



MarkLines Co., Ltd.

Financial Results

FY ended 2018/12

Briefing Materials

February 14, 2019

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Outline

- I. Summary of FY ended 2018/12**
- II. Consolidated Summary**
- III. Earnings Forecast**
- IV. Growth Strategy**
- V. Reference materials**

I . SUMMARY FY 2018/12

Summary of FY ended 2018/12

1. Reorganized to Section 1 of the TSE and strengthened corporate governance structure

- ① In March 2018, we changed from a JASDAQ traded company to being listed on Section 2 of the TSE, then to Section 1 of the TSE in June 2018.
- ② For the purpose of strengthening our corporate governance structure, two outside directors, one outside corporate auditor, and three executive officers were appointed.



Ceremony for listing to Section 1 of the TSE

2. Opened Nagoya branch office

- ① Nagoya branch office opened in Nishiki, in the Naka Ward of Nagoya to expand our customer base in the Chubu area of Japan, where the automotive industry is concentrated, and strengthen our corporate structure to better serve existing customers.
- ② Partnered with the Bank of Nagoya to promote the development of small and medium-sized automotive companies in the Chubu area.



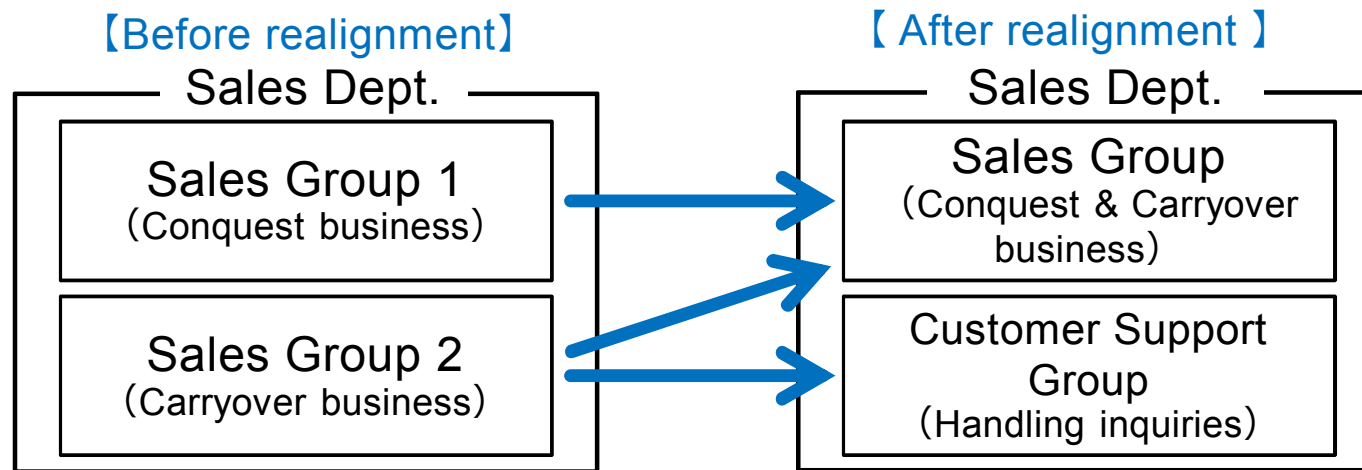
View of our Nagoya branch office

Summary of FY ended 2018/12

3. Reorganized sales department and changed managers

To counteract sluggish sales of new client contracts of the Information Platform in the first half of the year, we implemented the following:

- ① Effective October 9, we reorganized our sales department to create a domestic sales system that is more flexible and customer-oriented, which is comprised of two groups. The Sales Group is responsible for both new business development as well as the maintenance of existing customer accounts, and the Customer Support Group is responsible for sales operations support such as site access monitoring and user support services.



- ② Sales Manager changes were effective November 21, 2018.

Summary of FY ended 2018/12

4. Enhancement of Information Platform services

- ① Implemented mapping of manufacturing sites for electrified models (EV, PHEV, FCV) in China.
- ② Added model change information for China OEMs (Great Wall Motor, BYD, Geely).
- ③ Mainly for smaller suppliers, strengthened content of market and technical reports on "Monozukuri" themes such as plastic molding, casting, and forging (29 items in FY 2018).
- ④ Started daily notifications of content updates by e-mail in three languages.

