ZENRIN

Securities Code: 9474

Results for First Quarter of Fiscal 2019 (Year Ending March 31, 2019)

July 30, 2018

ZENRIN CO.,LTD.

Maps to the Future

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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 are negative are shown as "–."

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1. Results for First Quarter of Fiscal 2019

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under Medium- to Long-Term Business Plan ZGP2020

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1-1） Overview of Results for First Quarter

Key Points of Results for First Quarter of Fiscal 2019

- Net sales increased for two consecutive periods.
- Operating income, ordinary income and profit attributable to owners of parent improved for two consecutive periods. (returned to profitability)
- Data sales for Japanese in-car navigation systems were strong, and sales related to IoT including contract development also increased.
- Cost of sales including the commission fee increased in conjunction with increased revenues.

(Amounts in million yen)

	1Q of FY2018 Actual	1Q of FY2019 Actual	Compared to 1Q of FY2018	% of Change
Net Sales	12,039	13,610	1,570	13.0
Operating Expenses	12,250	13,248	998	8.1
Operating Income Operating Margin	-210 -1.7%	362 2.7%	572 4.4pt	—
Ordinary Income	-53	560	613	—
Profit Attributable to Owners of Parent	-143	336	480	—

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

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Results for First Quarter of Fiscal 2019

(Amounts in million yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
Compared to 1Q of FY2018	Up1,570(+13.0%)	Improved 572 (—)	Improved 613 (—)	Improved 480 (—)

Increase in sales for two consecutive periods	Improved in income for two consecutive periods	Improved in profit for two consecutive periods
	Returned to profitability for the first time in six periods	Returned to profitability for the first time in four periods

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1-3）Causes for Change in Operating Income

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(Amounts in billion yen)

*DMS:DAITO Marketing Solutions Inc.

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1-4）Segment Information

Sales Composition

1. Map Database Segment

80.9%

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

2. General Printing Segment

7.6%

Main Items: Commercial printing

3. Other

11.5%

Main Items: Purchased products,
Digital signage,
Provision of marketing solution

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1-4）Map Database Segment

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Results for First Quarter of Fiscal 2019

(Amounts in million yen)

Net Sales

Compared to 1Q of FY2018

Up 922 (+9.1%)

Operating Income

Improved 526 (—)

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1-4）General Printing Segment, and Other

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Results for First Quarter of Fiscal 2019

(Amounts in million yen)

General Printing Segment

Net Sales

Compared to 1Q of FY2018

Up 227 (+28.4%)

Operating Income

Improved 60 (—)

Other

Compared to 1Q of FY2018

Up 421 (+36.7%)

Downturn of 15 (—)

※ The main cause for the increase in sales in the General Printing and Other segments was the impact of DMS, which became a consolidated subsidiary in the previous term.

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1-5)中長期経営計画(ZGP2020)で区分した事業別売上高

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Results for First Quarter of Fiscal 2019

(Amounts in billion yen)

前年同期比	Product	Public Solution	Map Design	Automotive	IoT	Marketing Solution
	+0.0 (+3.1%)	+0.0 (+5.5%)	−0.0 (-31.0%)	+0.6 (+18.9%)	+0.3 (+11.7%)	+0.4 (+26.3%)

※Results for June 2017 use the values that have been reclassified from the previous segments to the new segments.

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2. Appendix

1） Overview of results for First Quarter of Fiscal 2019
Amount of Capital Investment, Depreciation
and R&D Costs

2） Earnings Forecast for Fiscal 2019
(The forecast remains unchanged from that announced on April 27, 2018)

3） Net Sales by Business
under Medium- to Long-Term Business Plan ZGP2020

4） Changes in Composition of Net Sales by Quarter

5） Business Topics

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2-1）Amount of Capital Investment, Depreciation and R&D Costs

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Results for First Quarter of Fiscal 2019

(Amounts in million yen)

Amount of Capital Investment

R&D Costs

Depreciation

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2-2）Earnings Forecast for Fiscal 2019

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While performance in the 1Q has been strong, and there are currently no changes in trends to be noted, the ZENRIN Group's sales and profits are subject to extreme seasonal fluctuations and tend to be concentrated in the 4th quarter, and thus the Company refrains from making forecasts of the results of operations.

(Amounts in million yen)

Earnings Forecast for First 2 Quarters of Fiscal 2019

	First 2Qs of FY2018 Actual	First 2Qs of FY2019 Forecast	Compared to First 2Qs of FY2018	% of Change
Net Sales	26,016	27,000	983	3.8
Operating Expenses	25,546	27,000	1,453	5.7
Operating Income Operating Margin	470 1.8%	0 —	-470 -1.8pt	—
Ordinary Income	725	0	-725	—
Profit Attributable to Owners of Parent	213	0	-213	—

Earnings Forecast for Fiscal 2019

	FY2018 Actual	FY2019 Forecast	Compared to FY2018	% of Change
Net Sales	61,332	64,000	2,667	4.3
Operating Expenses	55,890	58,200	2,309	4.1
Operating Income Operating Margin	5,441 8.9%	5,800 9.1%	358 0.2pt	6.6
Ordinary Income	5,863	6,200	336	5.7
Profit Attributable to Owners of Parent	3,336	3,700	363	10.9

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2-3）Net Sales by Business under Medium- to Long-Term Business Plan ZGP2020

Results for First Quarter of Fiscal 2019

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(Amounts in billion yen)

18/3 ↓ 19/3	Product	Public Solution	Map Design	Automotive	IoT	Marketing Solution
	+0.3 (+2.4%)	+0.0 (+0.1%)	+0.0 (+2.7%)	+0.5 (+3.2%)	+1.1 (+8.2%)	+0.5 (+7.3%)

*Data for fiscal 2018 (outlined bar graph) and fiscal 2020 (finial fiscal year under ZGP2020) use the values that have been reclassified from the previous segments to the new segments.

