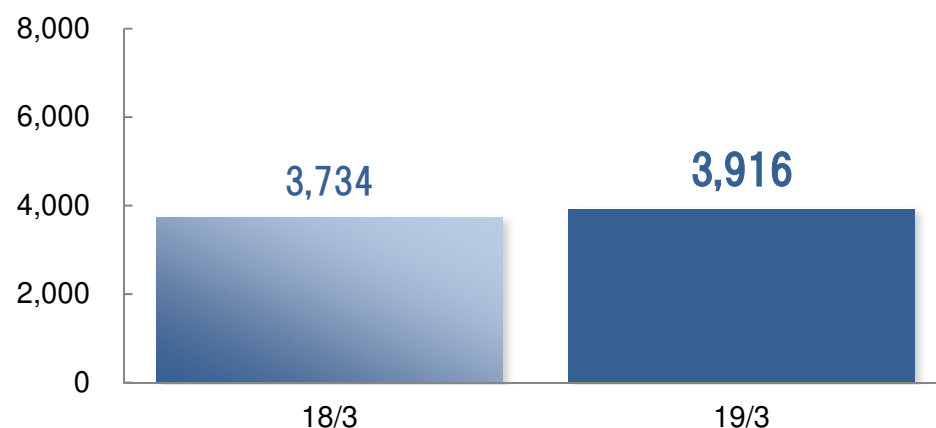
1-5) General Printing Segment, and Other

General Printing Segment

Net Sales

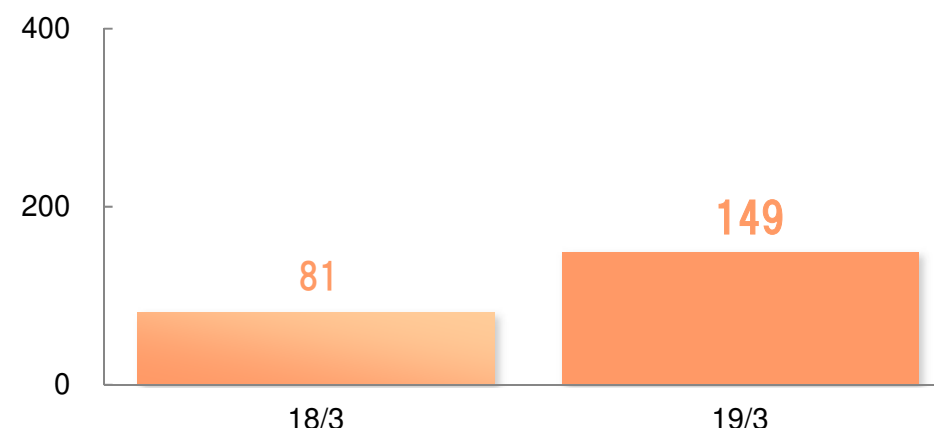
Compared
to FY2018

Up 182 (+4.9%)



Operating Income

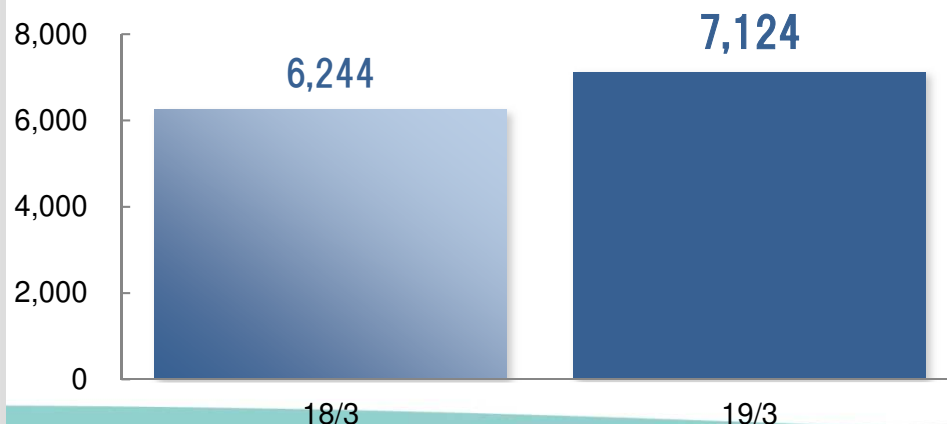
Up 67 (+83.3%)



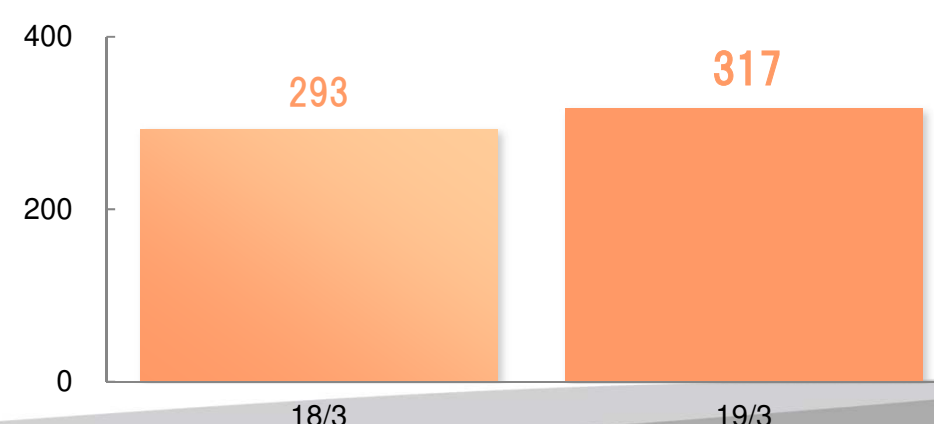
Other

Compared
to FY2018

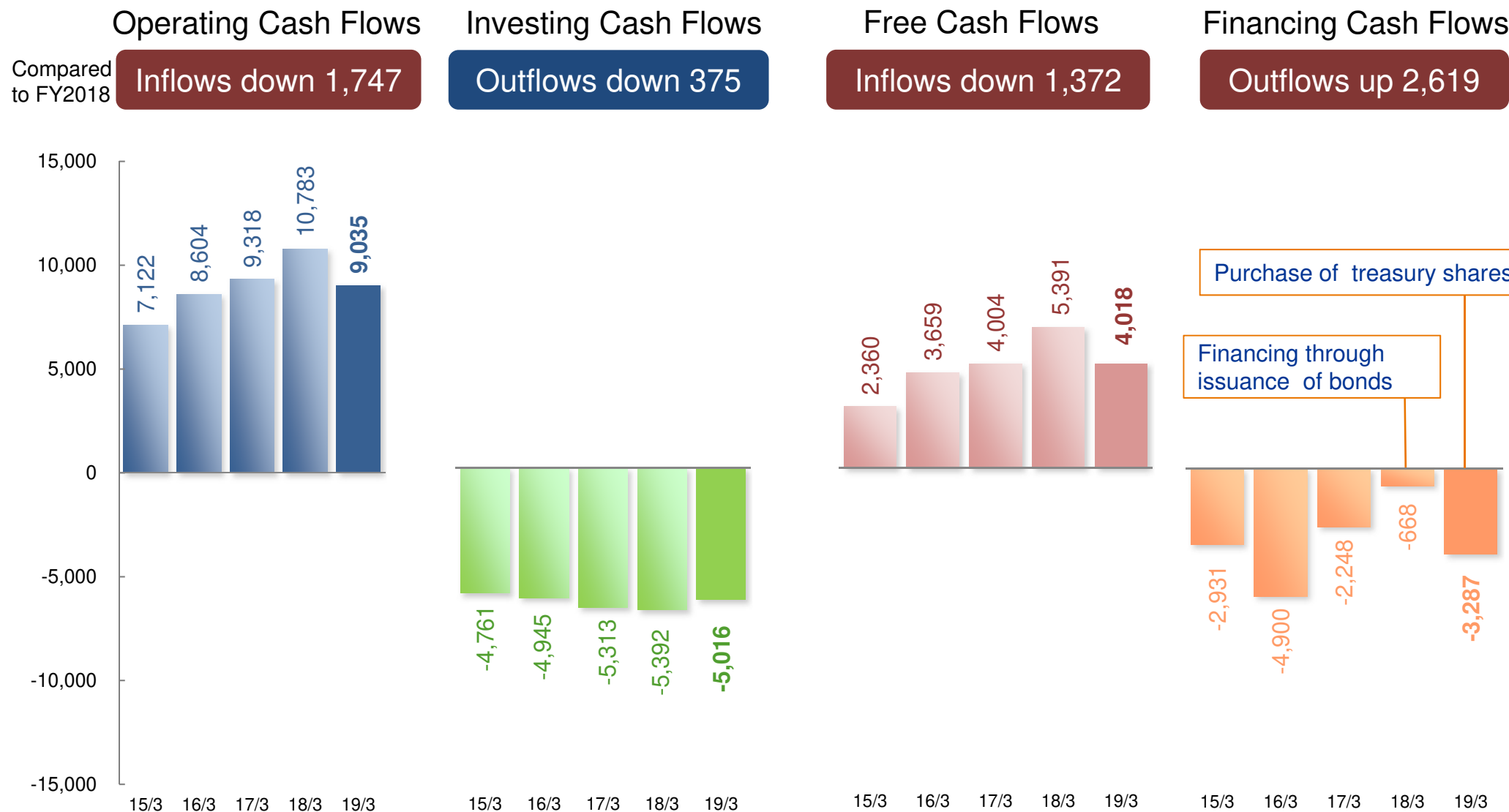
Up 880 (+14.1%)



Up 24 (+8.4%)



1-6) Changes in Cash Flows



2. ZENRIN GROWTH PLAN 2025

1) Progress of ZENRIN GROWTH PLAN 2020 (ZGP2020)

- ① Basic Structure of ZGP2020
- ② Major Results and Challenges of ZGP2020
- ③ Revision of Business Composition

2) New Medium- to Long-Term Business Plan

(Fiscal Year Ending March 31, 2020 to Fiscal Year Ending March 31, 2025)

ZENRIN GRWTH PLAN 2025 (ZGP25)

- ① Business Environment
- ② ZGP25 Basic Policy
(Business, Production, Organization & Personnel Affairs, Finance)
- ③ Numeric Target