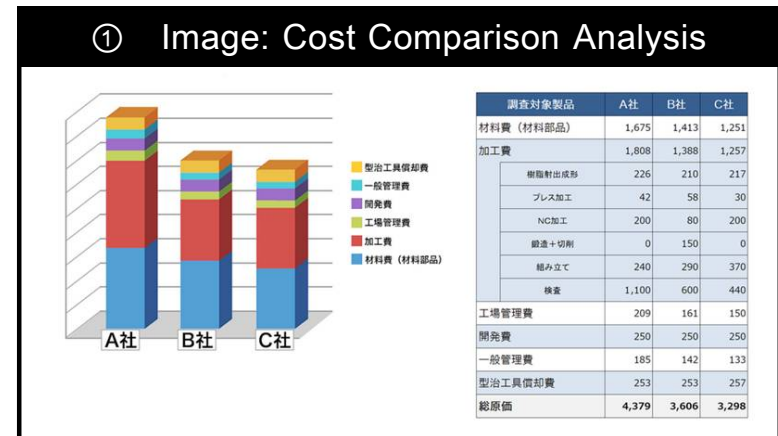


Model change info for China OEMs		'15	'16	'17	'18	'19	'20	'21	'22	'23	備考
全球鷹 K10D -Gleagle K10D- (3ドアHB) EV	(康迪K10 PF)										吉利との統合により2015年9月に康迪ブランドは全球鷹ブランドに変更された。2人乗り3ドアシテイカー。寸法は(長 X 幅 X 高) 2,900 X 1,545 X 1,590mm、ホイールベース2,080mm。康迪杭州工場で生産。モーターの定格出力は18kW。メーカー発表の航続距離は150km。
全球鷹 K11D -Gleagle K11D- (5ドアHB) EV	(パング PF)										吉利パングをベースにした4人乗り5ドアサブコンパクトハッチバック。寸法は(長 X 幅 X 高) 3,598 X 1,545 X 1,595mm、ホイールベース2,340mm。康迪杭州工場で生産。モーターの定格出力は20kW。メーカー発表の航続距離は150km。

Summary of FY ended 2018/12

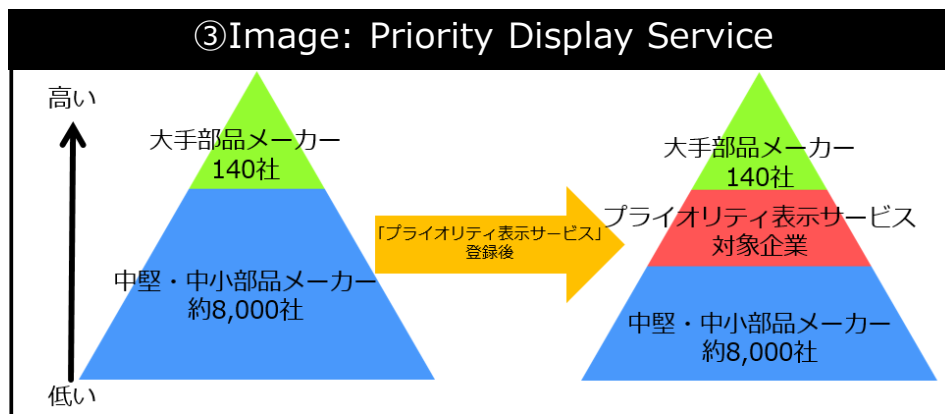
5. Started offering new services

- ① Cost Comparison Analysis Service
 - Cost benchmarking with competitor products
- ② “*Monozukuri* Support Package”
 - Service limited to small- and medium-sized Japanese companies
- ③ Priority Display Service
 - Priority display of search results by information providers



