

1. Qualitative Information on Quarterly Results

(1) Explanation of Business Performance

In the first 2 quarters of fiscal 2021 (from April 1, 2020 to September 30, 2020), the Japanese economy was still in the extremely difficult condition with the restriction of consumer spending and corporate economic activities due to the spread of COVID-19 infection.

In such an environment, the ZENRIN Group in the first 2 quarters of fiscal 2021 reported net sales of 24,209 million yen (decreased 2,593 million yen, or down 9.7%, compared to the same period of the previous fiscal year), operating loss of 1,460 million yen (downturn of 1,126 million yen, compared to the same period of the previous fiscal year), ordinary loss of 1,240 million yen (downturn of 1,174 million yen, compared to the same period of the previous fiscal year) and loss attributable to owners of parent of 723 million yen (downturn of 498 million yen, compared to the same period of the previous fiscal year).

Please note that past net sales of the ZENRIN Group have shown trends of large seasonal fluctuations and sales concentrating in the fourth quarter.

[Segment Results of Operations]

As stated in “2. (4) Notes to Quarterly Consolidated Financial Statements (Segment Information),” from the consolidated first quarter, changes, etc., of reportable segments were made. With regard to the quarter-to-quarter comparison (YOY), the prior year's figures were reclassified to conform to segments after these changes.

Map Database Segment

The Map Database segment, which is the ZENRIN Group's core business, reported a decrease mainly in sales of data for in-car navigation systems in Japan and overseas in the automotive business, despite the strong performance by the GIS package, i.e., the stock-type service. In terms of profit and loss, a segment loss was reported as a result of the significant impact of decreased sales, despite the cost decrease due to lower personnel costs and the restrictions of business activities during COVID-19 pandemic

As a result of the foregoing, the Map Database segment reported net sales of 20,547 million yen (decreased 1,656 million yen, or down 7.5%, compared to the same period of the previous fiscal year) and segment loss of 1,447 million yen (downturn 1,067 million yen, compared to the same period of the previous fiscal year).

General Printing Segment

The General Printing segment reported net sales of 948 million yen (decreased 529 million yen, or down 35.8%, compared to the same period of the previous fiscal year) and segment loss of 106 million yen (downturn of 112 million yen, compared to the same period of the previous fiscal year) mainly due to the impact of voluntary restraints of posting folded flyers by customers.

Other

The segment other than the Map Database segment and the General Printing segment reported net sales of 2,714 million yen (decreased 407 million yen, or down 13.1%, compared to the same period of the previous fiscal year) and segment income of 60 million yen (increased 55 million yen, or up 1,118.8%, compared to the same period of the previous fiscal year) mainly due to the impact of reduction of events and sales promotion activities by customers.

(2) Explanation of Financial Position

Total assets at the end of the second quarter of fiscal 2021 amounted to 68,326 million yen (decreased 1,243 million yen, or down 1.8% compared to the end of the previous fiscal year). This was attributable to a decrease in notes and accounts receivable - trade due to the effects of seasonal fluctuations.

Liabilities amounted to 24,668 million yen (decreased 3,448 million yen, or down 12.3%

compared to the end of the previous fiscal year). This was attributable to a decrease in accounts payable – trade due to payment, and a decrease in income taxes payable due to tax payment.

Net assets amounted to 43,657 million yen (increased 2,205 million yen, or up 5.3% compared to the end of the previous fiscal year). This was mainly attributable to the disposition of treasury shares despite the recognition of loss attributable to owners of parent and a dividend of surplus.

As a result, the ratio of equity to total assets at the end of the second quarter of fiscal 2021 was 61.5% (up 4.4 points compared to the end of the previous fiscal year).

The following outlines the status of cash flows in the first 2 quarters of fiscal 2021.

Cash and cash equivalents at the end of the second quarter of fiscal year 2021 were 18,315 million yen (increased 3,078 million yen, or up 20.2%, compared to the end of the previous fiscal year)

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to 3,040 million yen (decreased 793 million yen compared to the same period of the previous fiscal year). This was attributable to loss before income taxes in the amount of 1,233 million yen, a decrease in accrued expenses in the amount of 1,384 million yen, a decrease in trade payables in the amount of 1,312 million yen, income taxes paid in the amount of 1,244 million yen and other factors of decrease being offset by a decrease in notes and accounts receivable - trade in the amount of 5,685 million yen and depreciation in the amount of 2,615 million yen and other factors of increase.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to 2,443 million yen (increased 283 million compared to the same period of the previous fiscal year). This was mainly attributable to purchase of property, plant and equipment and intangible assets in the amount of 2,339 million yen.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to 2,493 million yen (1,082 million yen was spent in the same period of the previous fiscal year). This was mainly attributable to the purchase of treasury shares of 1,000 million yen, cash dividends paid in the amount of 656 million yen, and repayments of lease obligations in the amount of 254 million yen being offset by proceeds from sales of treasury shares of 4,569 million yen.

