ZENRIN

Securities Code: 9474

Briefing on Results for Fiscal 2019

(Year Ended March 31, 2019)

May 15, 2019

President and CEO	Zenshi Takayama
Executive Vice President	Junya Amita
Executive Officer, and Head of Corporate Management Division	Yumiko Toshima

ZENRIN Co., Ltd.
Maps to the Future

Table of Contents

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 "–".

© ZENRIN CO., LTD. All Rights Reserved.

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

© ZENRIN CO., LTD. All Rights Reserved.

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

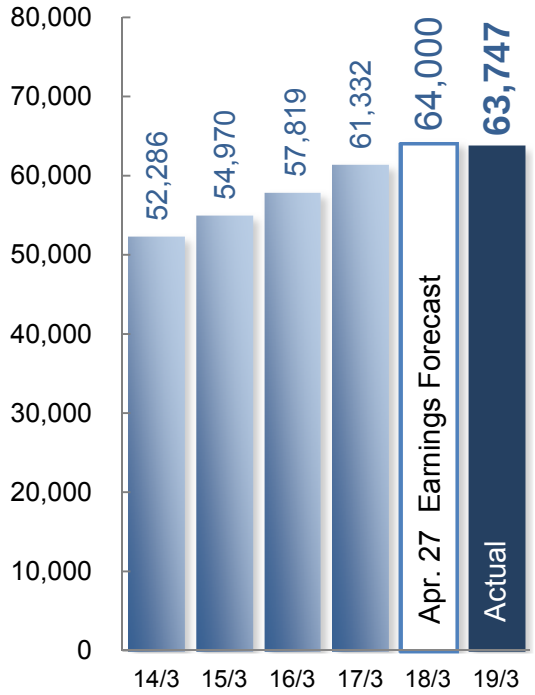
© ZENRIN CO., LTD. All Rights Reserved.

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

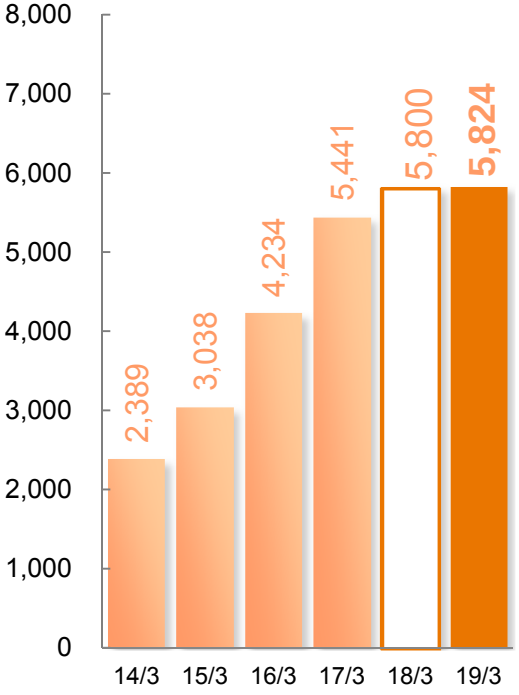
ZENRIN
Maps to the Future

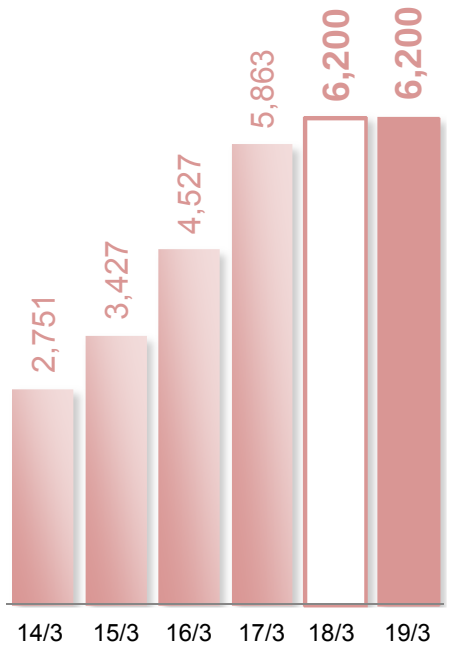
(Amounts in million yen)

	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
Compared to FY2018	Up 2,415 (+3.9%)	Up 382 (+7.0%)	Up 337 (+5.7%)	Down 129 (-3.9%)
Compared to Earnings Forecast (announced on Apr. 27,2018)	Down 252 (-0.4%)	Up 24 (+0.4%)	Up 0 (+0.0%)	Down 493 (-13.3%)

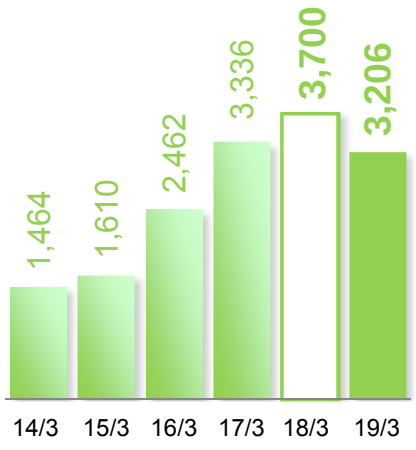


Increase in sales for four consecutive periods (Record high)





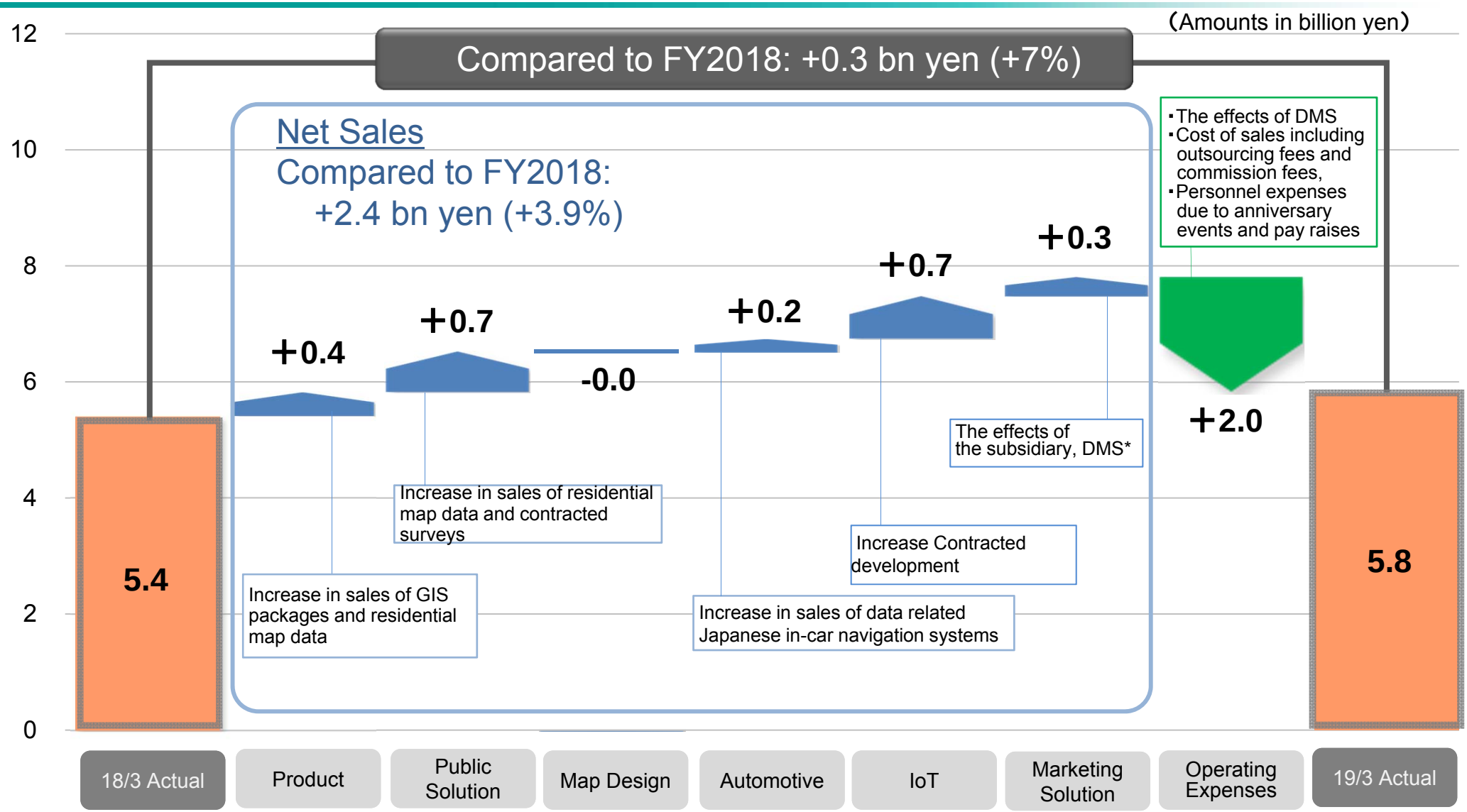
Increase in income for four consecutive periods



decrease in income for the first time in five periods

© ZENRIN CO., LTD. All Rights Reserved.