② Details of *Monozukuri* Support Package

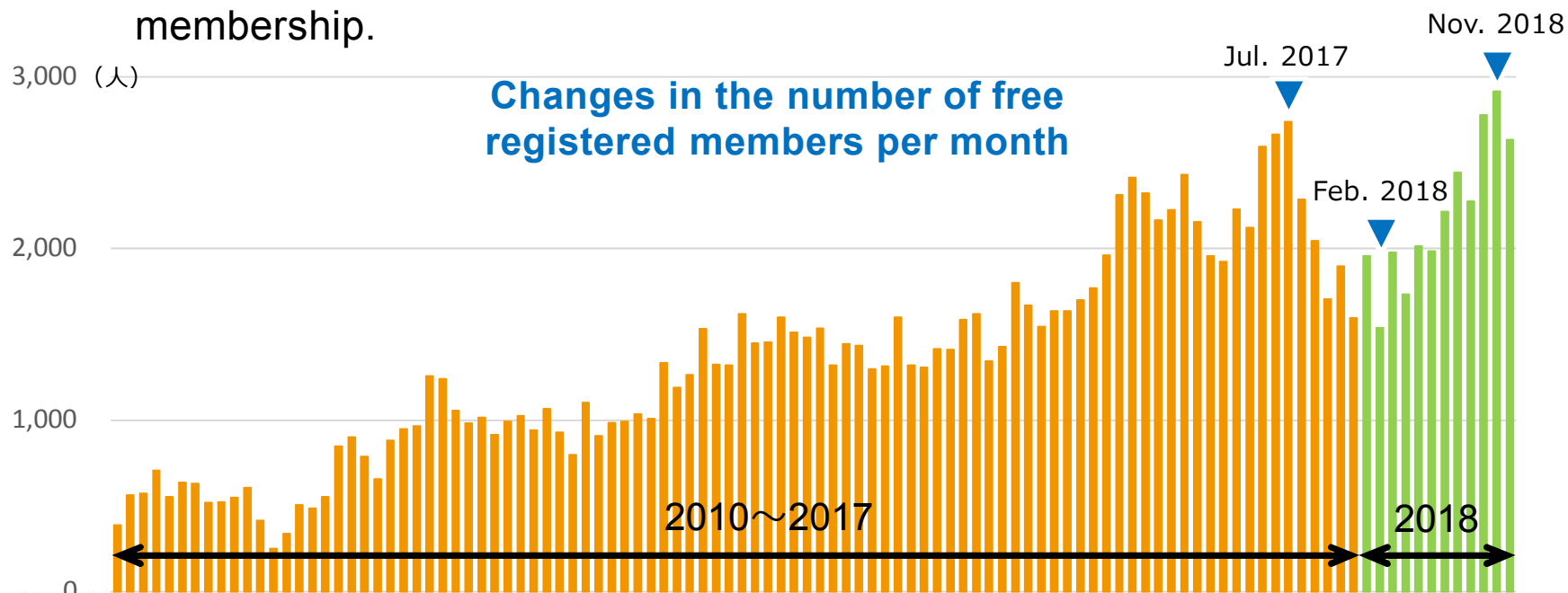
Item	Terms of use
Service available	Information Platform / LINES product posting
Number of users / placement points	10 users/10terminals
Usage fee	JPY 480,000
User countries	No limit
Client industries	Limited to Japanese manufacturers
	Less than 100 employees (in Japan) or capital less than JPY 50 million



Summary of FY ended 2018/12

6. Measures implemented to increase membership

- ① From July 2017 the number of registered members decreased. As a countermeasure, we increased the search target page for search engines such as Google by about five times as much as previously. As a result, since October 2018, our capability to provide natural search results has been strengthened.
- ② For users who have not yet subscribed, we are allowing content to be partially browsed to increase their interest to encourage them to register for membership.



Summary of FY ended 2018/12

3. Activities to promote awareness of our services and increase membership

- ① We conducted the "Automotive Market and Technology Forecast Conference", a fee-based seminar for our members. To about 500 participants, and primarily focused on the products of LMC Automotive Ltd. (market forecast information), MarkLines promoted the awareness of our services related to consulting, recruitment, and benchmarking.