ZENRIN GROWTH PLAN 2020

Shift form “goods” to “activities”

I . Earnings expansion through development of application by creating “scenes for using”

II . Stable operation of 4D Geospatial Information pursuing “**QCDDS**”

III . Reduction of the fixed cost ratio by realizing “productivity reform”

2-1) ②Major Results and Challenges of ZGP2020

	ZGP2020 Actual and Target				
	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Target
Consolidated Net Sales	54.9 bn yen	57.8 bn Yen	61.3 bn yen	63.7 bn yen	70.0 bn yen
Consolidated Operating Income (Margin)	3.0 bn yen (5.5%)	4.2 bn yen (7.3%)	5.4 bn yen (8.9%)	5.8 bn yen (9.1%)	10.0 bn yen (14.2%)
R O E (Return on equity)	4.0%	6.0%	8.2%	8.1%	12% or higher
D O E (Dividend on equity on a consolidated bases)	3.0%	3.1%	3.2%	3.3%	3% or higher
Results	<ul style="list-style-type: none"> •Sales of stock-type services such as GIS package were firm. •Owing to the increase in revenue from existing data services for car navigation systems and residential map data, combined with the progress in efforts to increase efficiency in map database maintenance, reduction of the fixed cost ratio has been successful to a reasonable extent. •Some of the prior developments including ADAS and drones that are not included in ZGP2020 have started to make profits. 				
Challenges	<ul style="list-style-type: none"> •Market launches of new products and starting-up of marketing solution business leveraging group resources •Provision of new geospatial information and/or business model transformation in the Automotive business and IoT business 				

2-1) ③Revision of Business Composition

In April 2018, new business composition were adopted to respond to changes in the business environment.

Product

Business to provide products and services to private-sector companies

Public Solution

Business to provide products and services to national and local government entities

Map Design

Business to provide map-based products based on new concepts

Automotive

Automobile-related business targeting car manufacturers and car navigation system developers

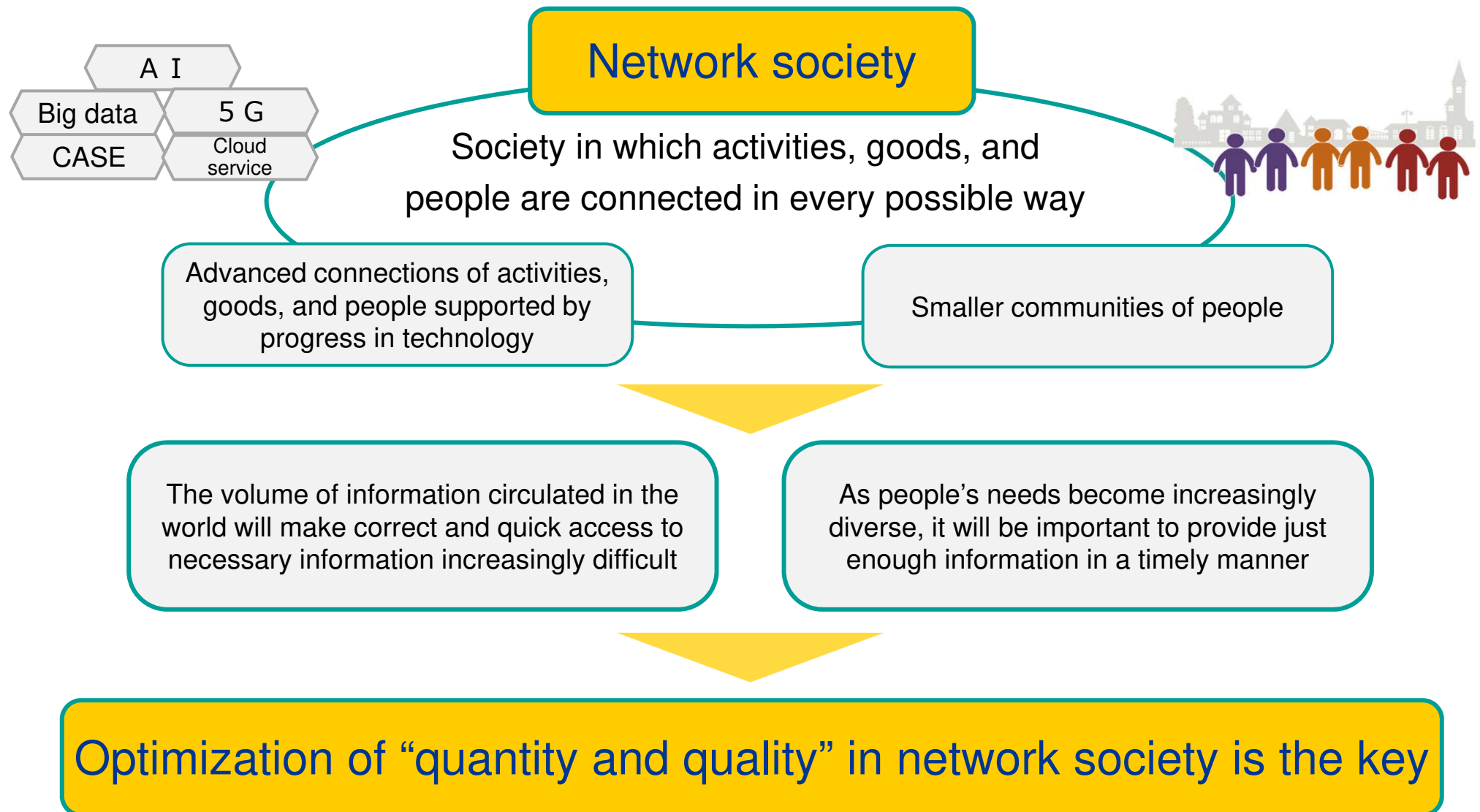
IoT

Business to provide solutions to industry-specific infrastructure companies, mobility service providers, and IoT business operators

Marketing Solution

Business to support marketing and sales promotion activities leveraging group resources

2-2) ① Business Environment



Optimization of “quantity and quality” in network society

~ Create values through the optimization of
location information and information in circulation ~

**Business
(Activities)**

**Real
network**

I. Create value from “activities” by
connecting usage applications

**Production
(Goods)**

**Location
network**

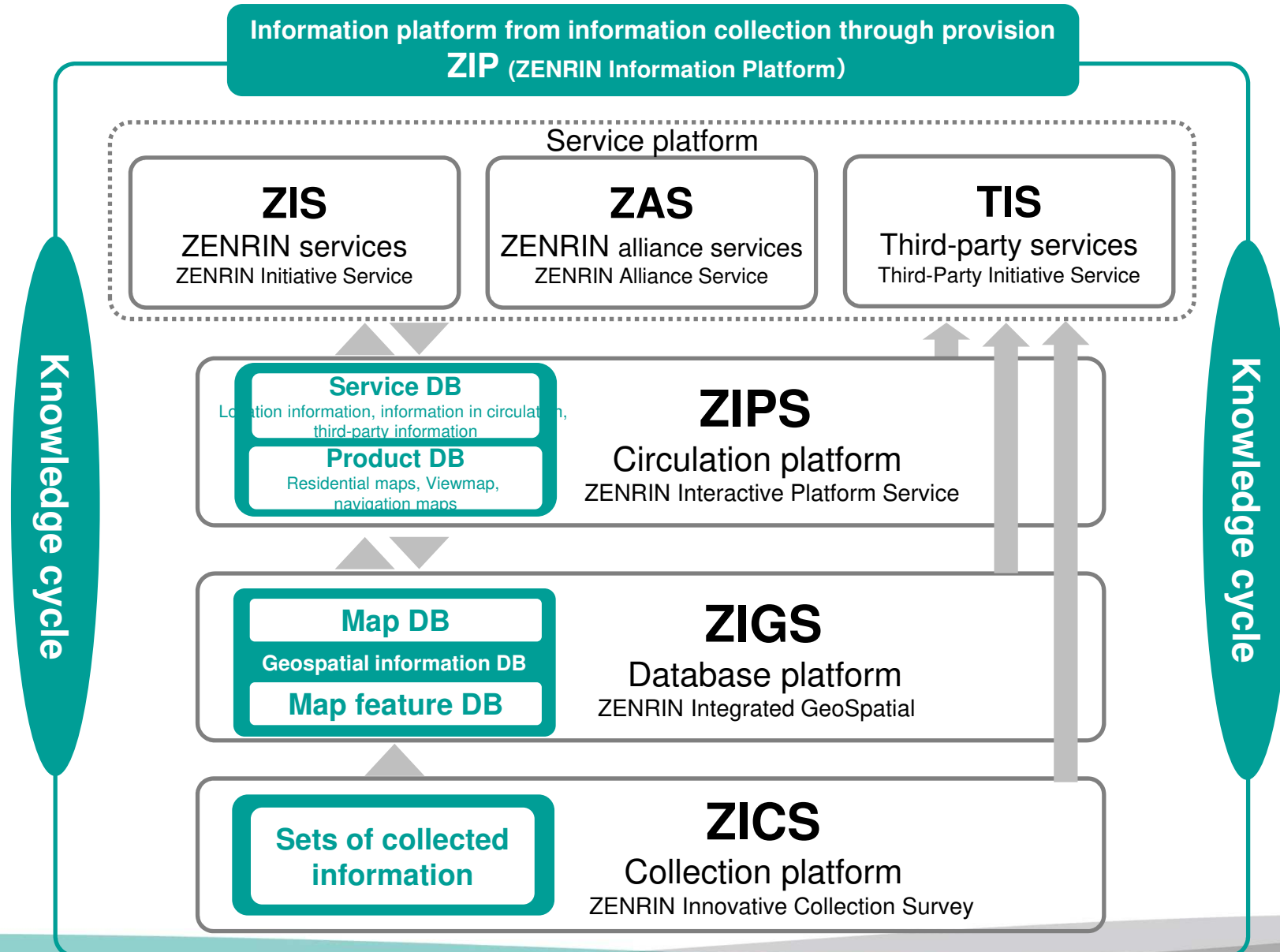
II. Promote diversification of “goods”
by connecting location information

**Function
(People)**

**Human
network**

III. Develop human capital from
“people” by connecting wisdom of
individuals

2-2) ②ZGP25 Basic Policy (ZIP as Business Platform)



Various sets of collected information are managed and optimized in the “database platform,” and their uses are optimized in the “circulation platform,” bringing about a value chain of services that enhances value to customers in the use of location information.