(3) Explanation of Forecast for Consolidated Results of Operations and Other Forward-Looking Statements

The forecast for the consolidated results of operations in fiscal 2021 remains unchanged from the forecast announced on July 29, 2020, because the period of convergence of COVID-19 infection and the prospect for recovery of economic activities are uncertain.

2. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheet

[Unit: million yen]

	Fiscal 2020	Second quarter of fiscal 2021
	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	15,524	18,624
Notes and accounts receivable – trade	13,950	8,316
Electronically recorded monetary claims – operating	125	103
Securities	5	5
Merchandise and finished goods	955	847
Work in process	541	1,154
Raw materials and supplies	77	70
Other	1,330	1,587
Allowance for doubtful accounts	(18)	(13)
Total current assets	32,493	30,697
Non-current assets		
Property, plant and equipment	12,761	13,173
Intangible assets		
Goodwill	333	469
Software	9,765	9,015
Other	3,721	4,178
Total intangible assets	13,820	13,663
Investments and other assets		
Other	10,664	10,961
Allowance for doubtful accounts	(170)	(169)
Total investments and other assets	10,494	10,791
Total non-current assets	37,075	37,628
Total assets	69,569	68,326

[Unit: million yen]

	Fiscal 2020 As of March 31, 2020	Second quarter of fiscal 2021 As of September 30, 2020
Liabilities		
Current liabilities		
Accounts payable – trade	3,461	2,152
Short-term loans payable	1,350	1,870
Income taxes payable	1,259	67
Provision for directors' bonuses	73	24
Provision for sales returns	3	2
Asset retirement obligations	6	6
Other	11,369	10,271
Total current liabilities	17,523	14,394
Non-current liabilities		
Bonds payable	8,143	8,119
Long-term loans payable	1,050	839
Provision for directors' retirement benefits	129	128
Provision for management board benefit trust	52	52
Net defined benefit liability	262	283
Asset retirement obligations	44	73
Other	913	776
Total non-current liabilities	10,594	10,273
Total liabilities	28,117	24,668
Net assets		
Shareholders' equity		
Capital stock	6,557	6,557
Capital surplus	13,624	13,022
Retained earnings	27,796	24,027
Treasury shares	(8,817)	(2,287)
Total shareholders' equity	39,161	41,320
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	342	486
Foreign currency translation adjustment	69	53
Remeasurements of defined benefit plans	142	186
Total accumulated other comprehensive income	554	726
Non-controlling interests	1,736	1,610
Total net assets	41,451	43,657
Total liabilities and net assets	69,569	68,326

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
Quarterly Consolidated Statement of Income [cumulative]

[Unit: million yen]

	First 2 quarters of fiscal 2020 From: April 1, 2019 To: September 30, 2019	First 2 quarters of fiscal 2021 From: April 1, 2020 To: September 30, 2020
Net sales	26,803	24,209
Cost of sales	16,600	16,078
Gross profit	10,202	8,131
Selling, general and administrative expenses		
Personnel expenses	6,190	5,491
Provision for directors' bonuses	34	19
Retirement benefit expenses	187	206
Other	4,124	3,875
Total selling, general and administrative expenses	10,537	9,592
Operating loss	(334)	(1,460)
Non-operating income		
Interest income	5	3
Dividend income	99	86
Other	258	192
Total non-operating income	363	282
Non-operating expenses		
Interest expenses	8	9
Cancellation penalty	25	26
Foreign exchange losses	32	—
Other	28	26
Total non-operating expenses	94	61
Ordinary loss	(65)	(1,240)
Extraordinary income		
Gain on sales of non-current assets	0	6
Gain on sales of investment securities	592	45
Total extraordinary income	592	51
Extraordinary losses		
Loss on sales and retirement of non-current assets	21	23
Loss on valuation of investment securities	270	20
Impairment loss	179	—
Other	112	0
Total extraordinary losses	584	45
Loss before income taxes	(56)	(1,233)
Income taxes – current	319	104
Income taxes – deferred	(49)	(452)
Total income taxes	270	(348)
Loss	(327)	(885)
Loss attributable to non-controlling interests	(102)	(162)
Loss attributable to owners of parent	(224)	(723)

Quarterly Consolidated Statement of Comprehensive Income [cumulative]

[Unit: million yen]

