

3. Forecast for Consolidated Results of Operations in Fiscal 2022

ZENRIN's fiscal 2022 is the period from April 1, 2021 to March 31, 2022.

[% figures for the fiscal year represent the increase (decrease) compared to the previous fiscal year; % figures for the first 2 quarters represent the increase (decrease) compared to the same period of the previous fiscal year]

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
First 2 quarters	24,800	—	(1,200)	—	(1,000)	—	(700)	—	(12.78)
Fiscal year	58,200	—	1,700	—	1,900	—	1,300	—	23.73

[Note] Revision from most recently announced forecast for results of operations: None

As the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the first quarter of fiscal 2022, the figures of the above forecast for consolidated results of operations reflect the application of the said accounting standard, etc., and the increase (decrease) compared to the previous fiscal year and the increase (decrease) compared to the first two quarters of the previous fiscal year are not stated.

1. Qualitative Information on Quarterly Results

(1) Explanation of Business Performance

In the first quarter of fiscal 2022 (from April 1, 2021 to June 30, 2021), the Japanese economy continued to be in the difficult condition as a result of the restrictions of socioeconomic activities due to the spread of COVID-19 infection; however, some signs of recovery have been observed.

In such an environment, sales in automotive-related business and marketing solution-related business increased due to the recovery trend in sales of new vehicles and advertising demand, which had been sluggish due to the impact of the COVID-19 infection in the same period of the previous fiscal year. In addition, entrusted services for corporations with residential map data and a stock-type service "GIS package" remained solid.

In terms of costs, selling, general, and administrative expenses, including advertising expenses, increased.

As a result, the ZENRIN Group in the first quarter of fiscal 2022 reported net sales of 12,243 million yen (11,312 million yen in the same period of the previous fiscal year), operating loss of 413 million yen (1,130 million yen in the same period of the previous fiscal year), ordinary loss of 346 million yen (1,016 million yen in the same period of the previous fiscal year). In addition, loss attributable to owners of parent was 298 million yen (621 million yen in 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.

It should be noted that the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the first quarter of fiscal 2022. Thus, the Explanation of Business Performance for the said quarter period does not include the increase (decrease) amounts and rates (%) compared to the same period of the previous fiscal year. Details are as described in "2. (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)."

Furthermore, from the first quarter of fiscal 2022, information by business segment is omitted because the ZENRIN Group's reportable segments have been aggregated to a single segment.

(2) Explanation of Financial Position

Total assets at the end of the first quarter of fiscal 2022 amounted to 66,882 million yen (decreased 4,437 million yen, or down 6.2%, compared to the end of the previous fiscal year). This was attributable to the decrease in notes and accounts receivable - trade, and contract assets due to the effects of seasonal fluctuations.

Liabilities amounted to 26,660 million yen (increased 63 million yen, or up 0.2%, compared to the end of the previous fiscal year). This was mainly attributable to an increase in advances received due to adjustments at the beginning of fiscal 2022 with the application of the Accounting Standard for Revenue Recognition, etc., despite a decrease in notes and accounts payable - trade due to payment, etc.

Net assets amounted to 40,222 million yen (decreased 4,501 million yen, or down 10.1%, compared to the end of the previous fiscal year). This was mainly due to a decrease in retained earnings resulting from the adjustments at the beginning of fiscal 2022 with the application of the Accounting Standard for Revenue Recognition, etc., and a decrease in non-controlling interests.

As a result, the ratio of equity to total assets at the end of the first quarter of fiscal 2022 was 59.8% (down 0.7 points compared to the end of the previous fiscal year).

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

The forecast for the results of operations for the first six months of fiscal 2022 and the full-year forecast remain unchanged from the forecast announced on April 28, 2021, because the period of end of COVID-19 and the prospect for recovery of economic activities are uncertain.

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

[Unit: million yen]

	Fiscal 2021 As of March 31, 2021	First quarter of fiscal 2022 As of June 30, 2021
Assets		
Current assets		
Cash and deposits	16,853	16,417
Notes and accounts receivable – trade	12,675	–
Notes and accounts receivable - trade, and contract assets	–	7,322
Electronically recorded monetary claims – operating	90	90
Securities	5	5
Merchandise and finished goods	992	948
Work in process	426	620
Raw materials and supplies	78	75
Other	1,564	1,890
Allowance for doubtful accounts	(5)	(4)
Total current assets	32,682	27,367
Non-current assets		
Property, plant and equipment	13,042	12,920
Intangible assets		
Goodwill	395	366
Software	10,332	10,844
Other	3,203	2,616
Total intangible assets	13,931	13,827
Investments and other assets		
Other	11,787	12,890
Allowance for doubtful accounts	(123)	(122)
Total investments and other assets	11,663	12,767
Total non-current assets	38,637	39,515
Total assets	71,320	66,882