～ Automotive Market and Technology Forecast Conference ～

II . PERFORMANCE SUMMARY

Consolidated Performance Summary

(Unit: million yen)

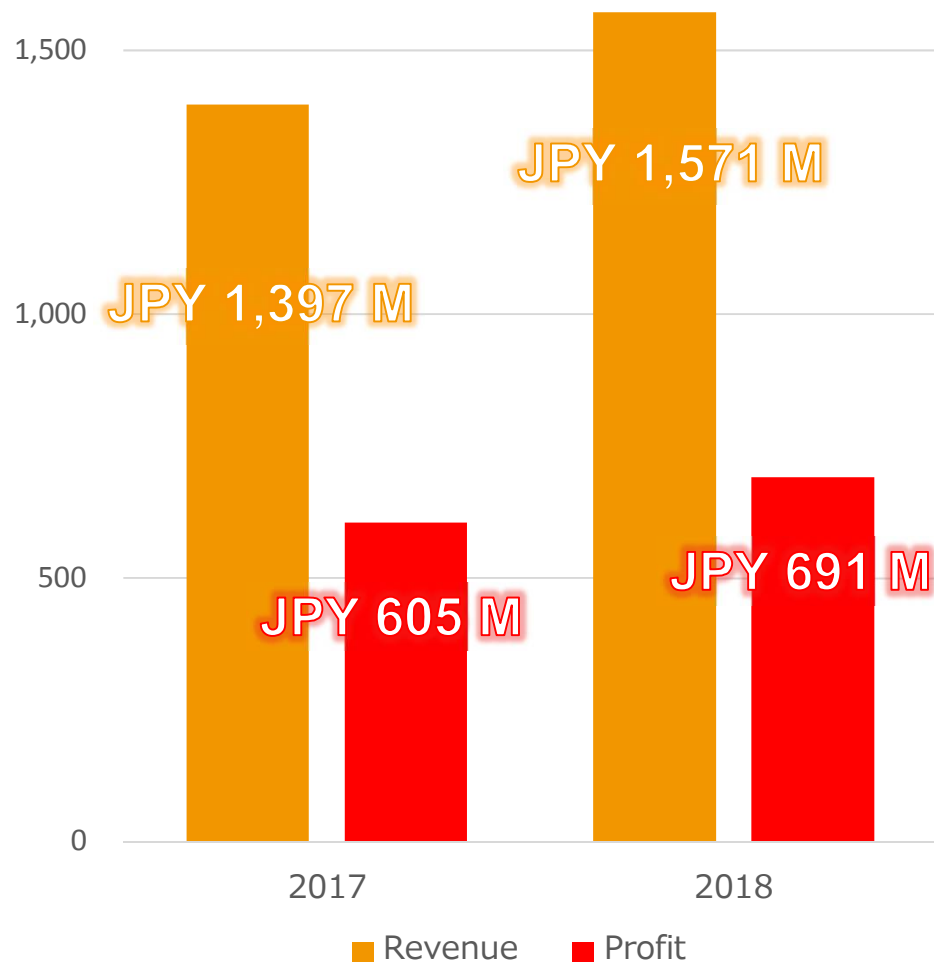
	FY ended 2018/12	YoY (%)	Remarks
Consolidated Sales	2,043	+21.6	The "Information Platform" business increased by 12.5% YoY. Sales for all other businesses, relating to our consulting, market forecast information, and benchmarking business performed well, with sales rising 66.7% YoY.
Operating Income	734	+20.9	There were changes to the sales portfolio of the "Information Platform" and other businesses and marginal profit declined. In addition, we committed to an upfront investment and aggressively hired new personnel, resulting in an increase in fixed costs such as personnel expenses. As a result, these increased by 20.9% YoY.
Ordinary income	740	+16.5	Ordinary income increased 16.5% YoY relating to TSE listing expenses (JPY 17 million) and foreign exchange settlement losses (JPY 7 million).
Net profit attributable to parent company shareholders	508	+14.2	Ordinary income increased by 16.5% YoY, but due to factors such as a litigation settlement (JPY 11 million) that was recorded as an extraordinary loss, the total increase was 14.2% YoY.