1-3) Causes for Change in Operating Income

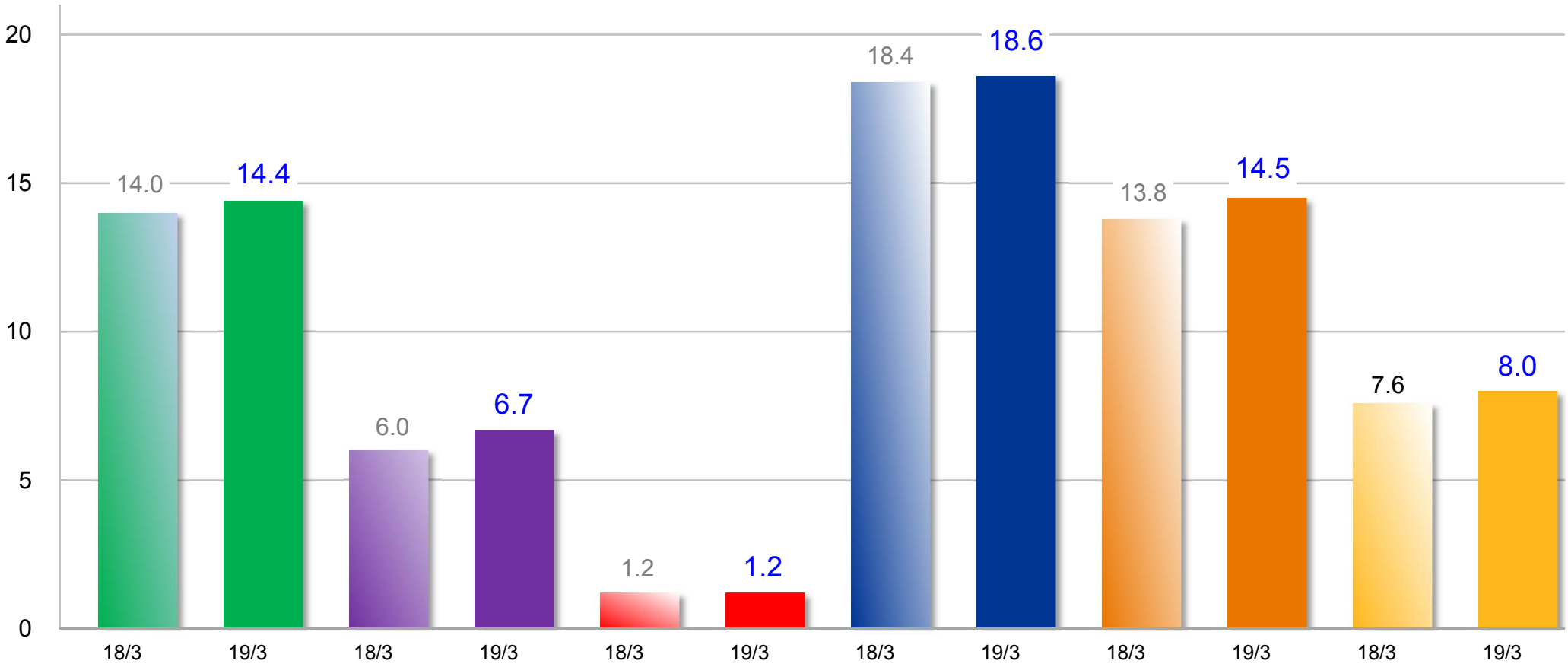


*DMS：DAITO MARKETING SOLUTIONS CO., LTD.

© ZENRIN CO., LTD. All Rights Reserved.

1-4) Net Sales by Business

(Amounts in billion yen)



Compared to FY2018	Product	Public Solution	Map Design	Automotive	IoT	Marketing Solution
	+0.4 (+3.0%)	+0.7 (+11.6%)	-0.0 (-1.2%)	+0.2 (+1.3%)	+0.7 (+5.3%)	+0.3 (+4.4%)

© ZENRIN CO., LTD. All Rights Reserved.

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

© ZENRIN CO., LTD. All Rights Reserved.

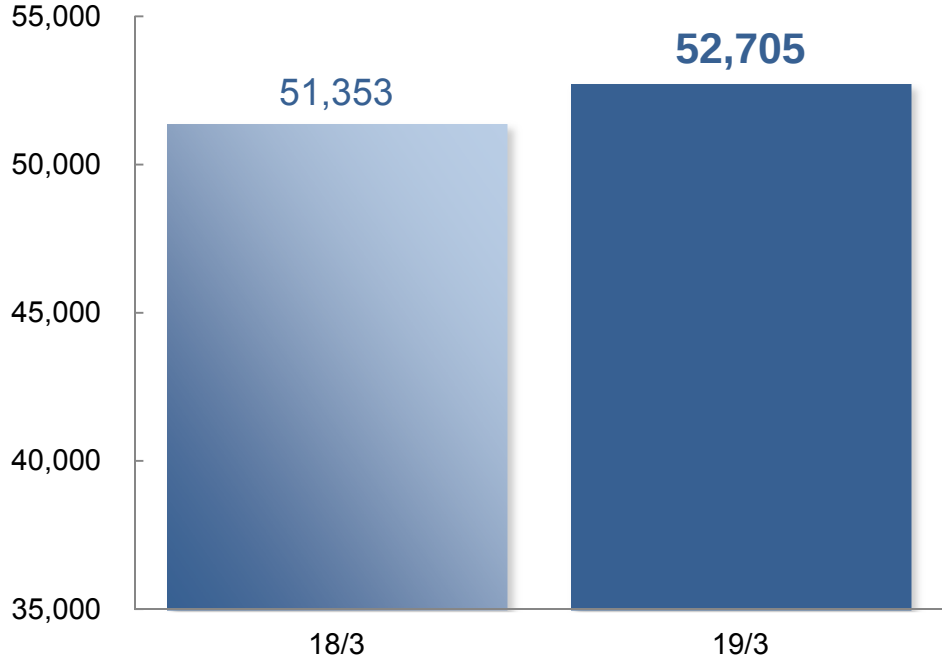
1-5) Map Database Segment

(Amounts in million yen)

Net Sales

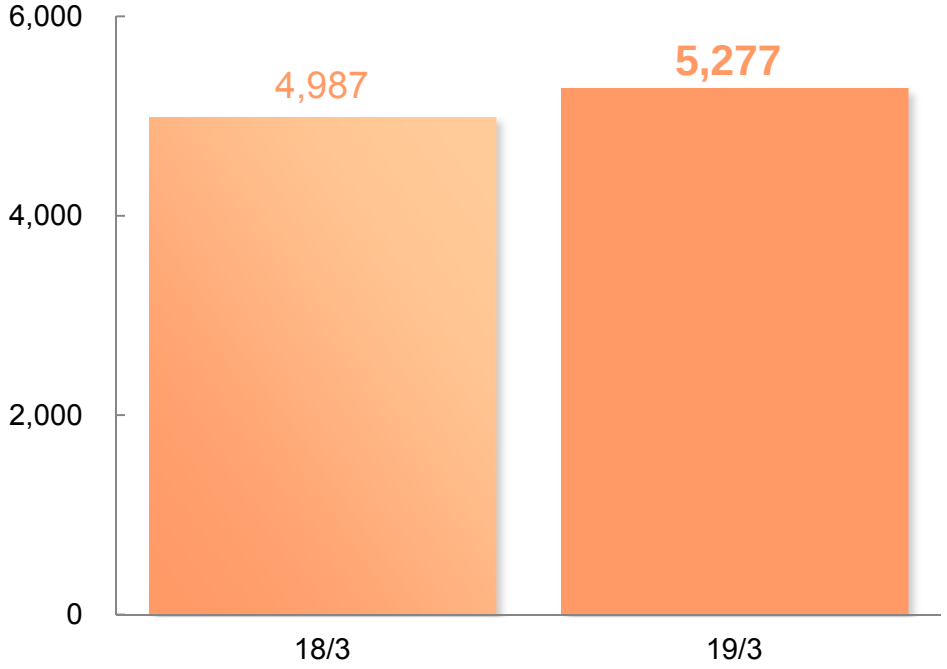
Compared to FY2018

Up 1,352 (+2.6%)



Operating Income

Up 290 (+5.8%)



■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.

© ZENRIN CO., LTD. All Rights Reserved.

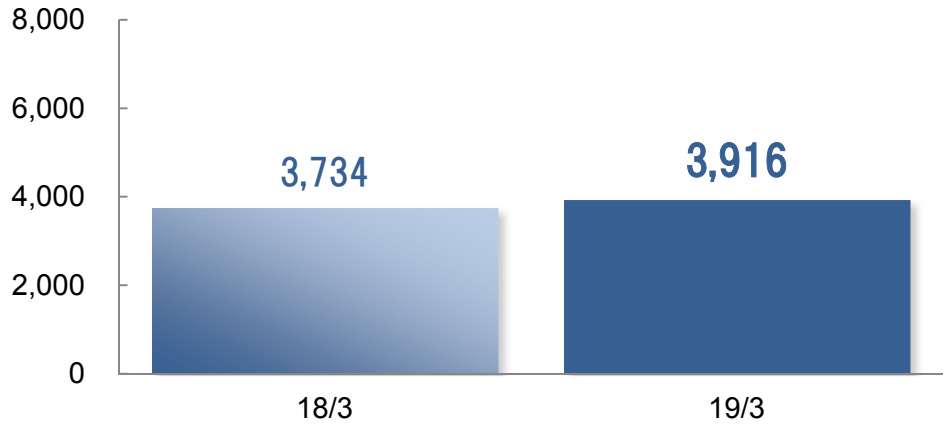
1-5) General Printing Segment, and Other

(Amounts in million yen)

General Printing Segment

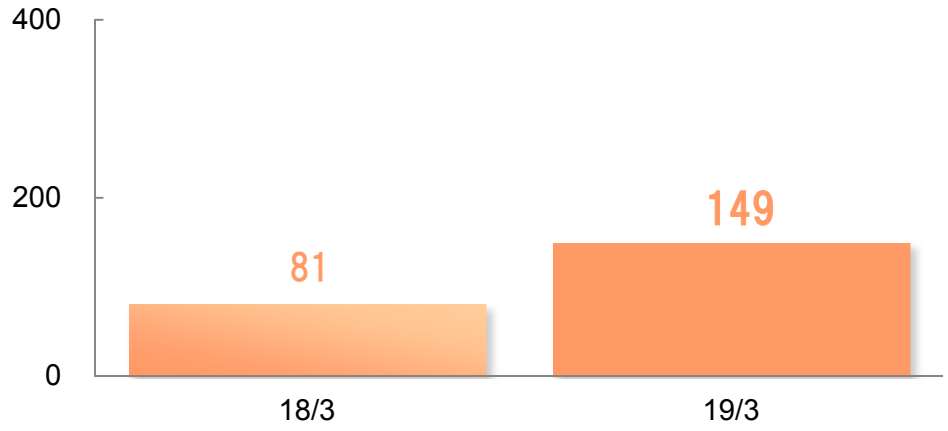
Net Sales

Compared to FY2018: Up 182 (+4.9%)