[Unit: million yen]

	Fiscal 2021 As of March 31, 2021	First quarter of fiscal 2022 As of June 30, 2021
Liabilities		
Current liabilities		
Accounts payable – trade	3,401	1,444
Short-term loans payable	1,885	1,236
Income taxes payable	447	138
Advances received	4,798	7,868
Provision for directors' bonuses	41	12
Provision for sales returns	6	–
Other	6,108	6,090
Total current liabilities	16,688	16,790
Non-current liabilities		
Bonds payable	8,095	8,083
Long-term loans payable	572	572
Provision for directors' retirement benefits	128	128
Provision for management board benefit trust	52	50
Net defined benefit liability	306	308
Asset retirement obligations	73	78
Other	678	647
Total non-current liabilities	9,907	9,870
Total liabilities	26,596	26,660
Net assets		
Shareholders' equity		
Capital stock	6,557	6,557
Capital surplus	12,925	12,472
Retained earnings	25,299	22,814
Treasury shares	(3,311)	(3,580)
Total shareholders' equity	41,471	38,264
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	661	637
Foreign currency translation adjustment	46	125
Remeasurements of defined benefit plans	969	960
Total accumulated other comprehensive income	1,677	1,723
Non-controlling interests	1,574	233
Total net assets	44,723	40,222
Total liabilities and net assets	71,320	66,882

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

[Unit: million yen]

	First quarter of fiscal 2021 From: April 1, 2020 To: June 30, 2020	First quarter of fiscal 2022 From: April 1, 2021 To: June 30, 2021
Net sales	11,312	12,243
Cost of sales	7,715	7,595
Gross profit	3,597	4,647
Selling, general and administrative expenses		
Personnel expenses	2,779	2,881
Provision for directors' bonuses	9	7
Retirement benefit expenses	99	75
Other	1,839	2,096
Total selling, general and administrative expenses	4,728	5,060
Operating loss	(1,130)	(413)
Non-operating income		
Interest income	2	1
Dividend income	83	39
Other	53	62
Total non-operating income	139	103
Non-operating expenses		
Interest expenses	4	2
Foreign exchange losses	3	25
Other	17	8
Total non-operating expenses	25	36
Ordinary loss	(1,016)	(346)
Extraordinary income		
Gain on sales of investment securities	18	—
Total extraordinary income	18	—
Extraordinary losses		
Loss on sales and retirement of non-current assets	5	7
Loss on valuation of investment securities	20	2
Total extraordinary losses	26	9
Loss before income taxes	(1,024)	(355)
Income taxes – current	64	122
Income taxes – deferred	(391)	(141)
Total income taxes	(327)	(19)
Loss	(697)	(336)
Loss attributable to non-controlling interests	(75)	(37)
Loss attributable to owners of parent	(621)	(298)

Quarterly Consolidated Statement of Comprehensive Income [cumulative]

[Unit: million yen]

	First quarter of fiscal 2021 From: April 1, 2020 To: June 30, 2020	First quarter of fiscal 2022 From: April 1, 2021 To: June 30, 2021
Loss	(697)	(336)
Other comprehensive income		
Valuation difference on available-for-sale securities	154	(23)
Foreign currency translation adjustment	(5)	78
Remeasurements of defined benefit plans, net of tax	22	(8)
Total other comprehensive income	170	46
Comprehensive income	(526)	(290)
[Comprehensive income attributable to]		
Comprehensive income attributable to owners of parent	(451)	(252)
Comprehensive income attributable to non-controlling interests	(74)	(37)

(3) 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

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the first quarter of fiscal 2022 in accordance with the transitional treatment. Details are as described in "2. (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)."

Changes in Significant Subsidiaries in the First Quarter of Fiscal 2022

Not applicable.

While not qualifying as a change in specified subsidiaries, ZENRIN acquired shares of KERNEL INC. on April 1, 2021. In addition, ZENRIN and ZENRIN FUTURE PARTNERS CO., LTD., which is ZENRIN's consolidated subsidiary, established the ZFP No. 1 Investment Limited Partnership on the said date.

Consequently, the two companies KERNEL INC. and ZFP No. 1 Investment Limited Partnership have been included in the scope of consolidation from the beginning of the first quarter of fiscal 2022.

Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition, Etc.