I	Flow-type business (ownership)	A product business model in which we sell “goods-type services” that contain “activity-type elements” and earn revenue each time we sell them.
II	Stock-type business (regular use)	A license business model in which we provide fixed-term, fixed-amount services that customers can use any time without worry to earn recurring revenue.
III	Subscription-type business (on-demand use)	An on-demand business model in which we provide services to cater on-demand needs of customers to earn a small amount of revenue each time we provide them.
IV	Hybrid-type business (combined use)	A business model that combines the business models listed above to provide higher-value services and to earn recurring revenue.

2-2) ②ZGP25 Basic Policy (Business Model Definition)

<Definition of business models in ZGP25>

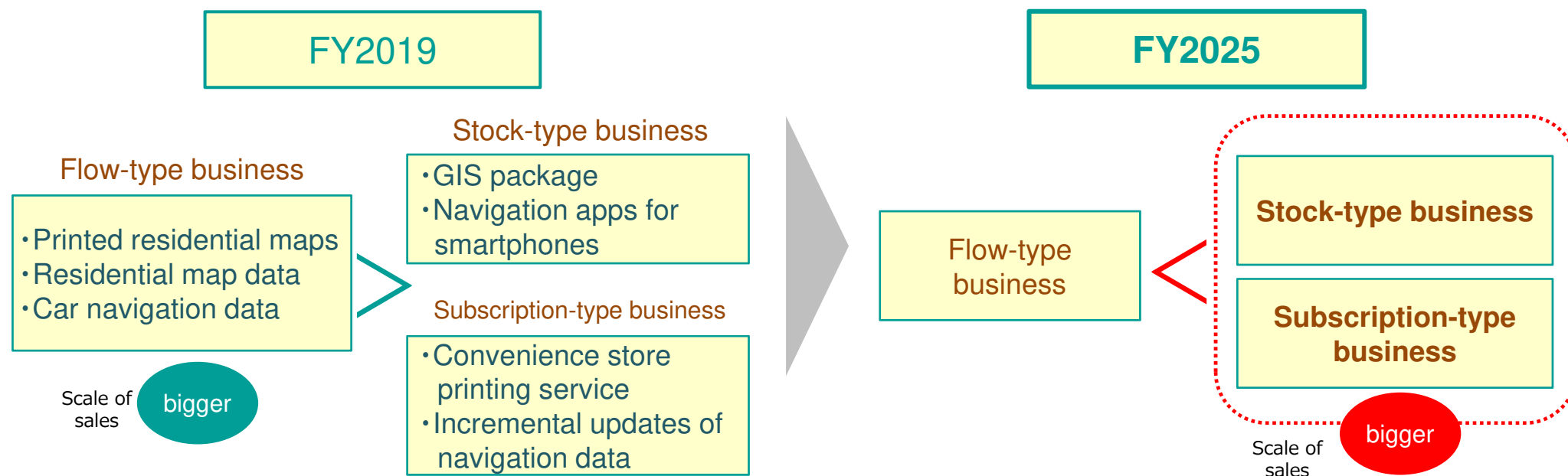
Stock-type business (regular use)

Can use services that are regularly needed for fixed charges
Realize a peace of mind to be able to use services at any time

Subscription-type business (on-demand use)

Can use services that are at times needed for lower charges
Realize the optimal use of services just enough even for little things

<Existing products/services and their relative scale of sales>



2-2) ②Basic Policy (Actions by Business)

Product

Develop new residential map databases to expand markets

Public Solution

Expand earnings through the coexistence of ZENRIN services and third-party services in public platforms

Map Design

Create consumer markets with a line-up of map design products

Automotive

Continue navigation business by optimizing database maintenance and create AD/ADAS businesses

IoT

Expand stock-type businesses through the optimization of the environment for using databases and the integration of IoT solutions

Marketing Solution

Develop solution-oriented services for small and medium-sized enterprises and small business owners to create new marketing markets

2-2) ②ZGP25 Basic Policy (Actions by Business)

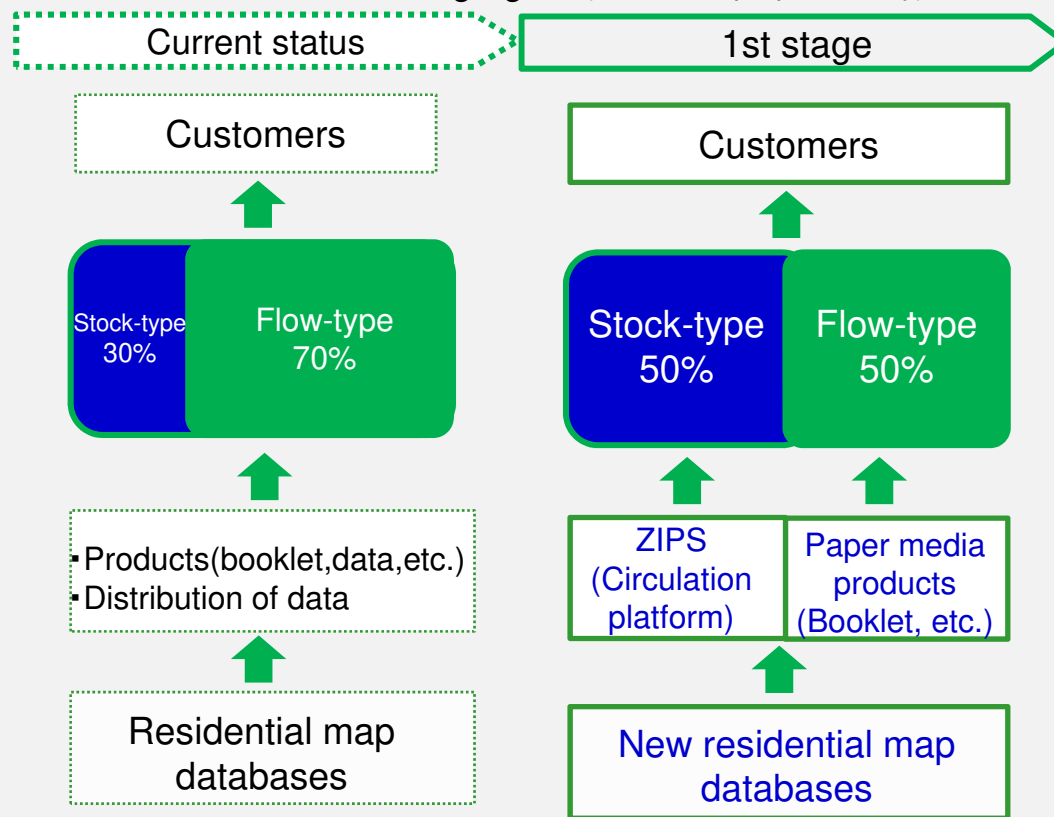
Product

Develop new residential map databases to expand markets

ZGP25 1st stage

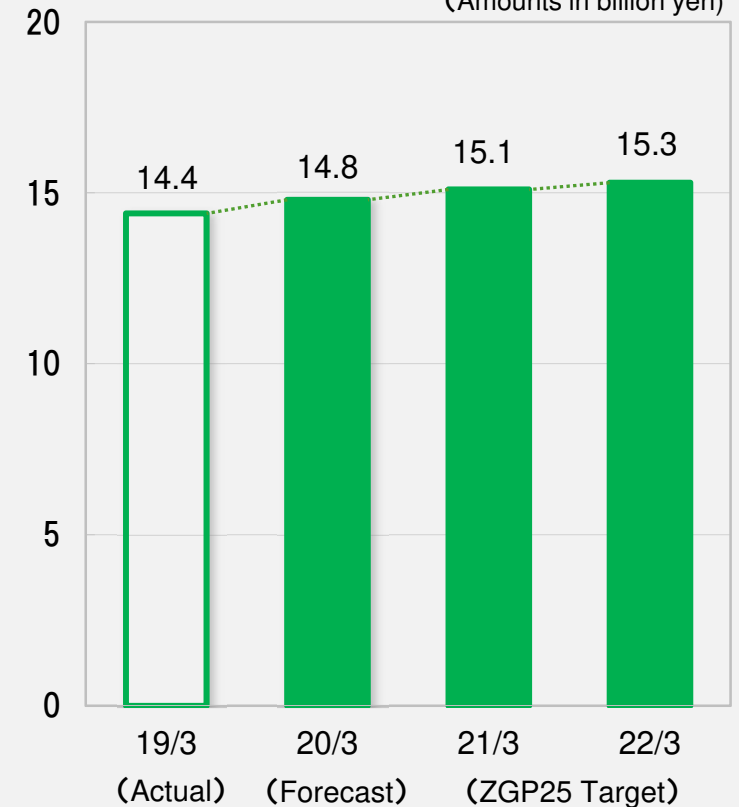
Sales of stock-type businesses to expand so much that they account for 50% of total sales through the growth of license business

ZGP25 1st stage goal (illustration purposes only)



Sales Target

(Amounts in billion yen)



2-2) ②ZGP25 Basic Policy (Actions by Business)

Public Solution

Expand earnings through the coexistence of ZENRIN services and third-party services in public platforms

ZGP25 1st stage

The residential map user base to expand to 1,000 municipalities as our maps are provided on their map platform

ZGP25 1st stage goal (illustration purposes only)