Consolidated Sales by Business Segment

(Unit: million yen)

Business Unit		FY 2017 Actuals	FY 2018 Actuals	Year-over-Year	
Information Platform business	Sales	1,397	1,571	+174	+12.5%
	Segment profit	605	691	+86	+14.3%
Consulting business	Sales	97	157	+59	+61.2%
	Segment profit	29	58	+28	+96.6%
HR referral business	Sales	77	83	+6	+8.0%
	Segment profit	23	15	△8	△34.7%
Market forecast information business	Sales	71	116	+44	+63.0%
	Segment profit	15	31	+15	+95.6%
Other					
Benchmarking related business & LINES (Advertising & Promotion business)	Sales	36	114	+77	+211.8%
	Segment profit	25	45	+20	+80.8%
Adjustments	Sales	—	—	—	—
	Segment profit	△91	△107	△15	+16.9%
Consolidated Sales		1,680	2,043	+363	+21.6%
Consolidated Operating Income		607	734	+126	+20.9%

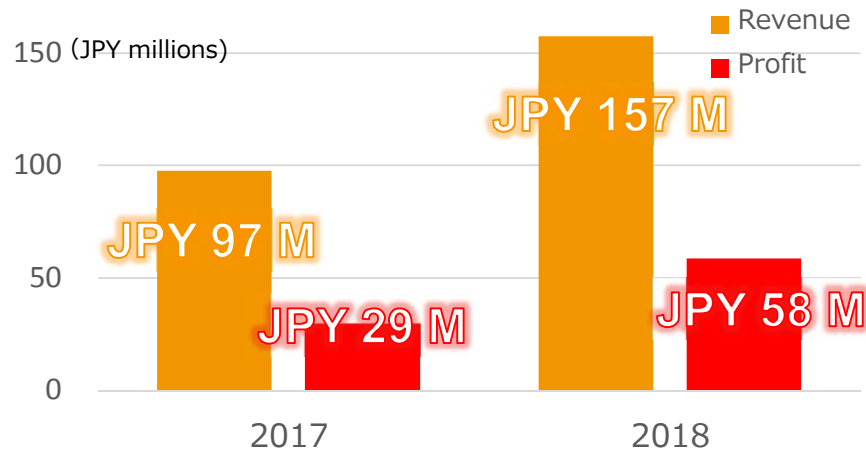
Profit & Loss by Segment (Information Platform business)



In Japan, the number of free member registrations was sluggish until September 2018, the development of small and medium enterprises in regional areas was affected, and the acquisition of new contracts stagnated. Meanwhile, the acquisition of new overseas contracts, especially in Asia and Europe, performed well. As a result, sales increased by 12.5% YoY, and operating profit increased by 14.3% YoY.

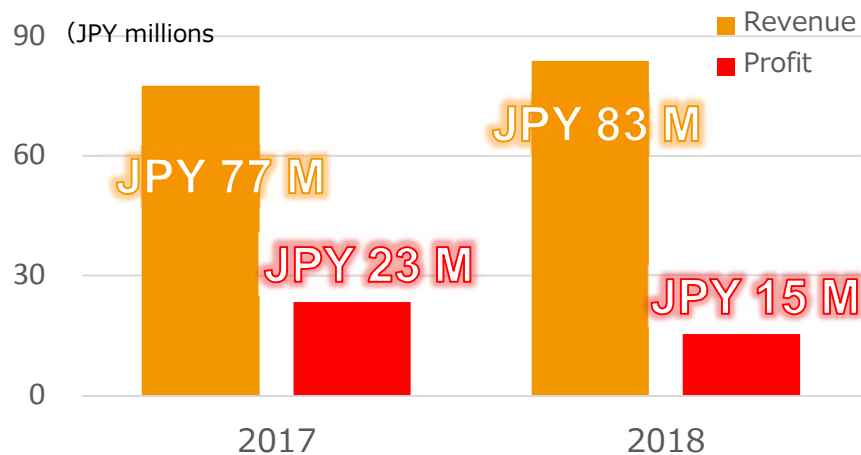
Profit & Loss by Segment (Consulting and HR Referral business)

■ Consulting business



Sales increased by 61.2% YoY and operating profit increased by 96.6% YoY, due to an increase in medium- and large-scale projects such as consulting and cost analysis services regarding to technologies related to electrification.