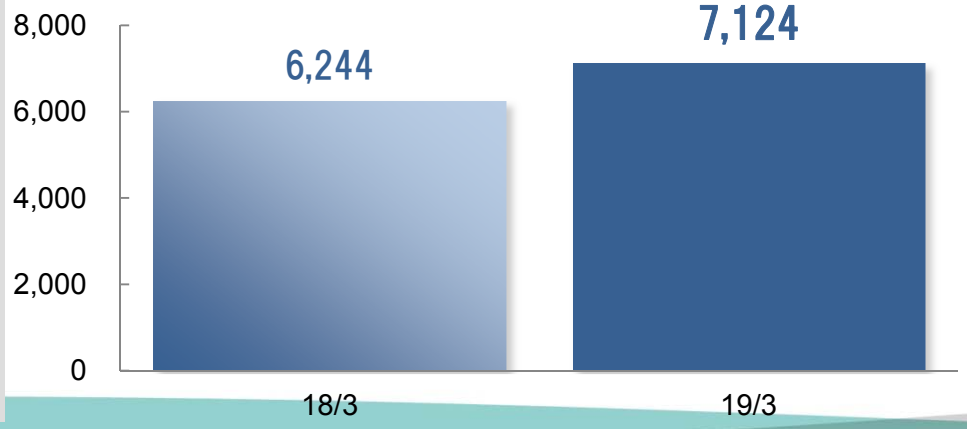
Operating Income

Up 67 (+83.3%)

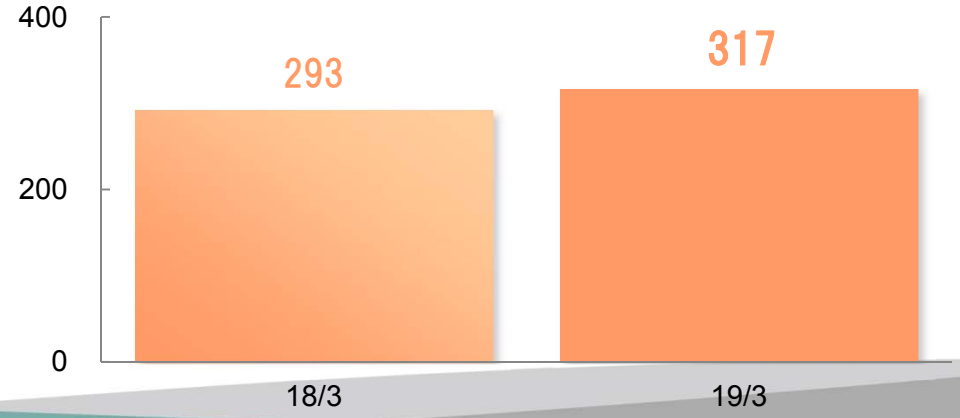


Other

Compared to FY2018: Up 880 (+14.1%)



Up 24 (+8.4%)

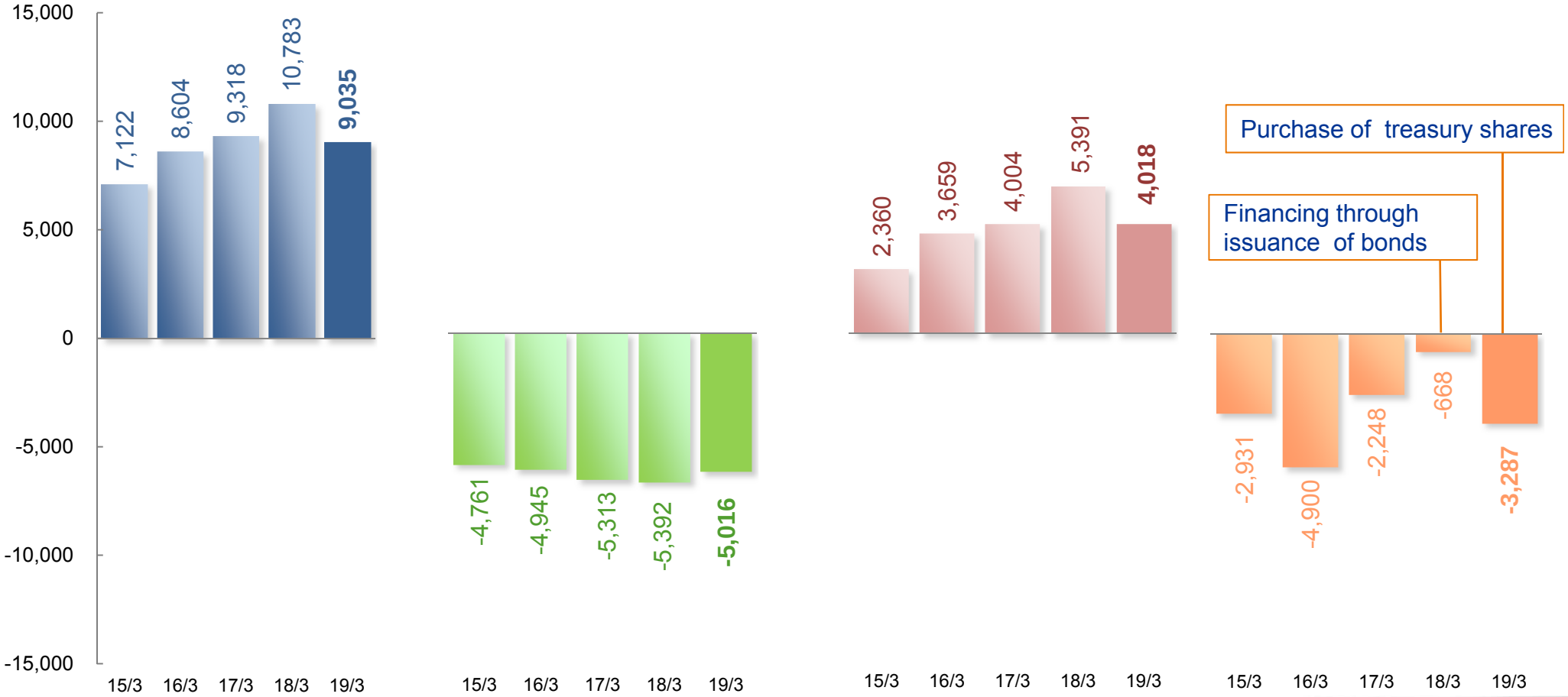


© ZENRIN CO., LTD. All Rights Reserved.

1-6) Changes in Cash Flows

(Amounts in million yen)

	Operating Cash Flows	Investing Cash Flows	Free Cash Flows	Financing Cash Flows
Compared to FY2018	Inflows down 1,747	Outflows down 375	Inflows down 1,372	Outflows up 2,619



© ZENRIN CO., LTD. All Rights Reserved.

2. ZENRIN GROWTH PLAN 2025

1) Progress of ZENRIN GROWTH PLAN 2020 (ZGP2020)

①Basic Structure of ZGP2020
②Major Results and Challenges of ZGP2020
③Revision 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)

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

© ZENRIN CO., LTD. All Rights Reserved.

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"

© ZENRIN CO., LTD. All Rights Reserved.

2-1) ②Major Results and Challenges of ZGP2020

ZENRIN
Maps to the Future

	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%)
ROE (Return on equity)	4.0%	6.0%	8.2%	8.1%	12% or higher
DOE (Dividend on equity on a consolidated bases)	3.0%	3.1%	3.2%	3.3%	3% or higher

Results

- 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

- 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

© ZENRIN CO., LTD. All Rights Reserved.

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

© ZENRIN CO., LTD. All Rights Reserved.

2-2) ① Business Environment

ZENRIN
Maps to the Future

A I
Big data
5 G
CASE
Cloud service

Network society

Society in which activities, goods, and people are connected in every possible way

Advanced connections of activities, goods, and people supported by progress in technology

Smaller communities of people

The volume of information circulated in the world will make correct and quick access to necessary information increasingly difficult

As people's needs become increasingly diverse, it will be important to provide just enough information in a timely manner

Optimization of "quantity and quality" in network society is the key

© ZENRIN CO., LTD. All Rights Reserved.

2-2) ②ZGP25 Basic Policy

ZENRIN
Maps to the Future

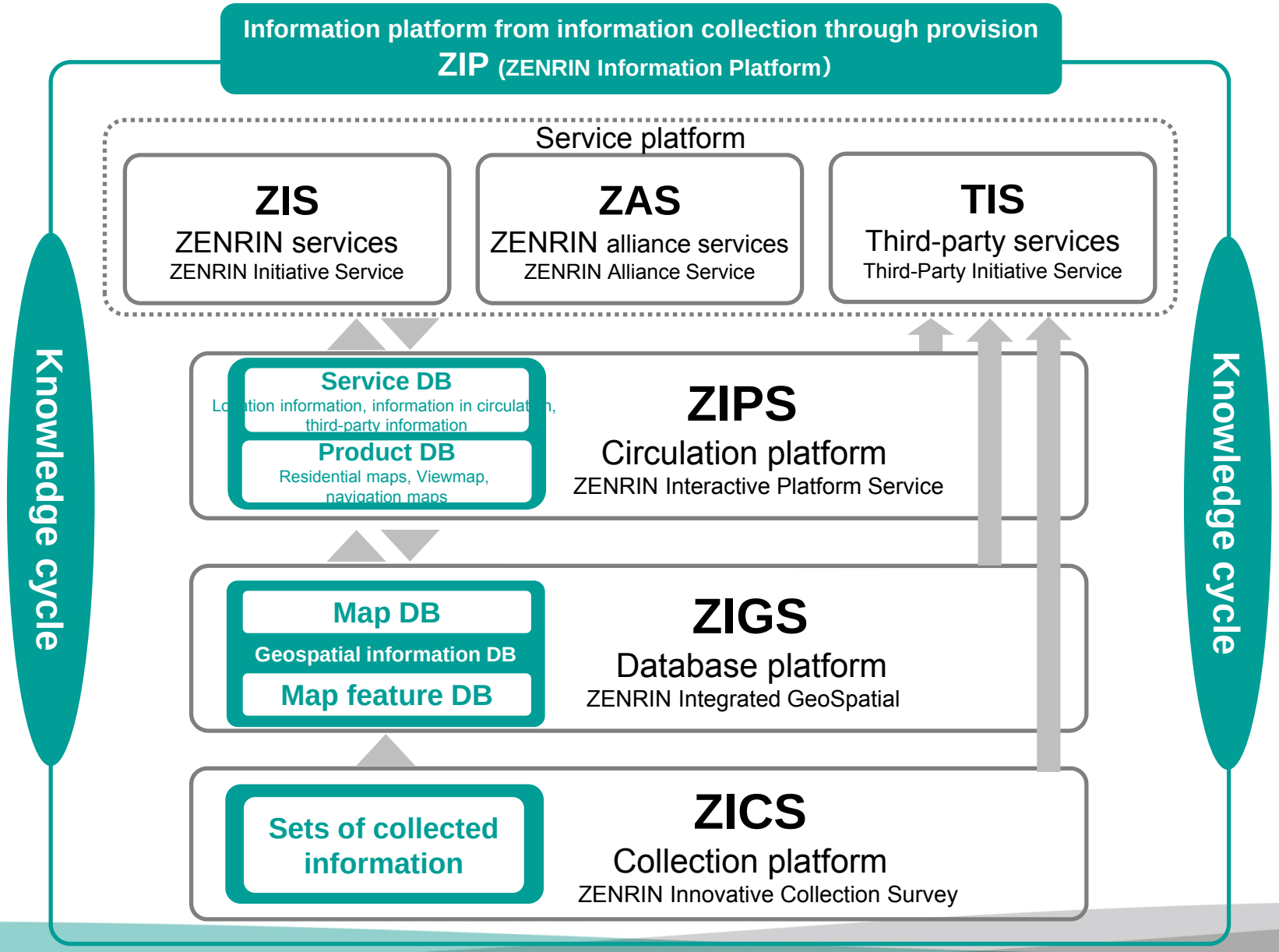
Optimization of "quantity and quality" in network society