Current status



600 municipalities

Provision of services
in collaboration with
partner companies

1st stage

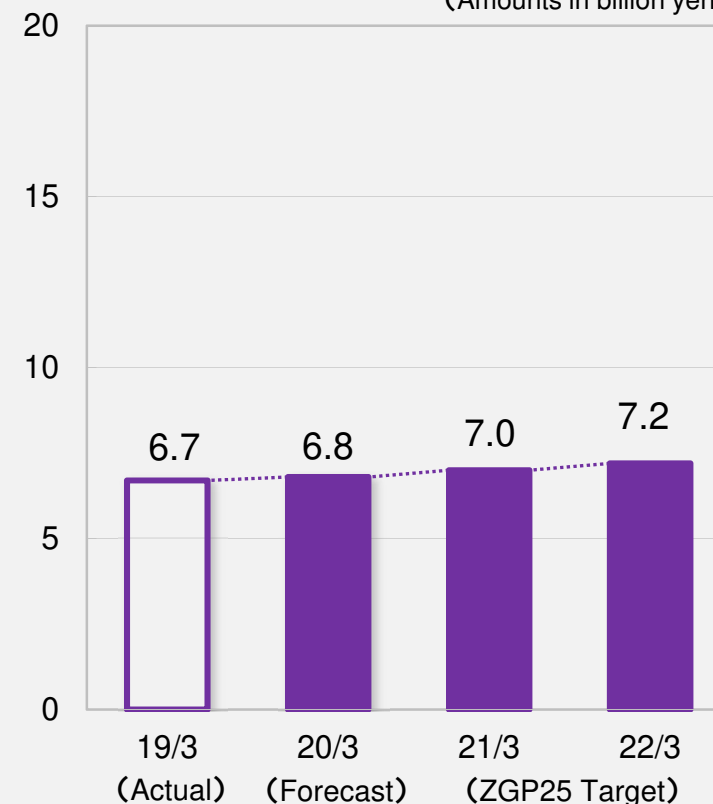


1,000 municipalities

Expansion of use of
“ZENRIN residential maps
LGWAN,” which can be
used in municipalities’
dedicated network
environment

Sales Target

(Amounts in billion yen)



2-2) ②ZGP25 Basic Policy (Actions by Business)

Map Design

Create consumer markets with a line-up of map design products

ZGP25 1st stage

Develop consumer markets with specific targets and map design products

ZGP25 1st stage goal (illustration purposes only)

Current status

Limited
products/channels



mati mati Series



Special feature maps for
municipalities



Officially licensed products

1st stage

Create markets by product planning and
stronger alliances

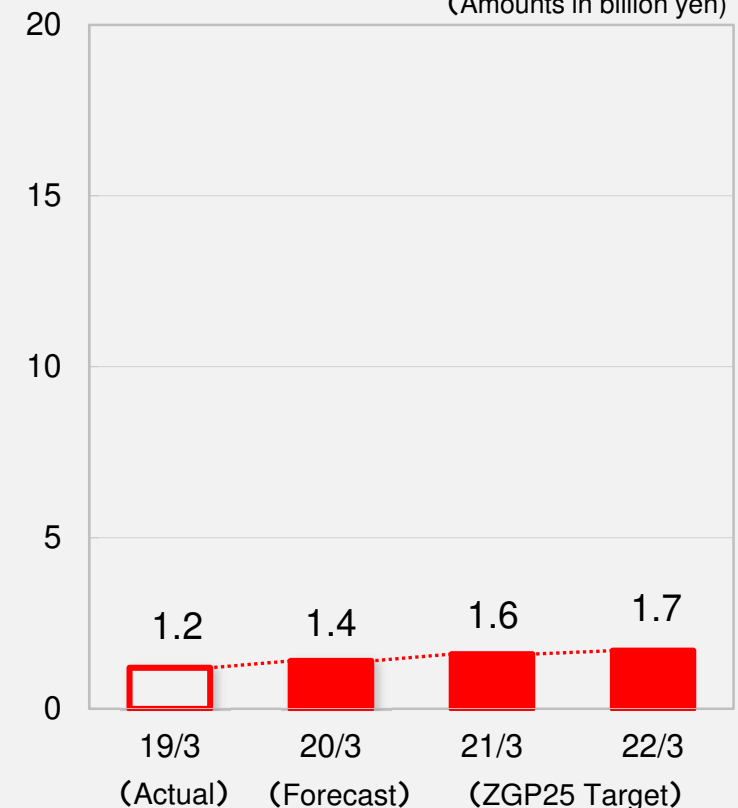
Establish domestic markets and
inbound markets by product planning
and channel development

Profitability will improve as
productivity improves

Create markets and increase sales
leveraging major events during the
ZGP25 1st stage

Sales Target

(Amounts in billion yen)



2-2) ②ZGP25 Basic Policy (Actions by Business)

Automotive

Continue navigation business by optimizing database maintenance and create AD/ADAS businesses

ZGP25 1st stage

Create a new stable revenue source through the adoption of the ZENRIN service model

ZGP25 1st stage goal (illustration purposes only)

Current status

1st stage

Traditional service model

Services included in the navigation system are determined by automakers/navigation system manufacturers



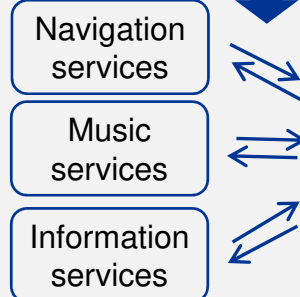
Navigation system is purchased when a vehicle is purchased

AD/ADAS business

Expressways
Mass production responses

Connected vehicle-based

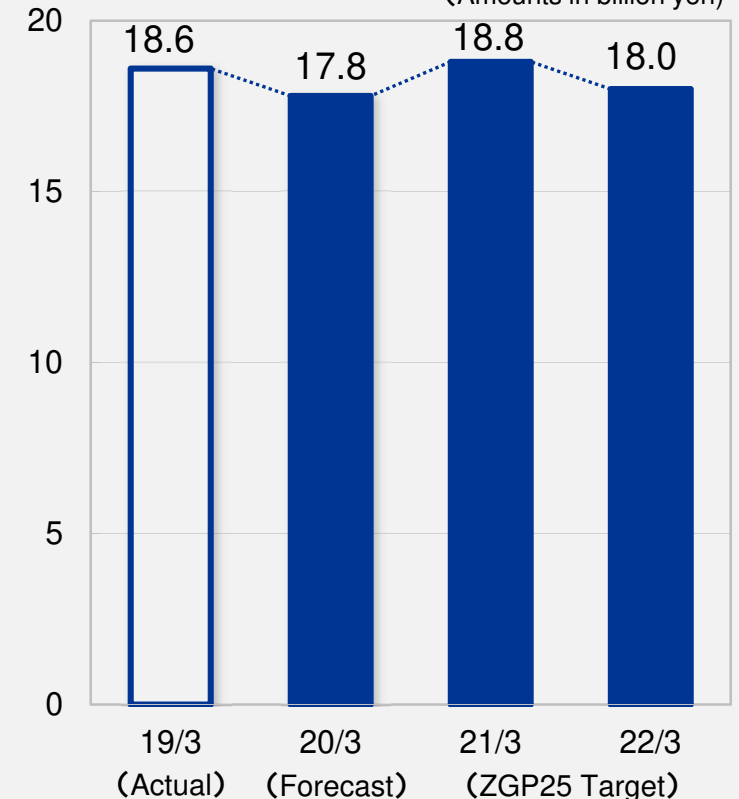
Users to choose what services to use and how much depending on their use



Advance development of high precision maps for ordinary roads

Sales Target

(Amounts in billion yen)



2-2) ②ZGP25 Basic Policy (Actions by Business)

IoT

Expand stock-type businesses through the optimization of the environment for using databases and the integration of IoT solutions

ZGP25 1st stage

Share expansion in new platforms that use location information

ZGP25 1st stage goal (illustration purposes only)

Current status

1st stage

Flow-type business
to provide map data
to specific companies

Values provided

- Evolution into location information infrastructure referenced by machines and AI
- Provide a spatial information platform that relates various information

Business model

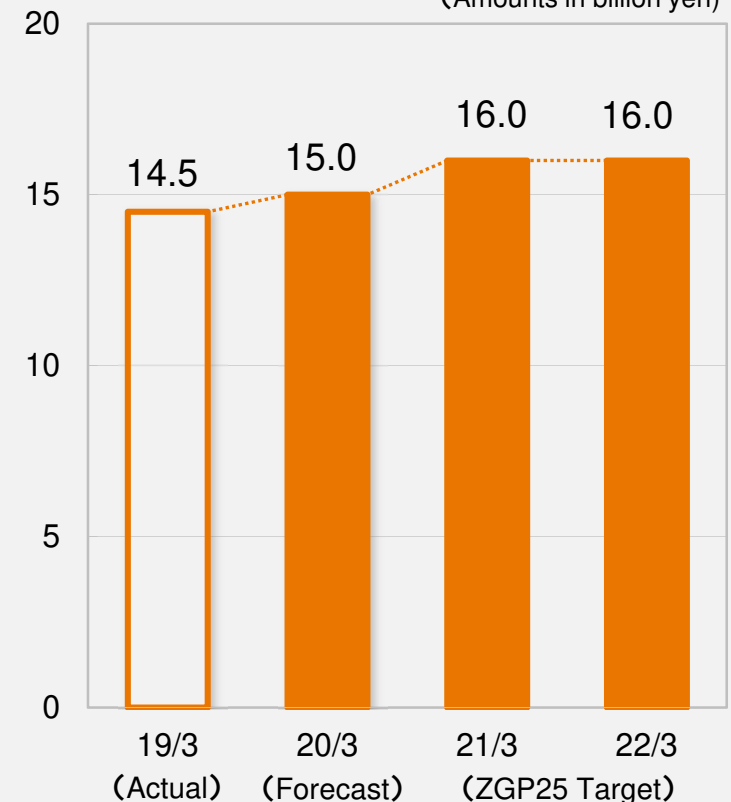
Create a stock-type business model that provides geospatial databases and IoT solutions using ZIPS (circulation platform)

Customers

- Leading companies in each industry sector
- MaaS vendors, transportation companies
- IoT service providers
- Drone service providers

Sales Target

(Amounts in billion yen)



2-2) ②ZGP25 Basic Policy (Actions by Business)

Marketing Solution

Develop solution-oriented services for small and medium-sized enterprises and small business owners to create new marketing markets

ZGP25 1st stage

Introduce new services in the marketing support service market

ZGP25 1st stage goal (illustration purposes only)

Provide value to customers based on synergies from the combination of geospatial information and ZENRIN Group's know-how (consulting, design, printing, etc.)