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the first quarter of fiscal 2022. The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the first quarter of fiscal 2022, was added to or subtracted from the opening balance of retained earnings of the first quarter of fiscal 2022, and thus the new accounting policy was applied from such opening balance. However, the new accounting policy has not been retrospectively applied to contracts in which the amounts of almost all earnings are recognized in accordance with the previous treatment before the beginning of the first quarter of fiscal 2022 through the application of the method prescribed in paragraph 86 of the Accounting Standard for Revenue Recognition.

It has thus recognized promised goods or services as revenue at the amount expected to be received upon exchange of said goods or services at the time the control of said goods or services is transferred to the customer. Major points of change in accounting method include (1) while revenue for some license transactions were usually recognized when the license was granted to the end user, revenue is now recognized for the period of time over which the performance obligation to customers is satisfied for the relevant license, (2) if the performance obligation is to arrange the provision of goods or services promised with customers through another party, revenue is recognized in net amount as an agent, and (3) regarding entrusted contracts in which performance obligation continues over a certain period of time, while revenue was recognized upon completion of the entrusted services, revenue is, as a basic rule, recognized as the satisfaction of performance obligations progresses.

As a result, net sales for the first quarter of fiscal 2022 decreased by 240 million yen, and cost of sales decreased by 207 million yen. The impacts on operating loss, ordinary loss and loss before income taxes were minor. In addition, the balance of retained earnings at the beginning of the first quarter of fiscal 2022 decreased by 1,495 million yen.

With the application of the Accounting Standard for Revenue Recognition, etc., "notes and accounts receivable - trade," which was presented in "current assets" in the balance sheet for the previous fiscal year has been included in "notes, accounts receivable-trade, and contract assets" from the first quarter of fiscal 2022. Meanwhile, no reclassification is made for the previous fiscal year based on the new classification method in accordance with the transitional treatment prescribed in paragraph 89-2 of the Accounting Standard for Revenue Recognition.

Application of Accounting Standard for Fair Value Measurement, Etc.

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019), etc. have been applied from the beginning of the first quarter of fiscal 2022. The Group has prospectively applied new accounting policies provided for in the Accounting Standard for Fair

Value Measurement, etc. in accordance with the transitional treatment stipulated in paragraphs 19 of the Accounting Standard for Fair Value Measurement and 44-2 of the Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This application does not have any impact on the quarterly consolidated financial statements.

Segment Information

I. First Quarter of Fiscal 2021 (from April 1, 2020 to June 30, 2020)

Details are as described in “II. First Quarter of Fiscal 2022 (Notes Relating to Changes in Reportable Segments, Etc.)”.

II. First Quarter of Fiscal 2022 (from April 1, 2021 to June 30, 2021)

As the ZENRIN Group has a single segment named “Map and Location Data Services business” the segment information has been omitted.

Notes Relating to Changes in Reportable Segments, Etc.

While the Group’s reportable segments were previously been classified into the Map Database segment and the General Printing segment, those segments have been aggregated in a single segment named “Map and Location Data Services business” from the first quarter of fiscal 2022.

As the business environment is changing very rapidly due to the growing needs for location data, the ZENRIN Group has shifted to its business that provides services in response to customer needs by integrally managing location data and other related diverse data. In addition, considering that sales, profits, and assets in the General Printing segment have been less significant, we have determined that disclosing those two segments in aggregate as the “Map and Location Data Services business” would reflect the actual management status of the ZENRIN Group more properly, as a result of taking into account the ZENRIN Group’s business development and the process and actual conditions of decision-making on the allocation of management resources, etc.

Through this change, as the ZENRIN Group’s reportable segment has been aggregated to a single segment of “Map and Location Data Services business,” the segment information for the first quarter of fiscal 2021 and the first quarter of fiscal 2022 has been omitted.

3. Supplementary Information

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

Business category	First quarter of fiscal 2021	First quarter of fiscal 2022	Main products
	million yen	million yen	
Product business	3,125	3,407	(for corporate customers) Printed residential maps, BLUE MAPS, GIS Package products, Residential map data
Public Solution business	1,085	1,075	(for central government ministries/agencies and local governments) Printed residential maps, BLUE MAPS, Residential map data
Map Design business	26	101	Special-purpose maps, Products of map design brands, Original map design goods, Printed books
Automotive business	2,907	3,256	Data contents for in-car navigation systems, High-precision 3D data for AD/ADAS
IoT business	3,034	3,010	Services for smartphones, Map data for internet services, Provision of location-based services and solutions
Marketing Solution business	1,132	1,392	Provision of Marketing Solution, General commercial printing
Total	11,312	12,243	

[Note] While figures for the first quarter of fiscal 2022 reflect the application of the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., figures for the first quarter of fiscal 2021 are those computed prior to the application of the said accounting standard, etc. Therefore, the increase (decrease) amounts and rates (%) are not stated.