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2-4）Changes in Composition of Net Sales by Quarter

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（Announced on June 20, 2018）

■First in the industry to market independent study kits using maps for social studies! “Town Exploration Kit! Discovery through Map-making” for getting to know the community by walking and looking around.

Starting from Wednesday, June 20, 2018, ZENRIN has begun sales of “Town Exploration Kit! Discovery through Map-making,” an independent study kit for getting to know the community by walking and looking around. This product is based on the theme of “Town Exploration,” which is taught in the 2nd and 3rd grades of primary school, and by utilizing this kit in the independent studies during summer vacation, etc., it is expected to nurture geographical sense and knowledge. This product for social studies is a first in the independent studies kit market which utilizes maps.

■Product features

Based on the theme of “Town Exploration,” which is taught in 2nd and 3rd grades in the Living Environment and Social Studies of primary school, it allows the child and parents to look and walk around familiar places such as their neighborhood and local shopping areas and experience map-making. It is perfect as a summer project for children who have just learned “Town Exploration.” The kit can output accurate and detailed, large-scale, blank maps for any location in Japan, without any words or symbols, which are ideal for filling in and writing.

Map Design

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（Announced on June 21, 2018）

■Services for crisis management divisions of local governments
Commenced offering “ZENRIN Residential Map LGWAN Disaster Prevention Pack”

To enhance the operational efficiency of the disaster prevention divisions of local governments, ZENRIN has begun offering “Disaster Prevention Pack” from June 28, 2018, as part of its new lineup, in addition to the cloud-type, residential map services, “ZENRIN Residential Map LGWAN (*),” which was released in April 2018.
(*GIS application based on residential maps that support LGWAN (Local Government Wide Area Network))

■ “Disaster Prevention Pack”

“ZENRIN Residential Map LGWAN Disaster Prevention Pack” is a service with the additional new function for the crisis management divisions, which handle various disaster prevention information and which has the highest demand for residential maps among the local governments. In addition to the basic functions which support the LGWAN environment and which enables access to and printing of residential maps, it offers functions that assist the manpower of disaster prevention divisions promptly and efficiently when disasters occur.

Area count

Automatically counts the number of households in a designated area

Displays Landslide Warning Judgment Mesh Information

Superimposes the Landslide Warning Judgment Mesh Information distributed by the Japan Meteorological Agency on the map. Alert notices can be sent out when the mesh areas overlap.

Displays the UTM grid

More efficient information exchanges with the SDF when responding to disasters.

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（Announced on June 22, 2018）

■Initiated collaborative study on commercialization of a platform using blockchain technology for sharing real estate information

Zenhoren Co., Ltd., Net Protections, Inc., LIFULL Co., Ltd., NTT DATA Institute of Management Consulting, Inc., NTT DATA Global Technology Services Japan Co., Ltd. and ZENRIN have initiated collaborative study on the commercialization of a platform using blockchain technology for sharing real estate information. To further these initiatives going forward, the active participation of related companies will be called upon and the establishment of a consortium is planned in the summer of 2018, in order to collaborate with more companies and research institutions.

With the implementation of this study, Zenhoren Co., Ltd. (rent liability guarantee business), ZENRIN (map information business), Net Protections, Inc. (payment services provider) and LIFULL Co., Ltd. (real estate portal business), which deal with various real estate-related information, will derive use cases based on the characteristics of business and information held by each company. NTT DATA Institute of Management Consulting, Inc. will consult on strategy planning and promotion of this collaborative study, and NTT DATA Global Technology Services Japan Co., Ltd. will support the study of blockchain technology development on the basis of Proof of Concept (POC) results.

By constructing a shared platform of real estate information using blockchain technology, common management of information that was not possible before will be achieved, aiming for improved efficiency of existing business as well as improved transparency and accuracy of information in the distribution of real estate information.
Linking the business of each area on the platform will not only improve the transparency and accuracy of real estate information but also enable the study of various methods of utilizing such information, such as in new real estate services, advertisement services and financial services including settlement services.

IoT

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（Announced on July 12, 2018）

■TEPCO Group, ZENRIN and Rakuten commenced joint study on drone logistics using “drone highways (*)”

Successfully conducted world’s first demonstration of drone-deliveries using power transmission lines as safe air routes

TEPCO Ventures, Inc. (“TEPCO Ventures”) and ZENRIN formed an alliance on March 29, 2017 towards the realization of “the drone highway initiative” to support safe drone flights from the standpoint of infrastructure.
By combining the infrastructure data from the TEPCO Group’s “transmission towers, transmission lines, substations and utility poles” and the “three-dimensional maps of the sky,” currently being developed by ZENRIN, efforts are being made for the early realization of a “safe and secure flight route,” and several test courses in the Kanto area are planned to open from 2018.

Recently, Rakuten, Inc. (“Rakuten”), which has been operating a drone-based delivery service called “Rakuten Drone,” has joined “the drone highway initiative,” to jointly study the commercialization of the “drone highway,” as a safe flight route.
On June 27, 2018, the first joint demonstration has already been held in Chichibu-shi, Saitama prefecture, which successfully made the world’s first drone-based delivery using power transmission lines.
Going forward, TEPCO Ventures, ZENRIN and Rakuten will conduct joint demonstrations and aim for the commercialization of drone logistics using “drone highways.”

*Air space and air routes for drones

You may view videos of the demonstration on the Company’s website.
https://www.zenrin.co.jp/information/public/180712.html

IoT

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