Platform

Consulting

Promotion

Operation

Planning

Creative

Operation

Analysis	Strategy formulation	Promotion planning	Editorial design	Media production	Media distribution and operation
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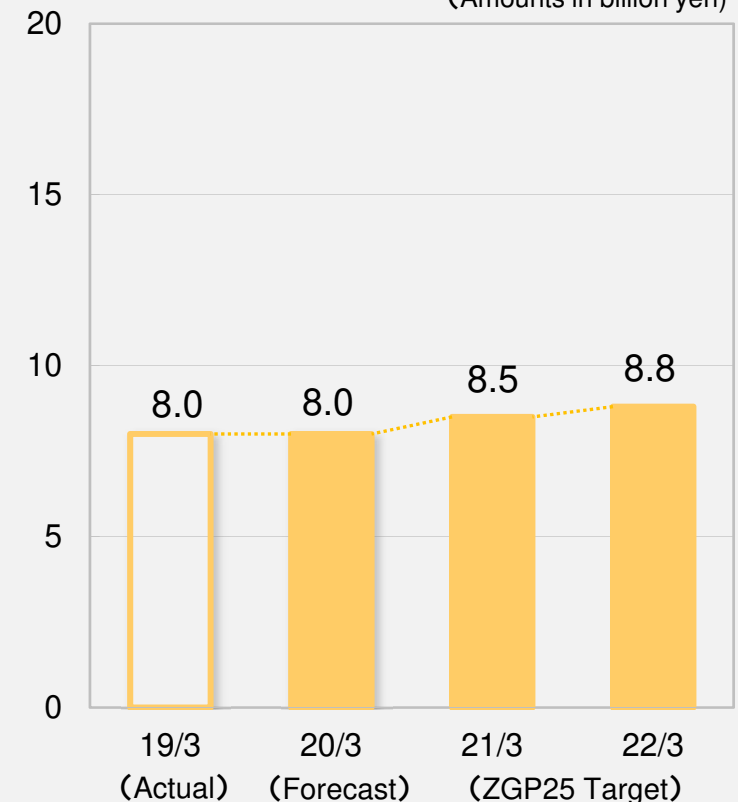
Marketing area analysis using GIS, shop opening plan proposal, sales promotion planning, etc.

Design and printing of flyers and tools

Sending DMs, posting folded flyers, etc.

Sales Target

(Amounts in billion yen)



Manage and optimize the “database platform” to connect flexibly sets of collected information with the “circulation platform,” which optimizes the use of various information sets, bringing about location information innovation in network society.

I	Mobility network	Construction of the strongest network database that networks any and all location information.
II	QCDD S innovation	Transformation of “diversity and scalability” to enable the development of applications that is necessary for the creation of value from “activities.”
III	Intelligent technology	Construction of the strongest technology database that puts intellectual technical capabilities of individual into practical use.

Be a corporate group in which a set of people comprising diverse human capital work in a lively atmosphere in a vibrant organization and our stakeholders can have confidence.

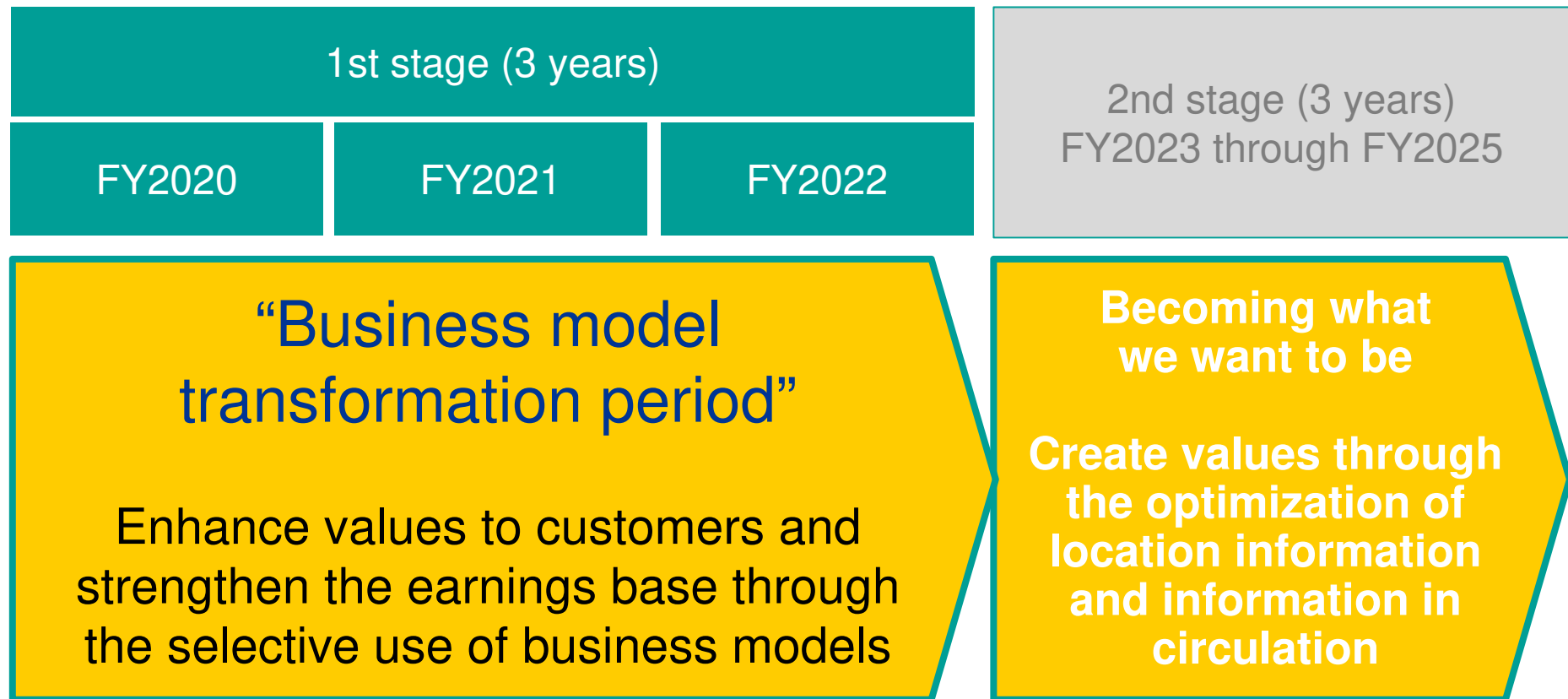
I	Process relation	Ensure the optimal “operation of business management processes” to improve management productivity and maintain a sound financial structure
II	Knowledge relation	Develop people to consistently create human capital with “wisdom” always to be able to respond to changes in the external environment
III	Social relation	Create a “work environment in which people can work without worry” to realize a vibrant organization

Maintain a sound financial base through earnings growth and asset efficiency improvement and ensure shareholder returns based on medium- to long-term earnings growth

Adopting return on equity (ROE) as one of key management indicators, strive to improve ROE by promoting the efficient use of assets, in addition to improving operating margin

I	ROE 8% or higher	Operating margin × Total assets turnover ratio × Financial leverage (10% or higher) (1times or higher) (from 1.5 times to 2.0 times)
II	Balanced investment	<ul style="list-style-type: none"> • Capital investment paying attention to free cash flow (around 6 billion per year) • Optimal allocation of management resources in growth areas (including M&A)
III	Shareholder return	<ul style="list-style-type: none"> • Stable and consistent shareholder returns based on earnings growth (DOE 3% or higher) • Flexible acquisition of own shares

2-2) ③ Numerical Target (Scope and Structure of ZGP25)



2-2) ③ Numerical Target

	1st Stage			2nd Stage
	1st Year	2nd Year	3rd Year	6th year
	FY2020 (Forecast)	FY2021 (Target)	FY2022 (Target)	FY2025 (Guide)
Consolidated Net Sales	63.8 bn yen	67.0 bn yen	67.0 bn yen	80 bn yen
Consolidated Operating Income (Margin)	5.9 bn yen (9.2%)	6.3 bn yen (9.4%)	6.7 bn yen (10.0%)	10 bn yen (12.5%)
ROE (Return on equity)	9.7%	9.7%	9.7%	10% or higher
DOE (Dividend on equity on a consolidated bases)	3.0% or higher	3.0% or higher	3.0% or higher	3% or higher

2-2) ③ Numerical Target (ZGP25 1st Stage)

The first stage of ZGP25 is the “**business model transformation period**” aimed for future stable growth



Realize the “shift
from goods to activities”



From “non-recurring transactions”
to “recurring transactions”