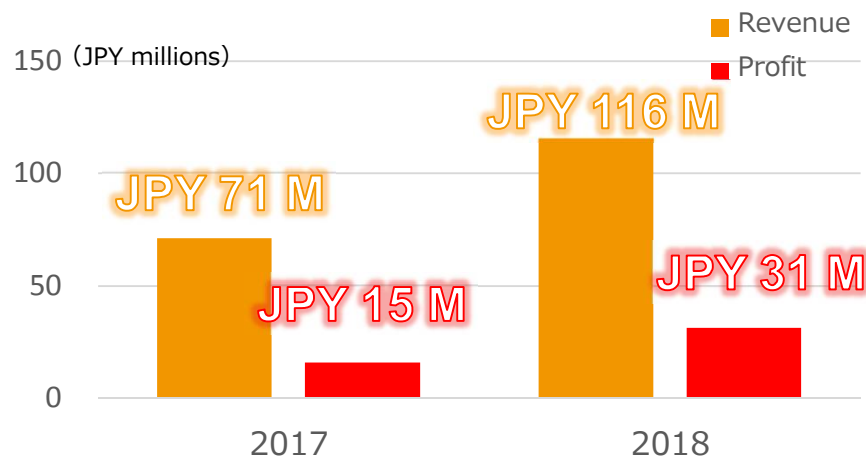
■ HR referral business



We increased our contracts from OEMs and parts suppliers, mainly for design and development technicians, but the pace of these acquisitions stalled in H2, with sales increasing only 8.0% YoY. In addition, as a result of our upfront investment to increase the number of our consultants, operating income decreased by 34.7% YoY.

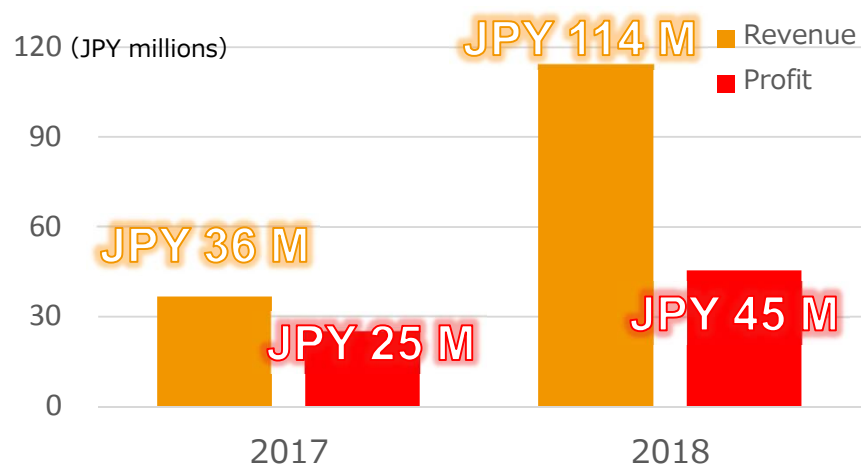
Profit & Loss by Segment (Market Forecast Information Business and Other)

■ Market Forecast Information Business



Sales remained strong for EV volume forecast information. Also, the paid seminar held in October contributed to earnings, with sales up 63.0% YoY and operating income up 95.6% YoY.

■ Other



For our benchmarking business, orders increased for the Tesla Model 3 and BMW i3 teardown reports and our vehicle & parts procurement services. Sales revenue increased significantly YoY (from JPY 12 million in FY2017 → JPY 90 million in FY2018).

For our promotion and advertising business, an underdeveloped sales structure delayed our efforts to penetrate the sales of these services to new potential customers. As a result, sales revenue fell by 1.4% YoY (from JPY 24 million in FY2017 → JPY 23 million in FY2018).

Sales by Region: Information Platform business

(Unit: JPY millions)

Information Platform business	FY ended 2017/12	FY ended 2018/12	YoY (%)
Japan	830	900	+8.4
China	175	185	+6.2
Asia	155	208	+33.6
N. America	124	134	+8.5
Europe	106	134	+26.4
Other	4	7	+66.3
Total	1,397	1,571	+12.5

Number of contracts: +108 companies
The acquisition of new contracts was lackluster, with single digit growth.

Number of contracts: +45 companies
Steady growth in the number of client companies, but net sales impacted by unfavorable JPY exchange rate.