～ 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

© ZENRIN CO., LTD. All Rights Reserved.

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



© ZENRIN CO., LTD. All Rights Reserved.

2-2) ②ZGP25 Basic Policy (Business)

ZENRIN
Maps to the Future

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.

© ZENRIN CO., LTD. All Rights Reserved.

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

<Definition of business models in ZGP25>

Stock-type business (regular use)z

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>

FY2019

Flow-type business

- Printed residential maps
- Residential map data
- Car navigation data

Stock-type business

- GIS package
- Navigation apps for smartphones

Subscription-type business

- Convenience store printing service
- Incremental updates of navigation data

Scale of sales: bigger

FY2025

Flow-type business

Stock-type business

Subscription-type business

Scale of sales: bigger

© ZENRIN CO., LTD. All Rights Reserved.

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

ZENRIN
Maps to the Future

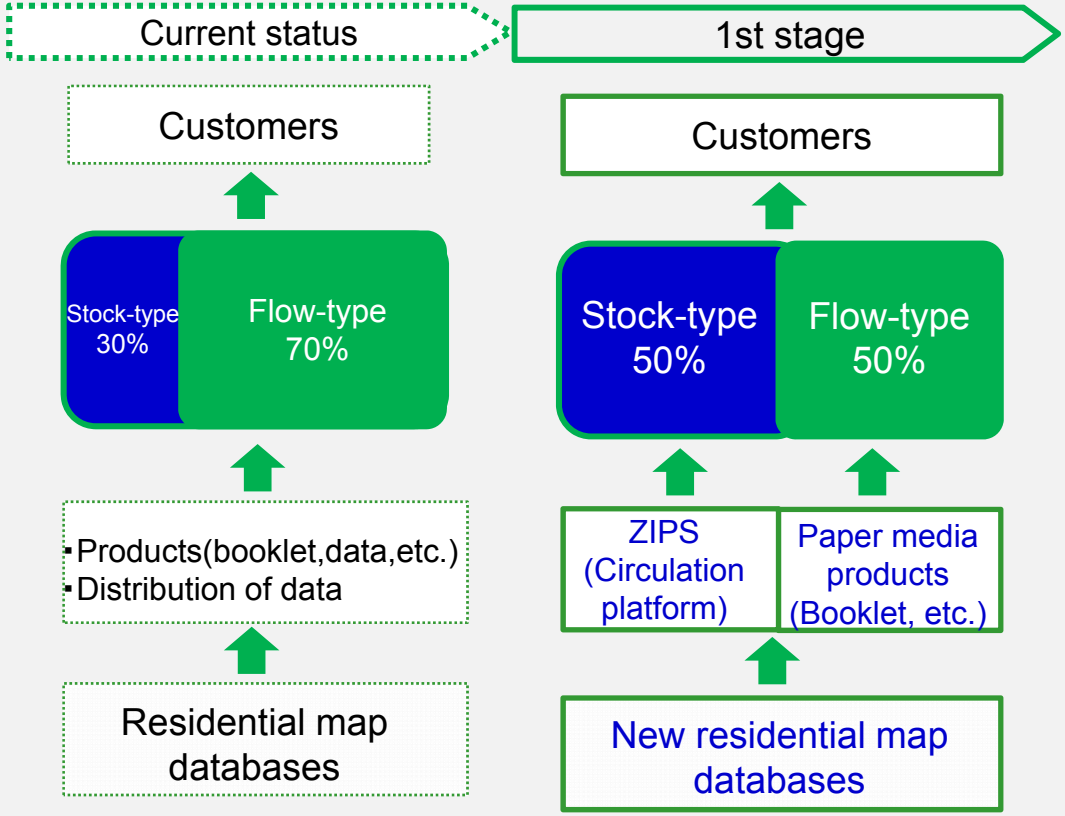
Product	Develop new residential map databases to expand markets
Public Solution	Expand earnings through the coexistence of ZENRIN services and third-party services in public platforms
Map Design	Create consumer markets with a line-up of map design products
Automotive	Continue navigation business by optimizing 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

© ZENRIN CO., LTD. All Rights Reserved.

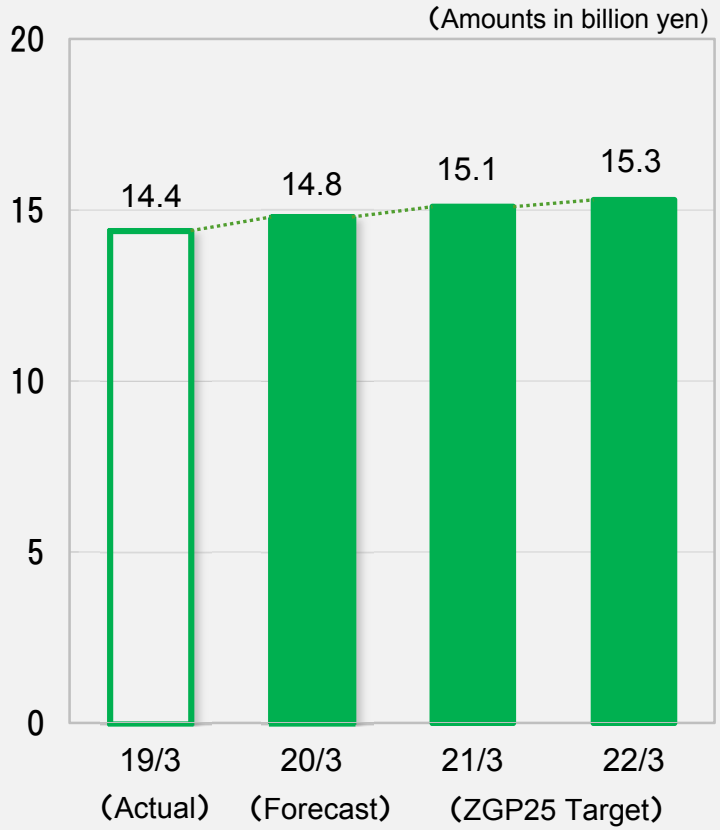
2-2) ②ZGP25 Basic Policy (Actions by Business)

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



© ZENRIN CO., LTD. All Rights Reserved.

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

ZENRIN
Maps to the Future

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 → 1st stage

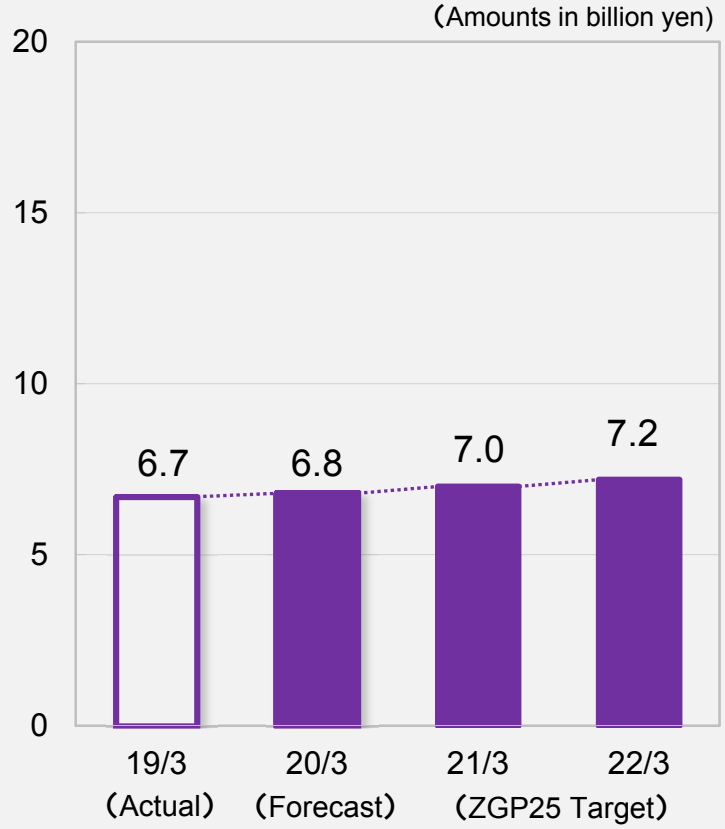
600 municipalities

Provision of services in collaboration with partner companies

1,000 municipalities

Expansion of use of "ZENRIN residential maps LGWAN," which can be used in municipalities' dedicated network environment

Sales Target



© ZENRIN CO., LTD. All Rights Reserved.