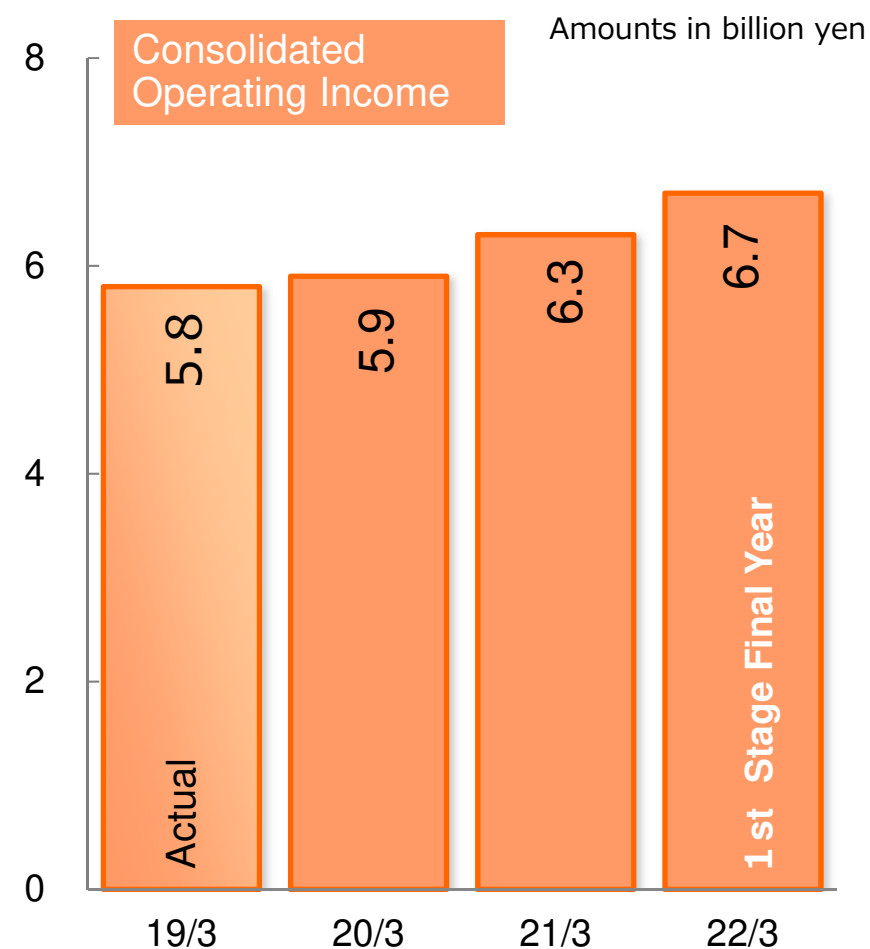
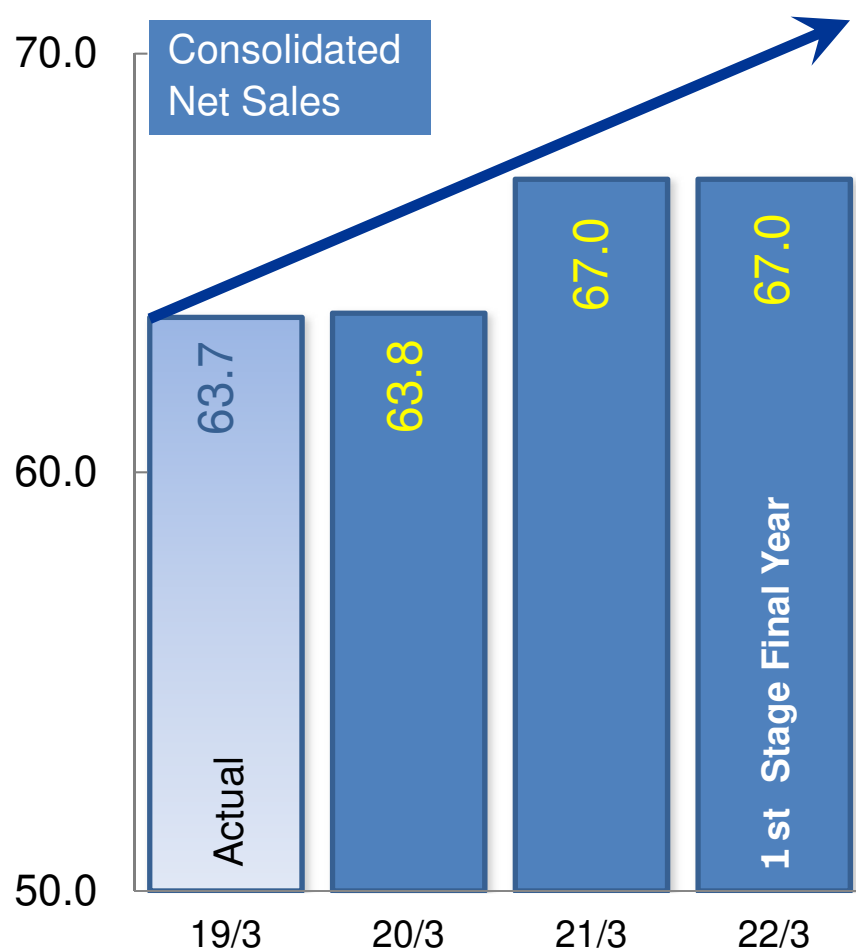
From the “provision of DB”
to the “provision of services”



Temporarily impact on financial performance

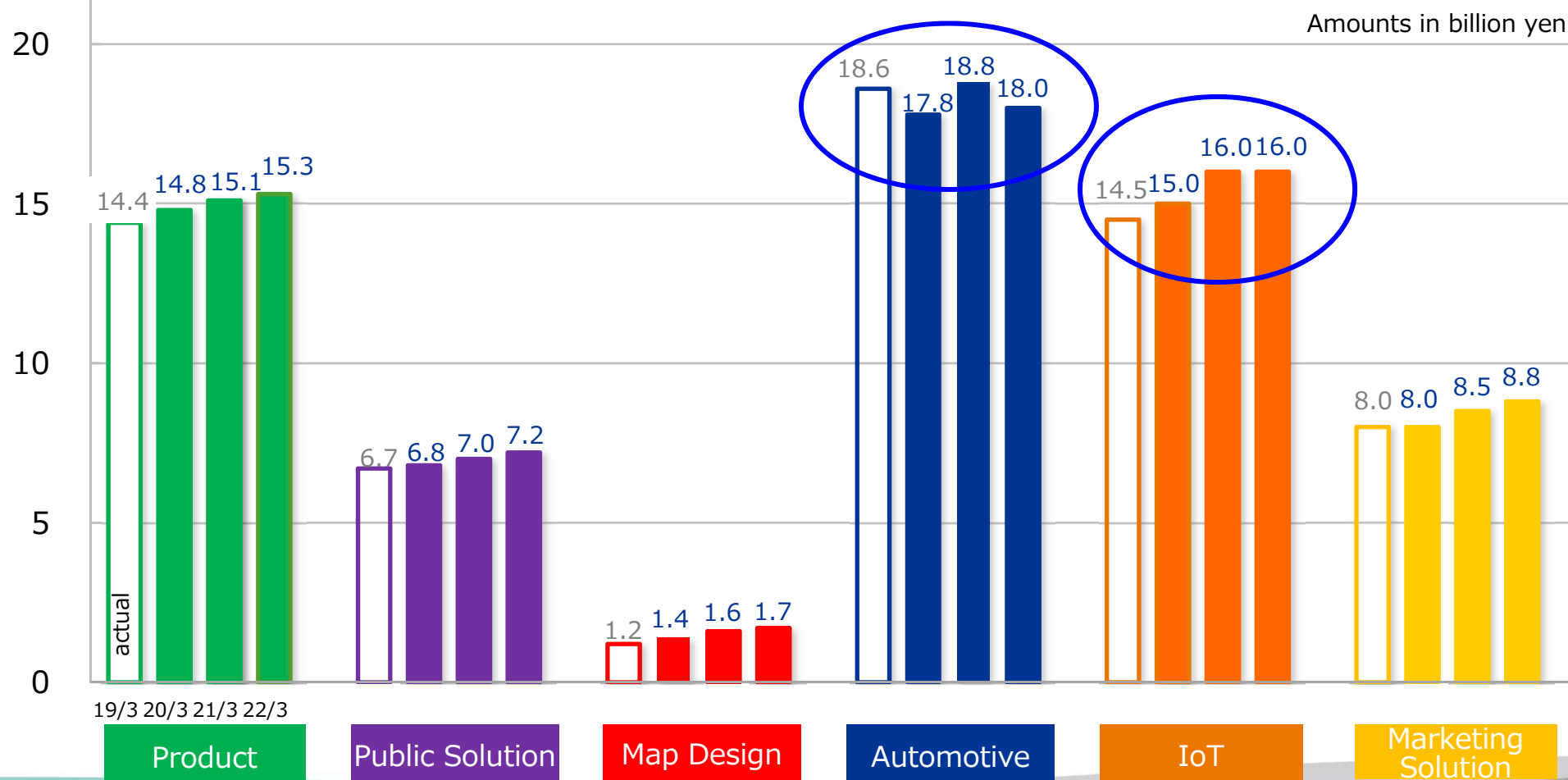
2-2) ③ Numerical Target (ZGP25 1st Stage)

The first stage of ZGP25 is the “business model transformation period” aimed for future stable growth



2-2) ③ Numerical Target (ZGP25 1st Stage)

The business model transformation in ZGP25 1st Stage will impact the Automotive and IoT businesses most significantly.



3. Earnings Forecast for Fiscal 2020

- 1) Earnings Forecast for Fiscal 2020
- 2) Changes in Net Sales, Income and Profit
- 3) Sales by Business
- 4) Amount of Capital Investment, Depreciation and R&D Costs
- 5) Changes in Composition of Net Sales by Quarter
- 6) Dividend

3-1) Earnings Forecast for Fiscal 2020

Earnings Forecast for Fiscal 2020

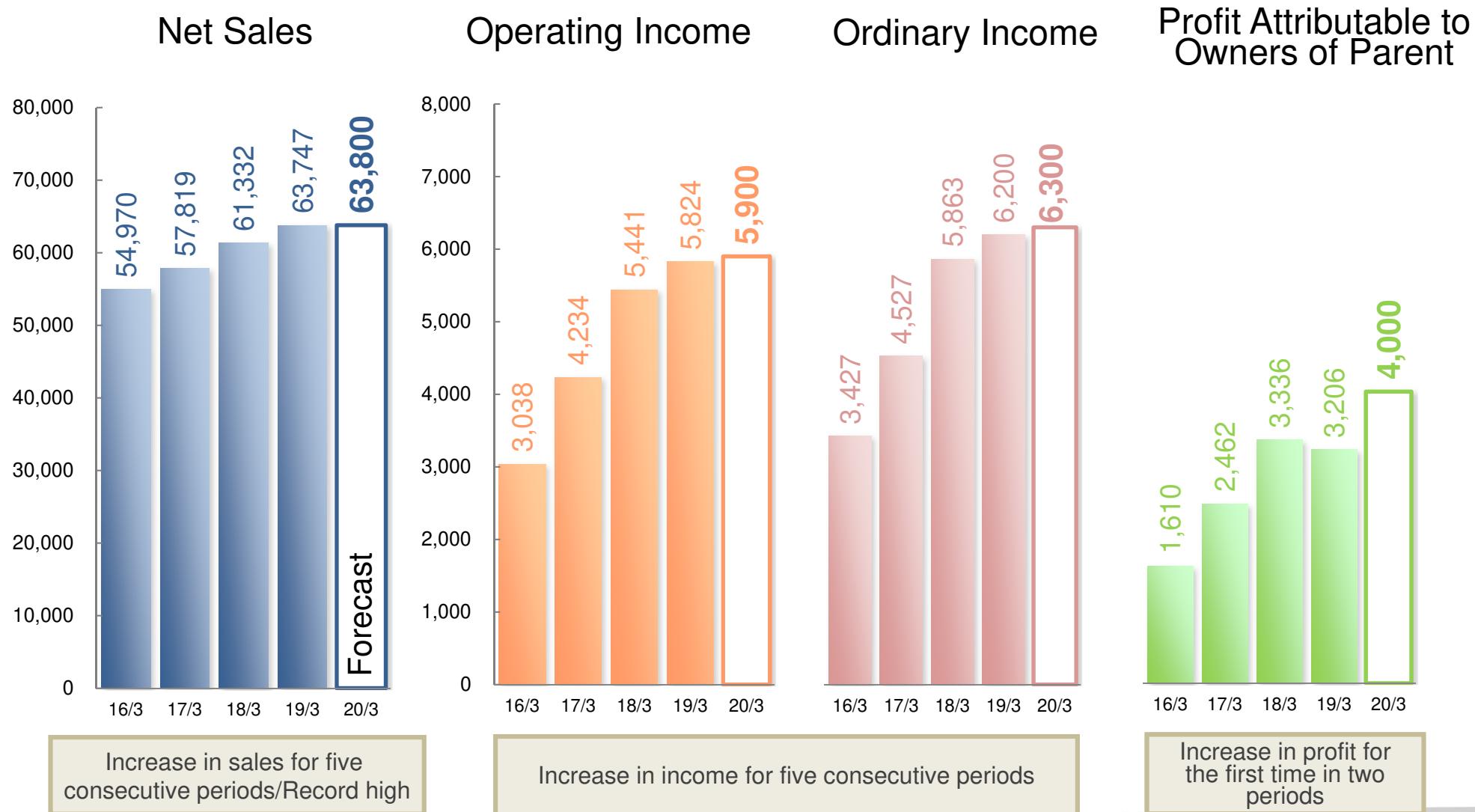
Compared to Fiscal 2019 <increase in sales and increase in income (same levels as previous period)>