	First 2 quarters of fiscal 2020 From: April 1, 2019 To: September 30, 2019	First 2 quarters of fiscal 2021 From: April 1, 2020 To: September 30, 2020
Loss	(327)	(885)
Other comprehensive income		
Valuation difference on available-for-sale securities	(744)	144
Foreign currency translation adjustment	(25)	(13)
Remeasurements of defined benefit plans, net of tax	35	44
Total other comprehensive income	(734)	175
Comprehensive income	(1,062)	(710)
[Comprehensive income attributable to]		
Comprehensive income attributable to owners of parent	(771)	(551)
Comprehensive income attributable to non-controlling interests	(290)	(159)

(3) Quarterly Consolidated Statement of Cash Flows

[Unit: million yen]

	First 2 quarters of fiscal 2020 From: April 1, 2019 To: September 30, 2019	First 2 quarters of fiscal 2021 From: April 1, 2020 To: September 30, 2020
Cash flows from operating activities		
Loss before income taxes	(56)	(1,233)
Depreciation	2,708	2,615
Impairment loss	179	—
Amortization of goodwill	149	81
Decrease (increase) in net defined benefit asset	31	40
Increase (decrease) in net defined benefit liability	11	17
Loss (gain) on valuation of investment securities	270	20
Interest and dividend income	(105)	(89)
Interest expenses	8	9
Loss (gain) on sales and retirement of non-current assets	21	17
Loss (gain) on sales of investment securities	(588)	(44)
Decrease (increase) in notes and accounts receivable – trade	4,374	5,685
Decrease (increase) in inventories	(916)	(489)
Increase (decrease) in notes and accounts payable – trade	(593)	(1,312)
Increase (decrease) in accrued expenses	(604)	(1,384)
Increase (decrease) in advances received	735	941
Increase (decrease) in accrued consumption taxes	(550)	(431)
Other	(418)	(248)
Subtotal	4,655	4,194
Interest and dividend income received	102	101
Interest expenses paid	(8)	(10)
Income taxes paid	(915)	(1,244)
Net cash provided by (used in) operating activities	3,834	3,040
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(2,127)	(2,339)
Purchase of investment securities	(25)	(116)
Proceeds from sales of investment securities	939	154
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(329)	(179)
Other	(617)	37
Net cash provided by (used in) investing activities	(2,160)	(2,443)
Cash flows from financing activities		
Repayments of long-term loans payable	—	(141)
Repayments of lease obligations	(423)	(254)
Purchase of treasury shares	(1)	(1,000)
Proceeds from sales of treasury shares	0	4,569
Cash dividends paid	(630)	(656)
Dividends paid to non-controlling interests	(26)	(17)
Other	(0)	(4)
Net cash provided by (used in) financing activities	(1,082)	2,493
Effect of exchange rate change on cash and cash equivalents	(34)	(13)
Net increase (decrease) in cash and cash equivalents	557	3,078
Cash and cash equivalents at beginning of period	12,240	15,237
Cash and cash equivalents at end of period	12,797	18,315

(4) Notes to Quarterly Consolidated Financial Statements

Notes on the Going Concern Assumption

Not applicable.

Notes in the Event of Material Change in the Amount of Shareholders' Equity

Based on the resolution at the board meeting held on March 26, 2020, ZENRIN entered into a capital and business tie-up with Nippon Telegraph and Telephone Corporation ("NTT") and disposed of treasury shares (4,200,000 shares) through a third-party allotment to NTT on April 13, 2020, resulting in decreases of 7,509 million yen in treasury shares, 552 million yen in capital surplus and 2,388 million yen in retained earnings, respectively, in the first 2 quarters of fiscal 2021.

In addition, based on the resolution at the board meeting held on April 28, 2020, ZENRIN acquired 802 thousands treasury shares for 999 million yen, resulting in 13,022 million yen in capital surplus, 24,027 million yen in retained earnings and 2,287 million yen in treasury shares as of the end of the second quarter of fiscal 2021.

Changes in Significant Subsidiaries in the First 2 Quarters of Fiscal 2021

Not applicable.

While not qualifying as a change in specified subsidiaries, ZENRIN acquired shares of Taico CO., LTD, and ZENRIN DataCom CO., LTD., which is ZENRIN's consolidated subsidiary, acquired shares of ACTCUBE inc. and Communication Project CO., LTD. on April 1, 2020. Those firms have been included in the scope of consolidation starting from the first quarter of fiscal 2021.

ZENRIN BIZNEXUS Co., Ltd, ZENRIN GEO INTELLIGENCE CO., LTD. and DAITO Marketing Solutions Inc. , which were consolidated subsidiaries in the previous fiscal year, were combined on April 1, 2020 with ZENRIN MARKETING SOLUTIONS CO., LTD. (trade name was changed from ZENRIN MS HOLDINGS CO., LTD. on April 1, 2020) through an absorption-type merger. Consequently, those firms have been excluded from the scope of consolidation.