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

ZENRIN
Maps to the Future

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	1st stage
Limited products/channels	Create markets by product planning and stronger alliances

mati mati Series

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

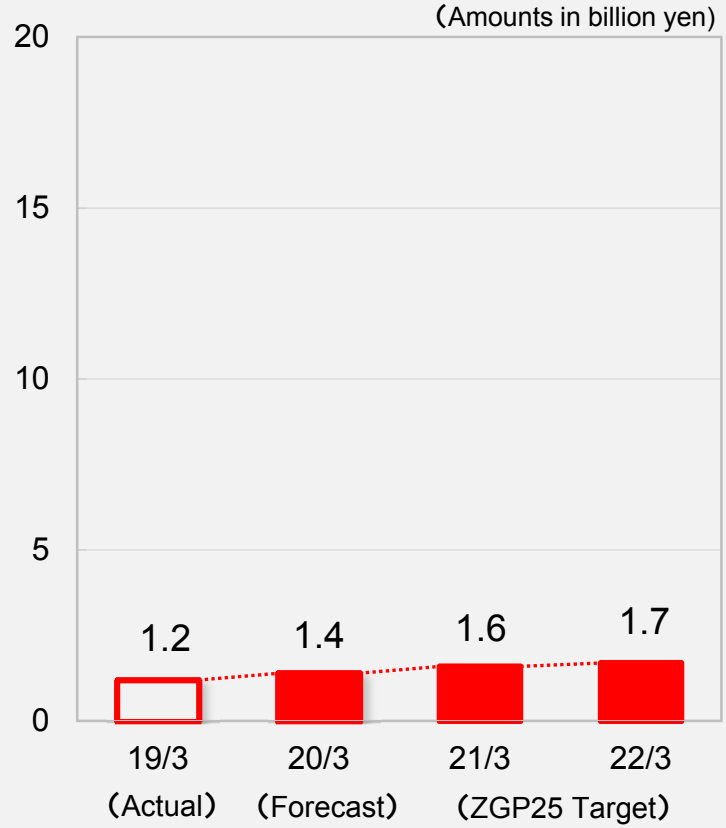
Special feature maps for municipalities

Profitability will improve as productivity improves

Officially licensed products

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

Sales Target



© ZENRIN CO., LTD. All Rights Reserved.

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

ZENRIN
Maps to the Future

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

Connected vehicle-based

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

Navigation services

Music services

Information services

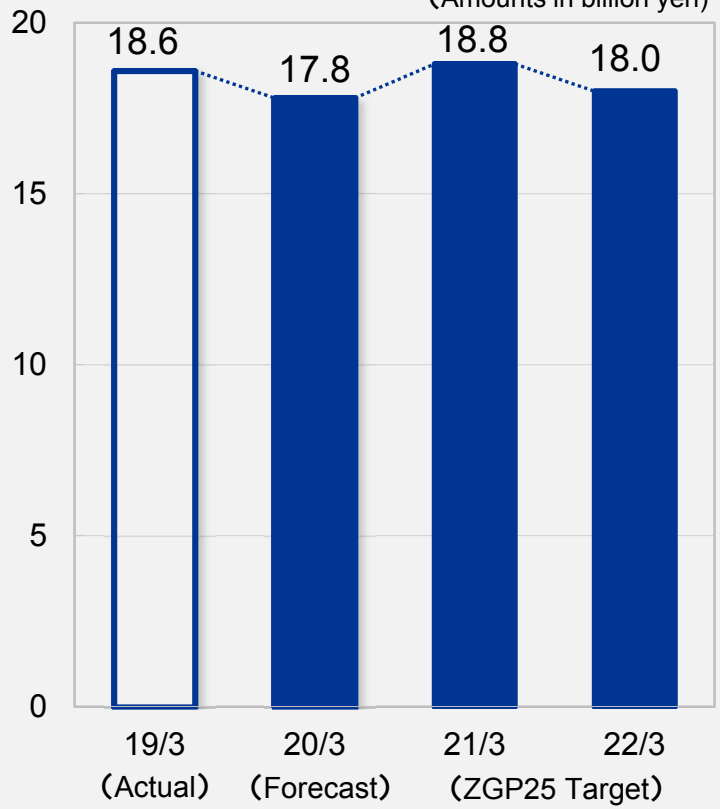
AD/ADAS business

Expressways
Mass production responses

Advance development of high precision maps for ordinary roads

Sales Target

(Amounts in billion yen)



© ZENRIN CO., LTD. All Rights Reserved.

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

ZENRIN
Maps to the Future

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

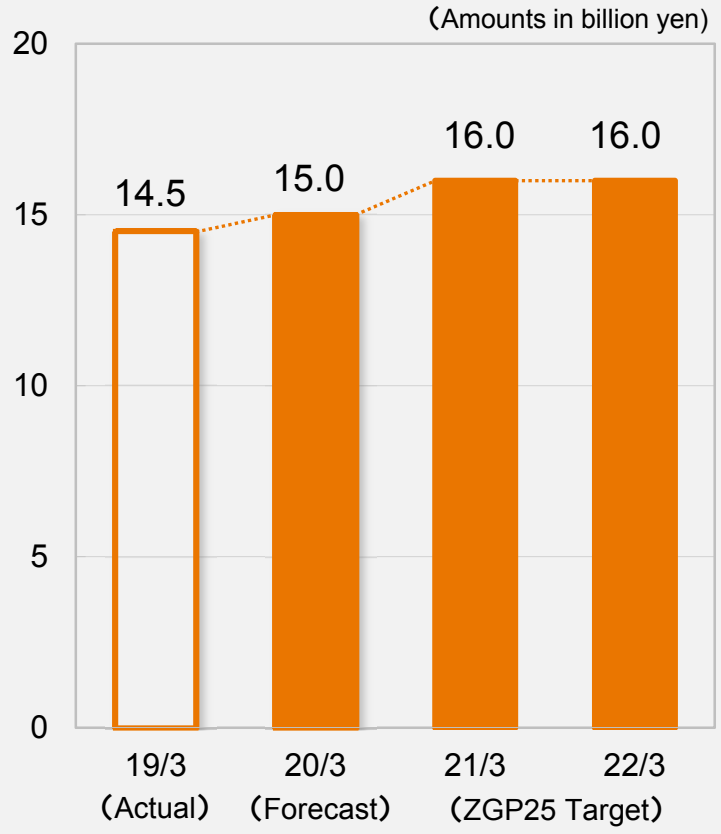
Business model

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



© ZENRIN CO., LTD. All Rights Reserved.

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

ZENRIN
Maps to the Future

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)

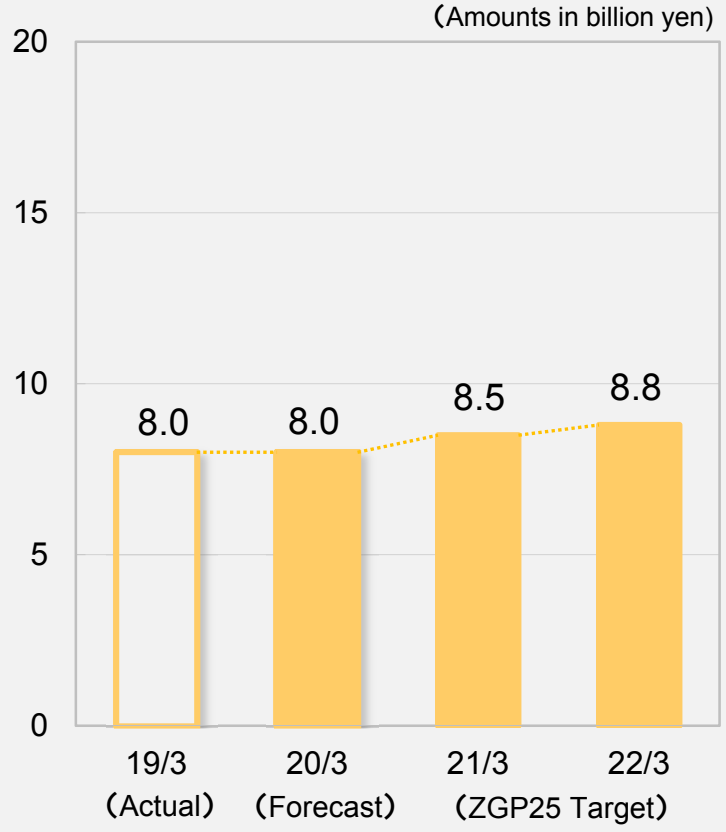
Provide value to customers based on synergies from the combination of geospatial information and ZENRIN Group's know-how (consulting, design, printing, etc.)

Platform

Consulting	Promotion	Operation

Planning			Creative		Operation
Analysis	Strategy formulation	Promotion planning	Editorial design	Media production	Media distribution and operation
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



© ZENRIN CO., LTD. All Rights Reserved.

2-2) ②ZGP25　Basic Policy (Production)

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	**Q C D D 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.

© ZENRIN CO., LTD. All Rights Reserved.

2-2) ②ZGP25 Basic Policy (Organization & Personnel Affairs)

ZENRIN
Maps to the Future

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

© ZENRIN CO., LTD. All Rights Reserved.

2-2) ②ZGP25　Basic Policy (Finance)

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**	・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**	・Stable and consistent shareholder returns based on earnings growth (DOE 3% or higher) ・Flexible acquisition of own shares

© ZENRIN CO., LTD. All Rights Reserved.

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

ZENRIN
Maps to the Future

1st stage (3 years)			2nd stage (3 years) FY2023 through FY2025
FY2020	FY2021	FY2022	

"Business model transformation period"

Enhance values to customers and strengthen the earnings base through the selective use of business models

Becoming what we want to be

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

© ZENRIN CO., LTD. All Rights Reserved.

2-2) ③Numerical 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

© ZENRIN CO., LTD. All Rights Reserved.