- Growth in stock-type business in Product and Public Solution Businesses and expansion of solution businesses in IoT Business are expected although ADAS-related sales in Automotive Business are expected to decrease
- Secure the same level of income as in the previous period by improving productivity, operating efficiency, etc.

(Amounts in million yen)

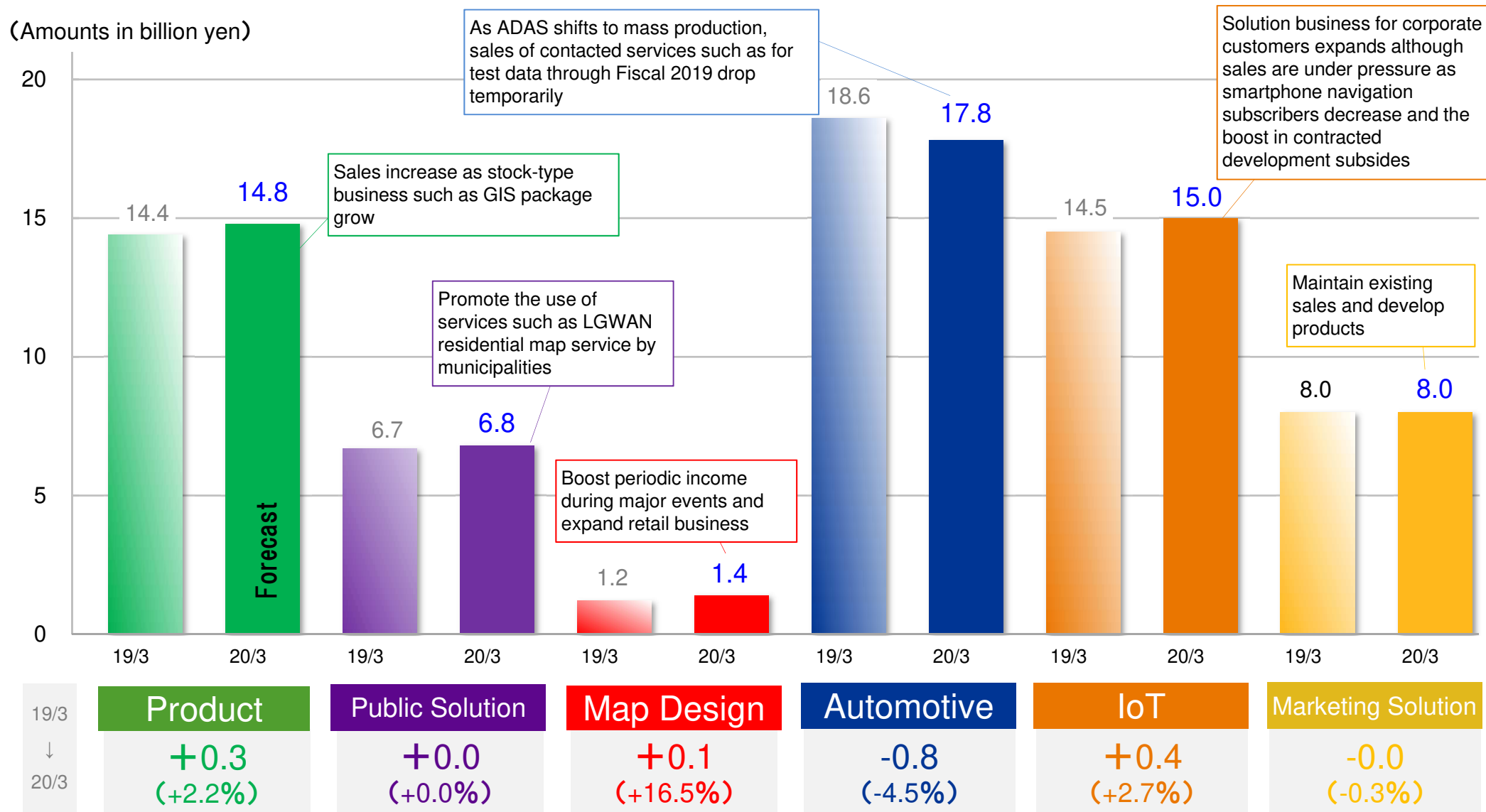
	FY2019 Actual	FY2020 Forecast	Compared to FY2019	Change (%)
Net Sales	63,747	63,800	52	0.1
Operating Expenses	57,923	57,900	-23	-0.0
Operating Income	5,824	5,900	75	1.3
Operating Margin	9.1%	9.2%	0.1pt	
Ordinary Income	6,200	6,300	99	1.6
Profit Attributable to Owners of Parent	3,206	4,000	793	24.7

3-2) Changes in Net Sales, Income and Profit



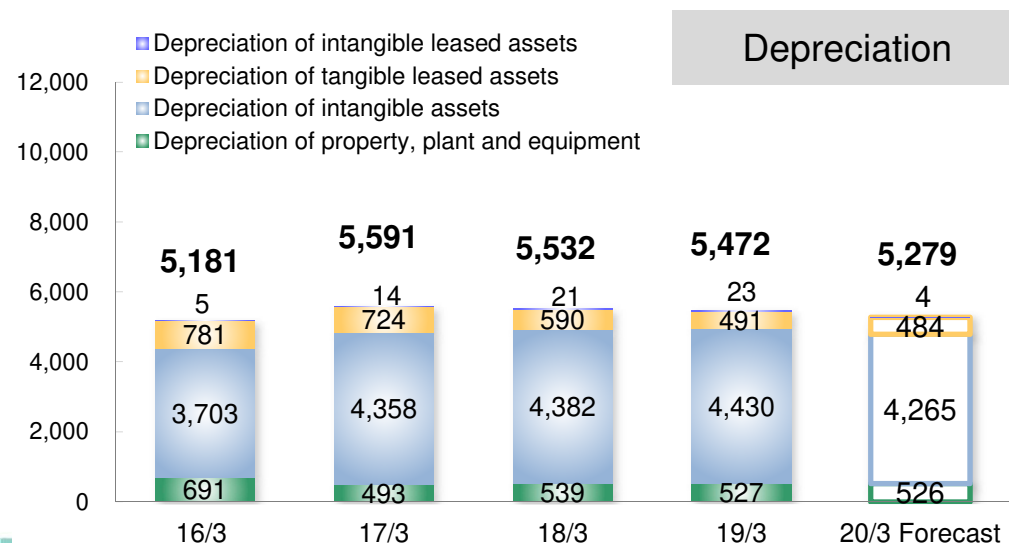
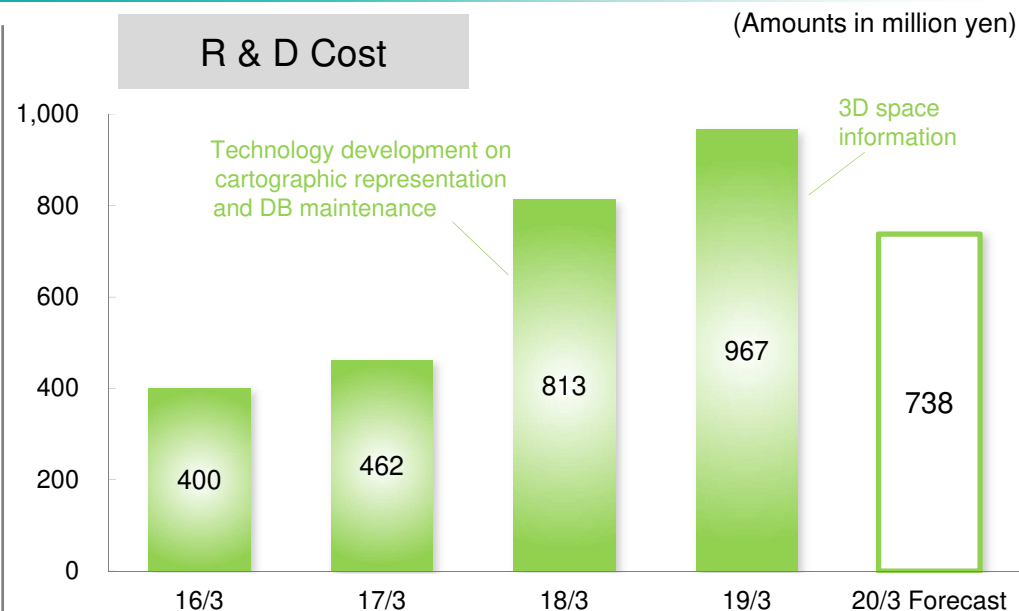
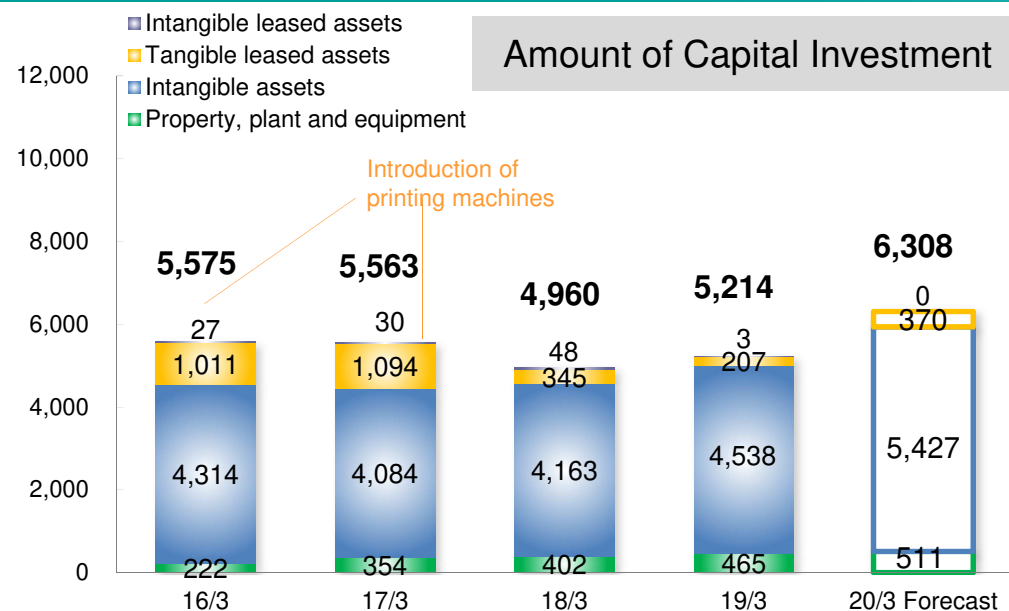
3-3) Sales by business