Segment Information

I. First 2 Quarters of Fiscal 2020 (from April 1, 2019 to September 30, 2019)

(a) Information on Reportable Segment Net Sales and Income or Loss Amount

[Unit: million yen]

	Reportable segments			Other [Note]	Total
	Map Database segment	General Printing segment	Total		
Net sales					
Net sales to external customers	22,204	1,477	23,681	3,121	26,803
Intersegment net sales or transfers	76	209	286	109	396
Total	22,281	1,687	23,968	3,230	27,199
Segment income (loss)	(379)	6	(372)	4	(367)

[Note] The "Other" item encompasses the selling of purchased products, provision of marketing solution and other business activities that are not attributable to reportable segments.

(b) Total Amount of Reportable Segment Income or Loss Amount and its Difference in Amount with Amount on Quarterly Consolidated Statement of Income, and Principal Components of the Difference in Amount (Matters Concerning Reconciliation of Differences)

[Unit: million yen]

Income	Amount
Total for reportable segments	(372)
Income of "Other" item	4
Eliminations of intersegment transactions	33
Operating loss on quarterly consolidated statement of income	(334)

(c) Information on Impairment Loss on Non-Current Assets and Goodwill by Reportable Segment

Significant impairment loss on Non-Current Assets

In the Map Database segment, an impairment loss of software has been reported. The amount of said impairment loss stood at 179 million yen in the first 2 quarters of fiscal 2021.

Material Change in the Amount of Goodwill

In the Other segment, Lease System Planning co., inc has been included in the scope of consolidation starting from the second quarter of fiscal 2021, due to the acquisition of its shares. As a result of this event, the amount of goodwill stood at 286 million yen in the first 2 quarters of fiscal 2021.

II. First 2 Quarters of Fiscal 2021 (from April 1, 2020 to September 30, 2020)

(a) Information on Reportable Segment Net Sales and Income or Loss Amount

[Unit: million yen]

	Reportable segments			Other [Note]	Total
	Map Database segment	General Printing segment	Total		
Net sales					
Net sales to external customers	20,547	948	21,495	2,714	24,209
Intersegment net sales or transfers	78	193	272	111	383
Total	20,625	1,141	21,767	2,825	24,592
Segment income (loss)	(1,447)	(106)	(1,553)	60	(1,493)

[Note] The "Other" item encompasses the selling of purchased products, provision of marketing solution and other business activities that are not attributable to reportable segments.

(b) Total Amount of Reportable Segment Income or Loss Amount and its Difference in Amount with Amount on Quarterly Consolidated Statement of Income, and Principal Components of the Difference in Amount (Matters Concerning Reconciliation of Differences)

[Unit: million yen]

Income	Amount
Total for reportable segments	(1,553)
Income of "Other" item	60
Eliminations of intersegment transactions	32
Operating loss on quarterly consolidated statement of income	(1,460)

(c) Notes relating to changes in reportable segments etc.

As of April 1, 2020, an absorption-type merger took effect with ZENRIN MARKETING SOLUTIONS CO., LTD. (trade name was changed from ZENRIN MS HOLDINGS CO., LTD. on April 1, 2020) being the surviving company, and ZENRIN BIZNEXUS Co., Ltd, ZENRIN GEO INTELLIGENCE CO., LTD. and DAITO Marketing Solutions Inc., being ceasing companies. In line with this change of organizational structure, the business of DAITO Marketing Solutions Inc., which was previously included in the General Printing segment, has been included in "Other" from the first quarter of fiscal 2021.

Segment information for the previous first 2 quarters has been prepared in accordance with the classification of reportable segments after the change.

3. Supplementary Information

Sales Turnover based on Business Categories under the Medium- to Long-Term Business Plan ZGP25

Business category	First 2 quarters of fiscal 2020	First 2 quarters of fiscal 2021	Amount of increase (decrease)	Rate of increase (decrease)	Main products
	million yen	million yen	million yen	%	
Product business	6,848	7,003	155	2.3	(for corporate customers) Printed residential maps, BLUE MAPS GIS Package products, Residential map data
Public Solution business	2,490	2,734	244	9.8	(for central government ministries/agencies and local governments) Printed residential maps, BLUE MAPS, Residential map databases
Map Design business	346	134	(212)	(61.3)	Special-purpose maps, Map design brand products, Original map design goods, Printed books
Automotive business	7,767	5,978	(1,789)	(23.0)	Data contents for Japanese in-car navigation systems, High-precision 3D data for AD/ADAS
IoT business	6,029	6,072	42	0.7	Services for smartphones, Map data for internet services, Provision of location based services
Marketing Solution business	3,319	2,286	(1,033)	(31.1)	Provision of Marketing Solution, General commercial printing
Total	26,803	24,209	(2,593)	(9.7)	