2-2) ③Numerical 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"

↓

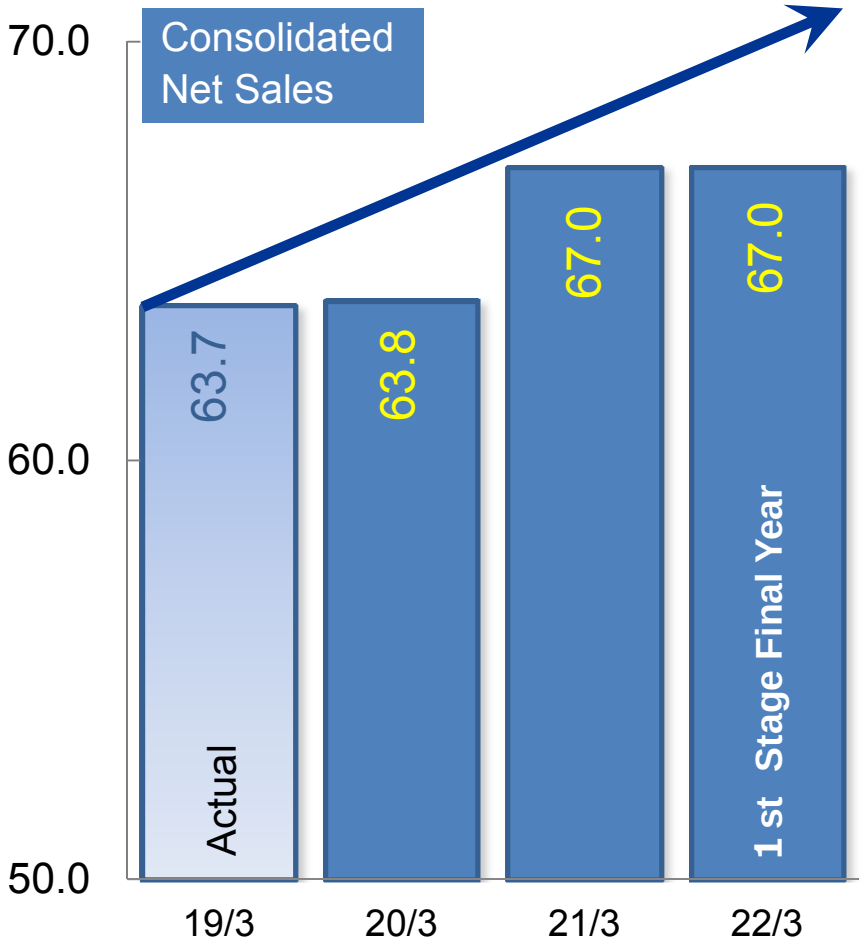
Temporarily impact on financial performance

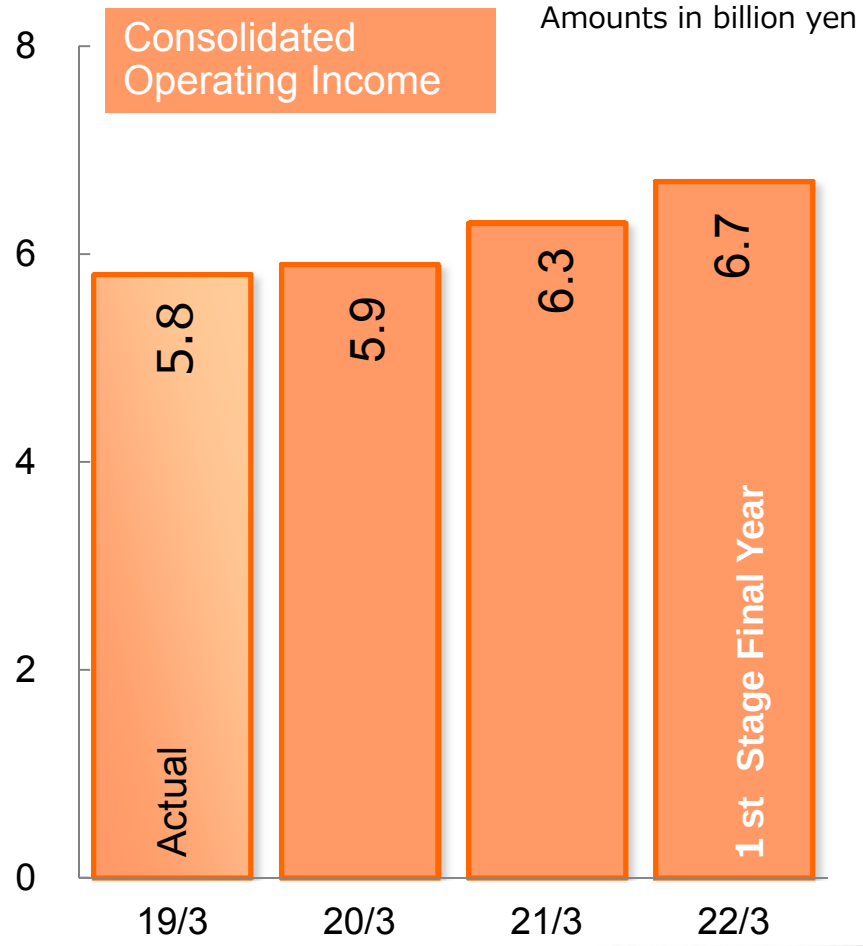
© ZENRIN CO., LTD. All Rights Reserved.

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

ZENRIN
Maps to the Future

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

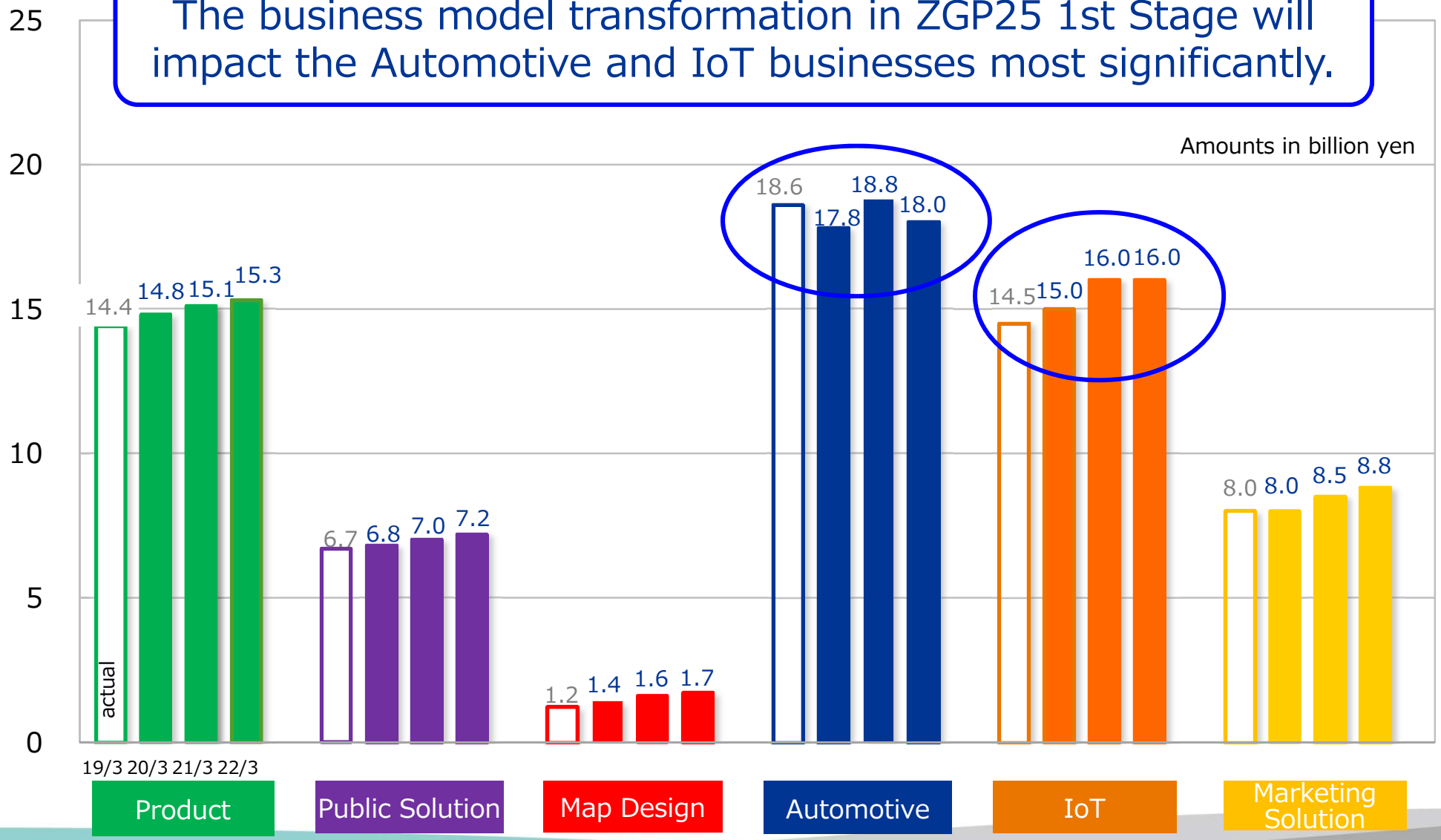




© ZENRIN CO., LTD. All Rights Reserved.

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

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



© ZENRIN CO., LTD. All Rights Reserved.

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

© ZENRIN CO., LTD. All Rights Reserved.

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 Operating Margin	5,824 9.1%	5,900 9.2%	75 0.1pt	1.3
Ordinary Income	6,200	6,300	99	1.6
Profit Attributable to Owners of Parent	3,206	4,000	793	24.7

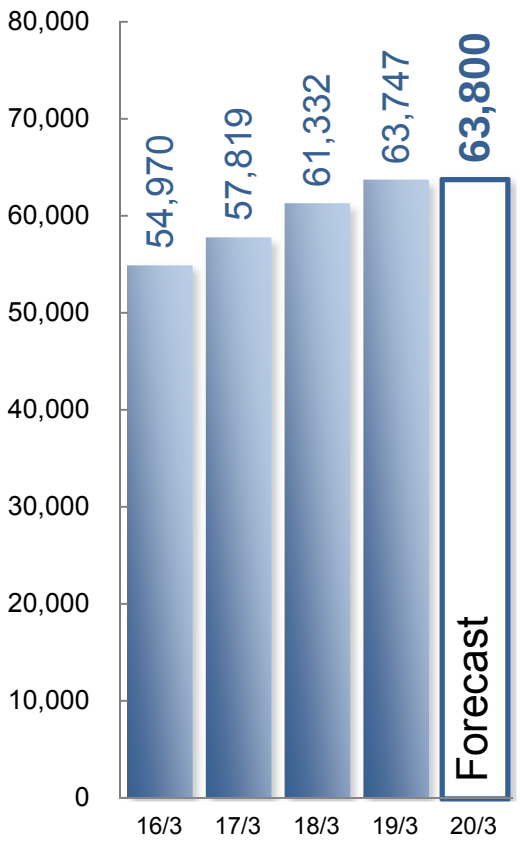
© ZENRIN CO., LTD. All Rights Reserved.