(Amounts in billion yen)

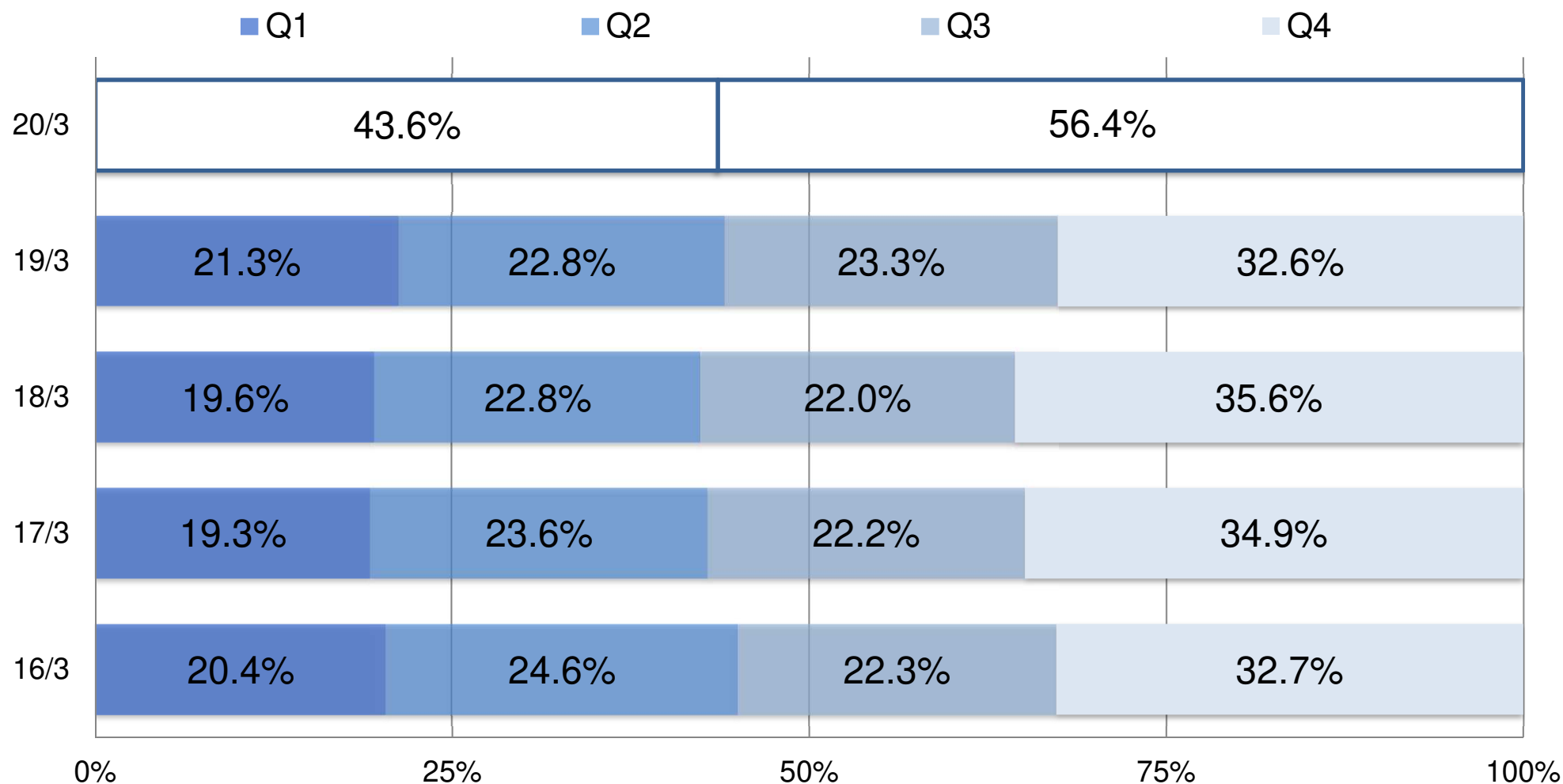


3-4) Amount of Capital Investment, Depreciation and R&D Costs

Briefing on Results for FY2019



3-5) Changes in Composition of Net Sales by Quarter



3-6) Dividend

Basic Policy

Return income to shareholders derived from income growth based on the medium- to long-term business plan, while taking into account maintaining an adequate amount of internal reserves

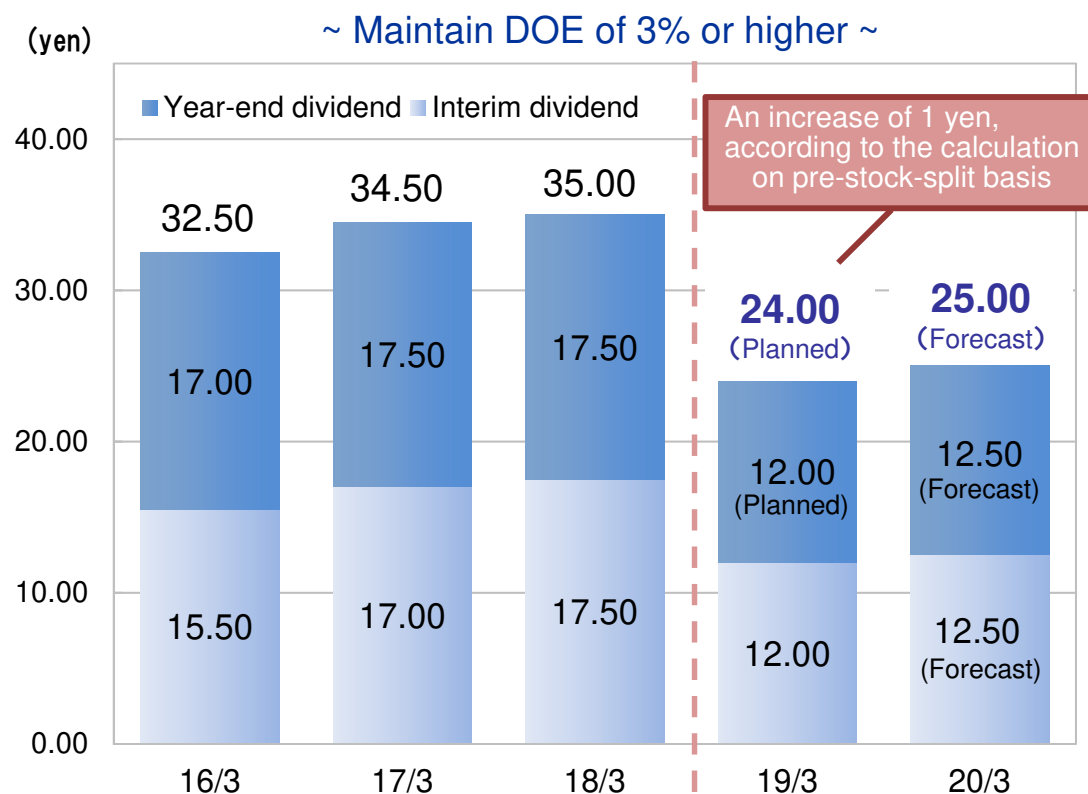
Target dividend on equity (DOE) on a consolidated basis of 3% or higher

FY2019 Dividend (pre-stock-split basis)

Interim	12.00 Yen (18.00 yen)
Year-end (planned)	12.00 Yen (18.00 yen)
Annual (planned)	24.00 yen (36.00yen)

FY2020 Dividend (pre-stock-split basis)

Interim (forecast)	12.50 yen (18.75 yen)
Year-end (forecast)	12.50 yen (18.75 yen)
Annual (forecast)	25.00 yen (37.50 yen)



Effective April 1, 2018, the Company conducted a stock split. Each share of common stock was split into 1.5 shares.

ZENRIN

Maps to the Future

ZENRIN CO.,LTD. <https://www.zenrin.co.jp>
Corporate Management Division, Management Control & IR Department
IR contact email: zenrin-ir@zenrin.co.jp