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

ZENRIN
Maps to the Future

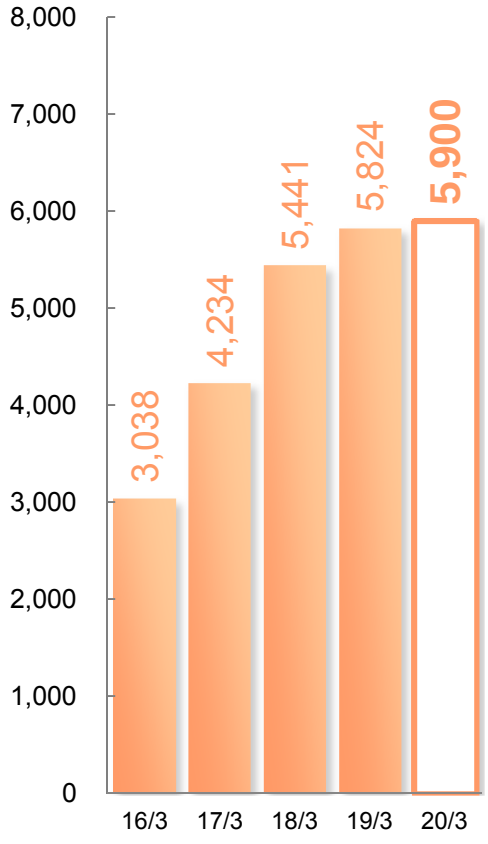
(Amounts in million yen)

Net Sales

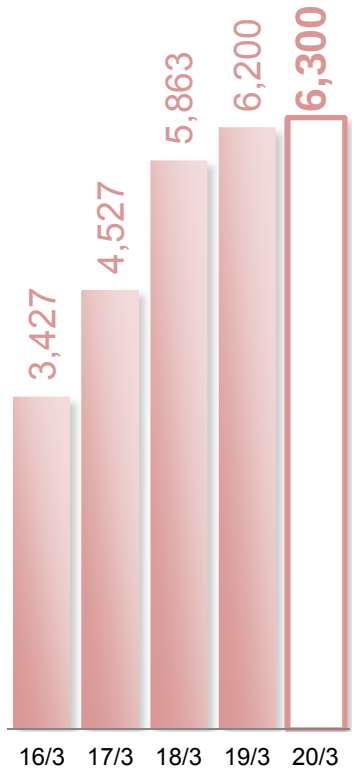


Increase in sales for five consecutive periods/Record high

Operating Income

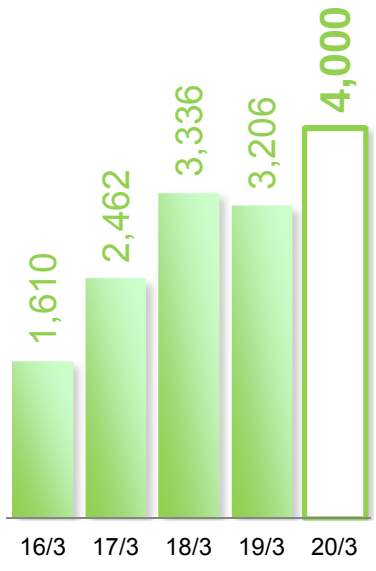


Ordinary Income



Increase in income for five consecutive periods

Profit Attributable to Owners of Parent

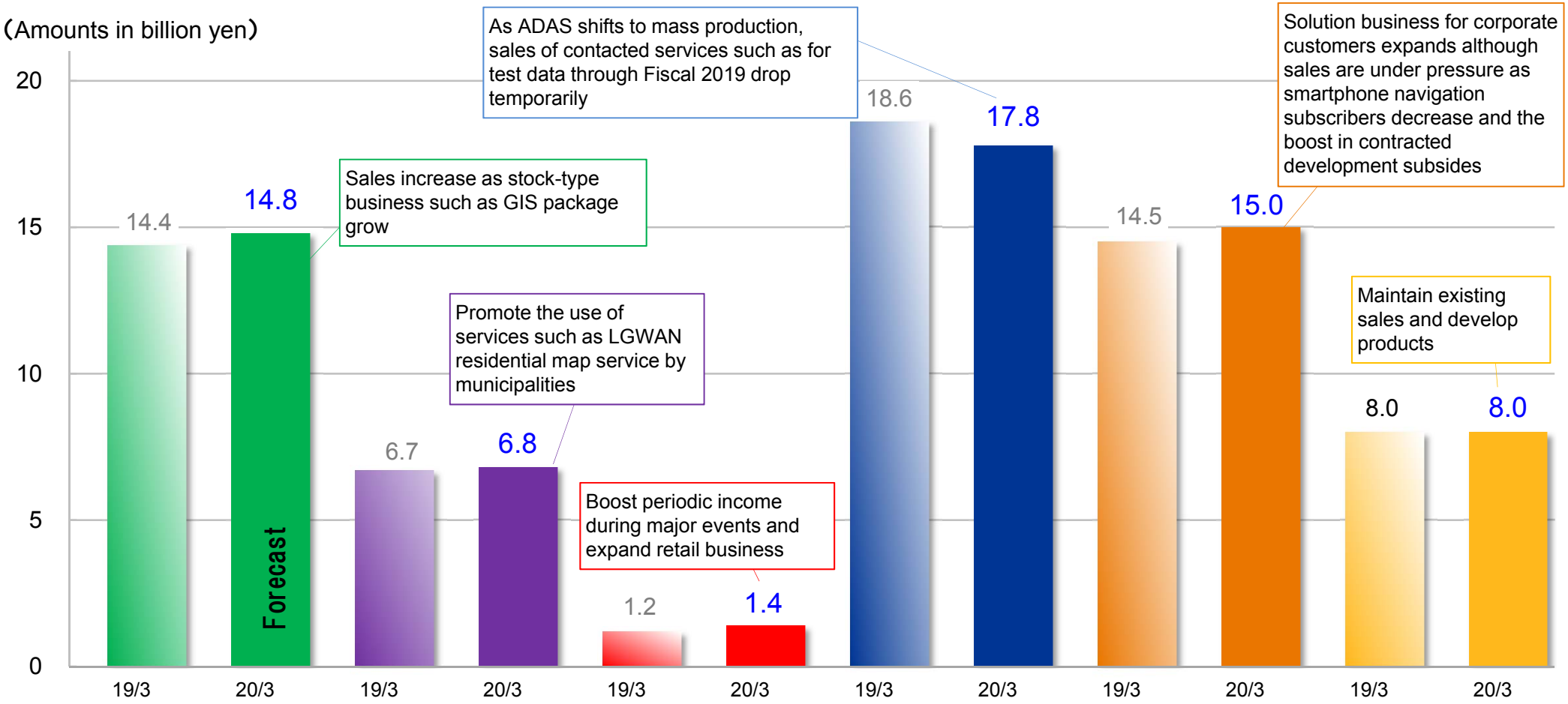


Increase in profit for the first time in two periods

© ZENRIN CO., LTD. All Rights Reserved.

3-3) Sales by business

ZENRIN
Maps to the Future



19/3 ↓ 20/3	Product	Public Solution	Map Design	Automotive	IoT	Marketing Solution
	+0.3 (+2.2%)	+0.0 (+0.0%)	+0.1 (+16.5%)	-0.8 (-4.5%)	+0.4 (+2.7%)	-0.0 (-0.3%)

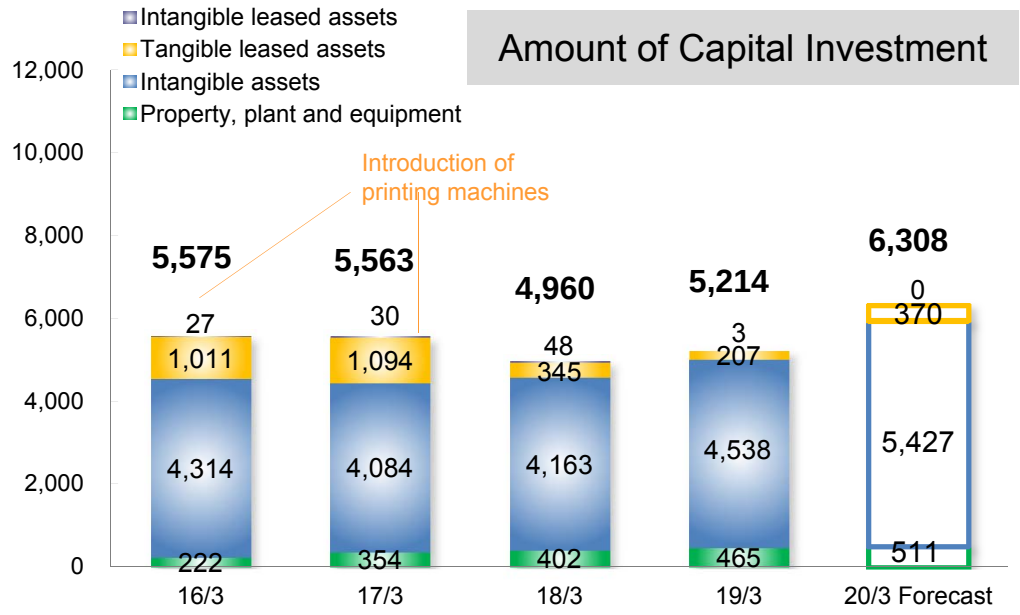
© ZENRIN CO., LTD. All Rights Reserved.

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

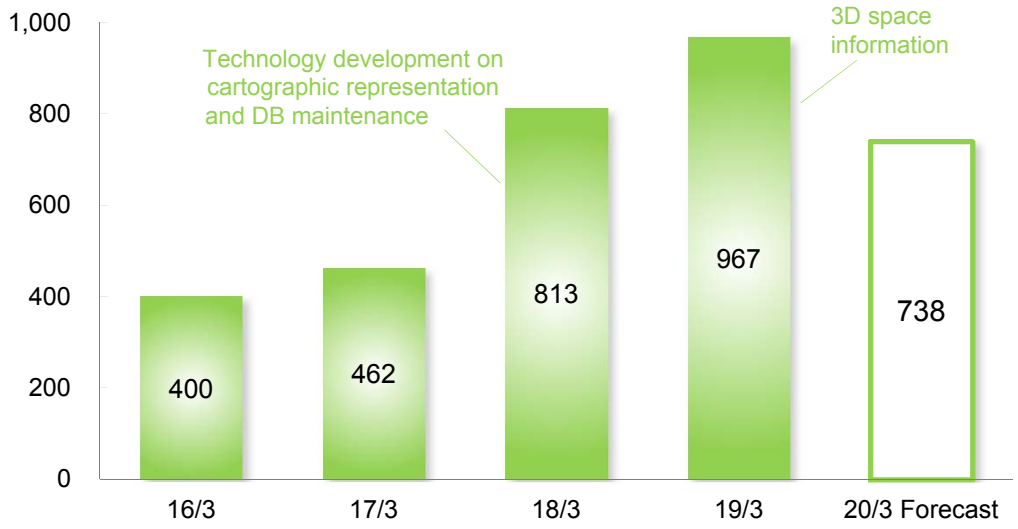
ZENRIN
Maps to the Future

(Amounts in million yen)

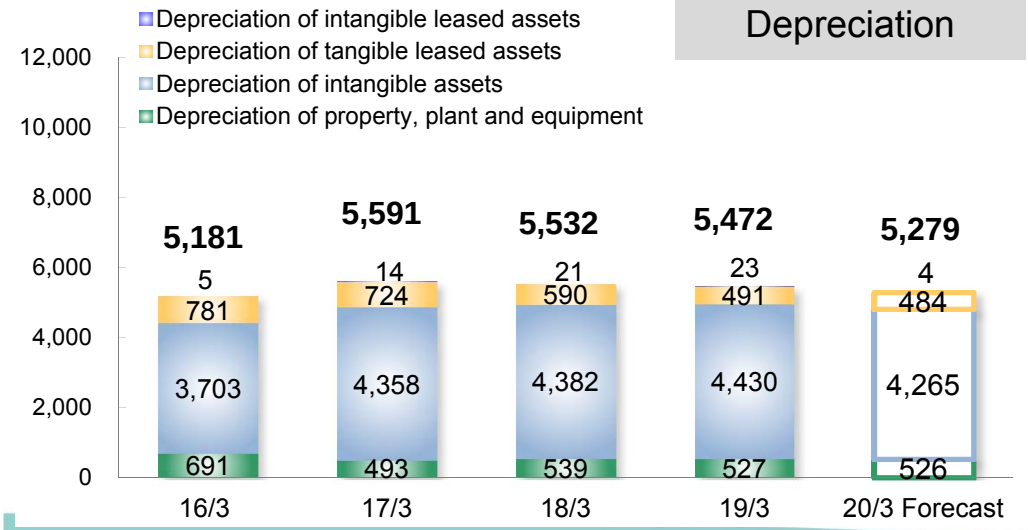
Amount of Capital Investment



R & D Cost

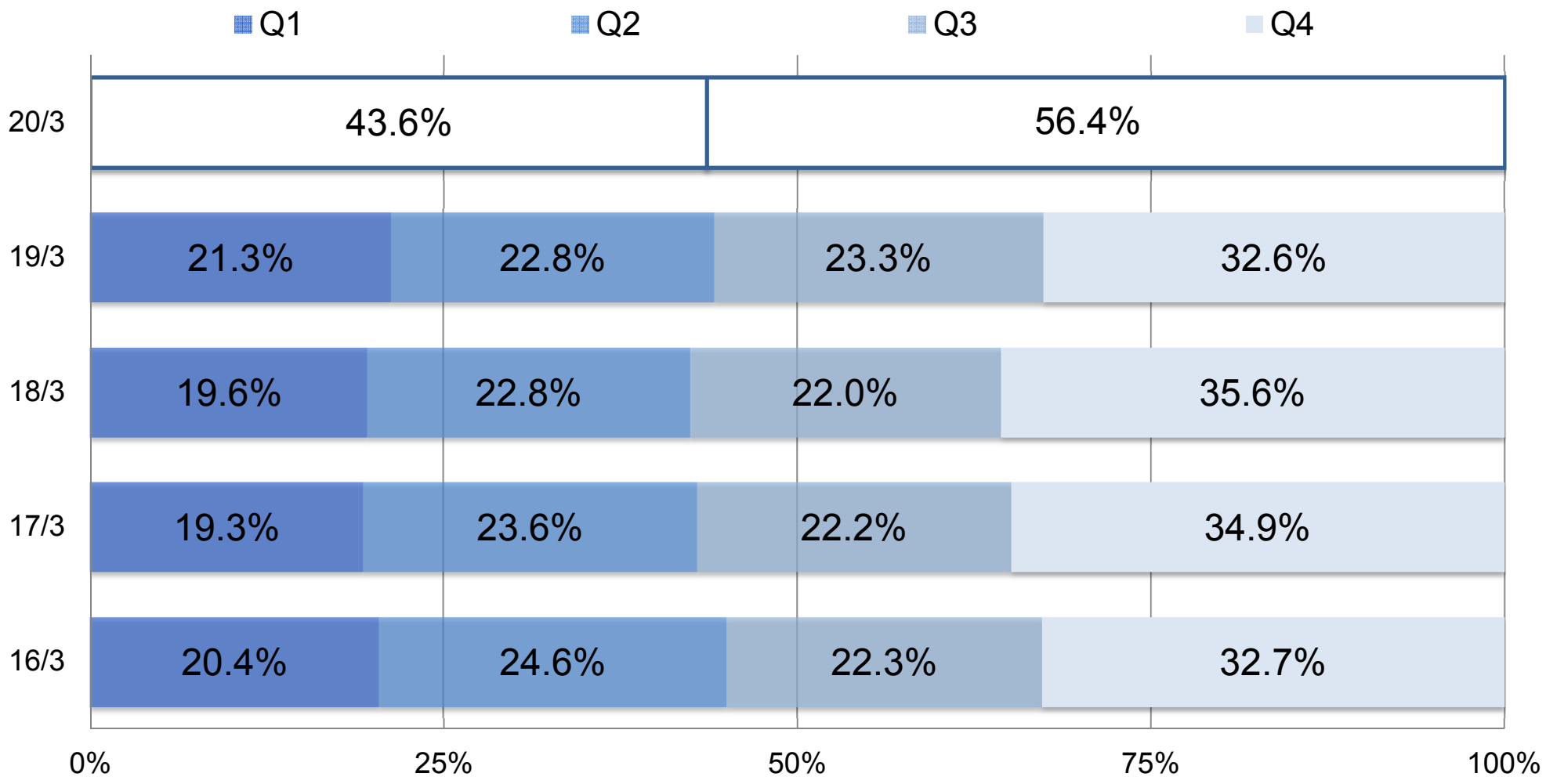


Depreciation



© ZENRIN CO., LTD. All Rights Reserved.

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



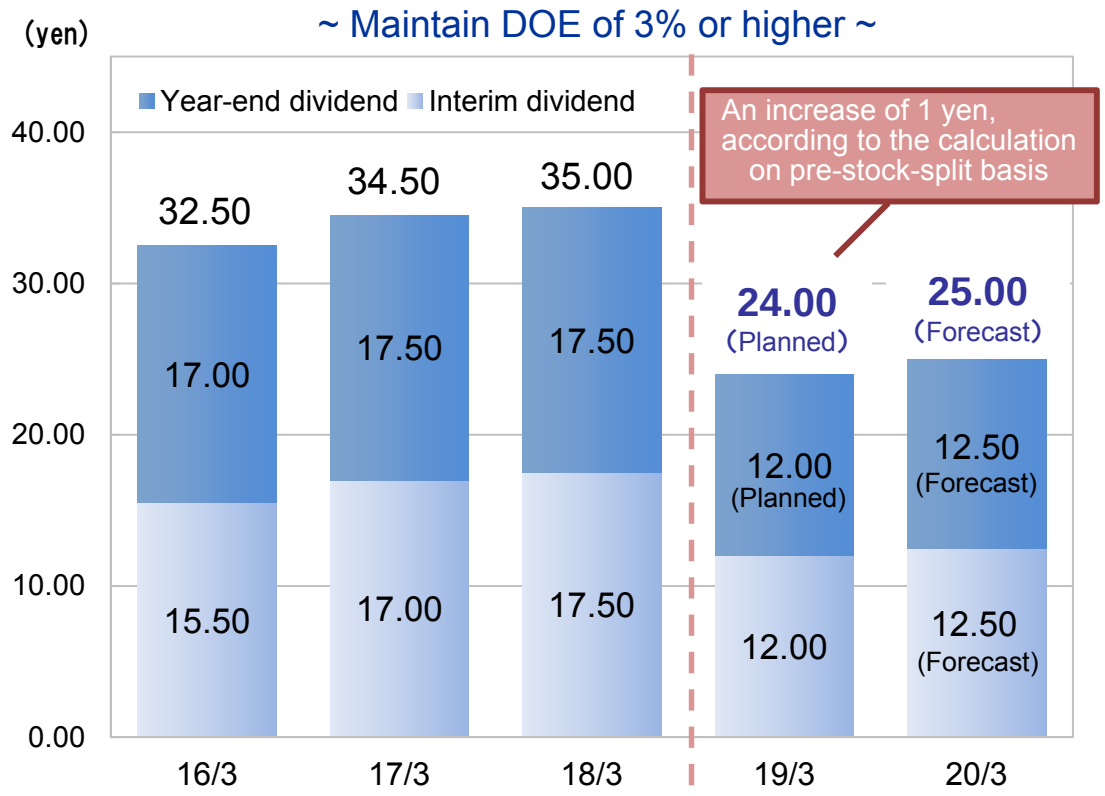
© ZENRIN CO., LTD. All Rights Reserved.

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 CO., LTD. All Rights Reserved.

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

© ZENRIN CO., LTD. All Rights Reserved.