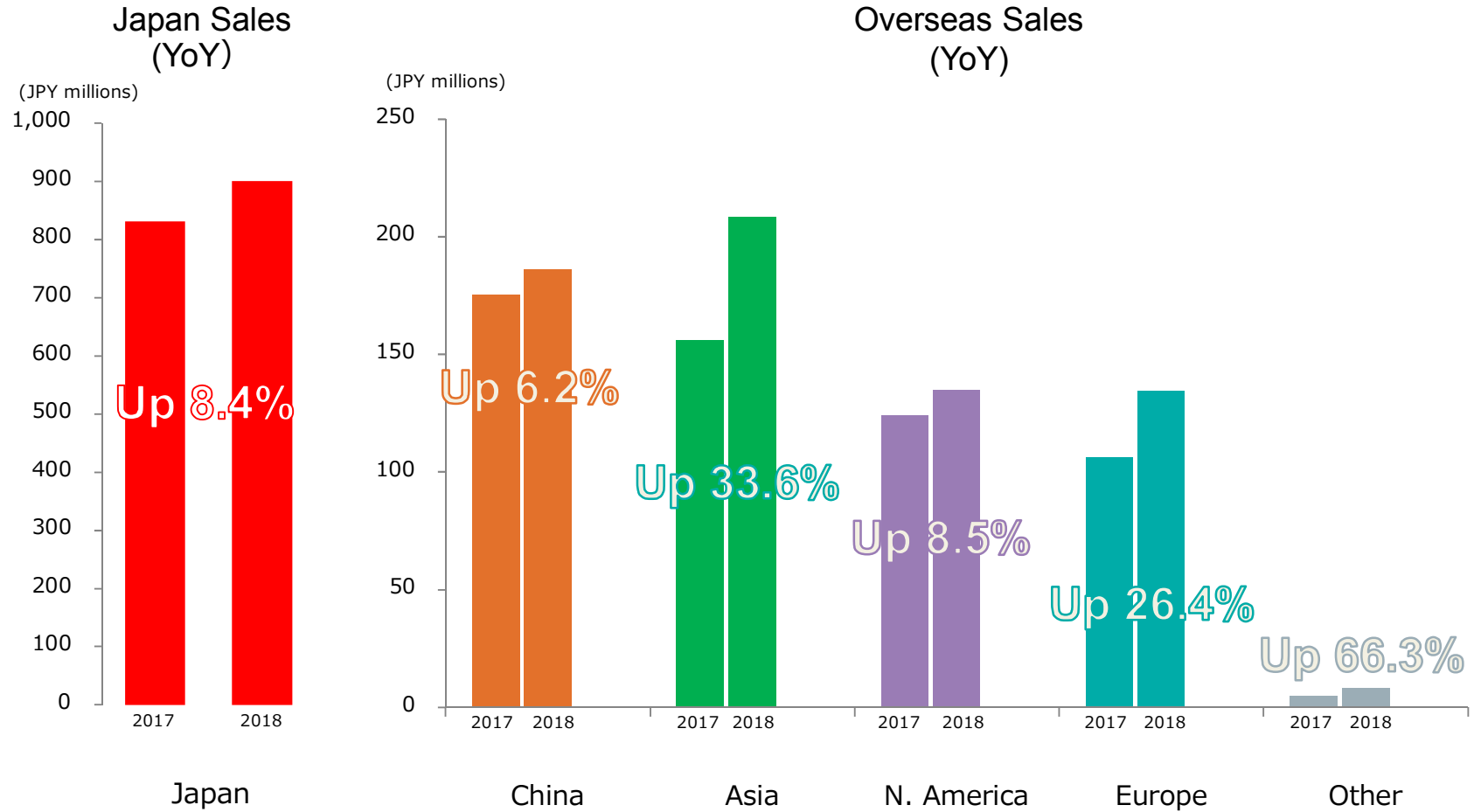
Number of contracts: +80 companies
The number of clients in Korea and Taiwan remained strong and increased for other countries in Asia. Also, the number of clients and sales grew significantly YoY.

Number of contracts: +18 companies
The number of companies and sales in the U.S. and Mexico increased.

Number of contracts: +43 companies
Mainly in Germany, the number of clients and sales grew significantly.

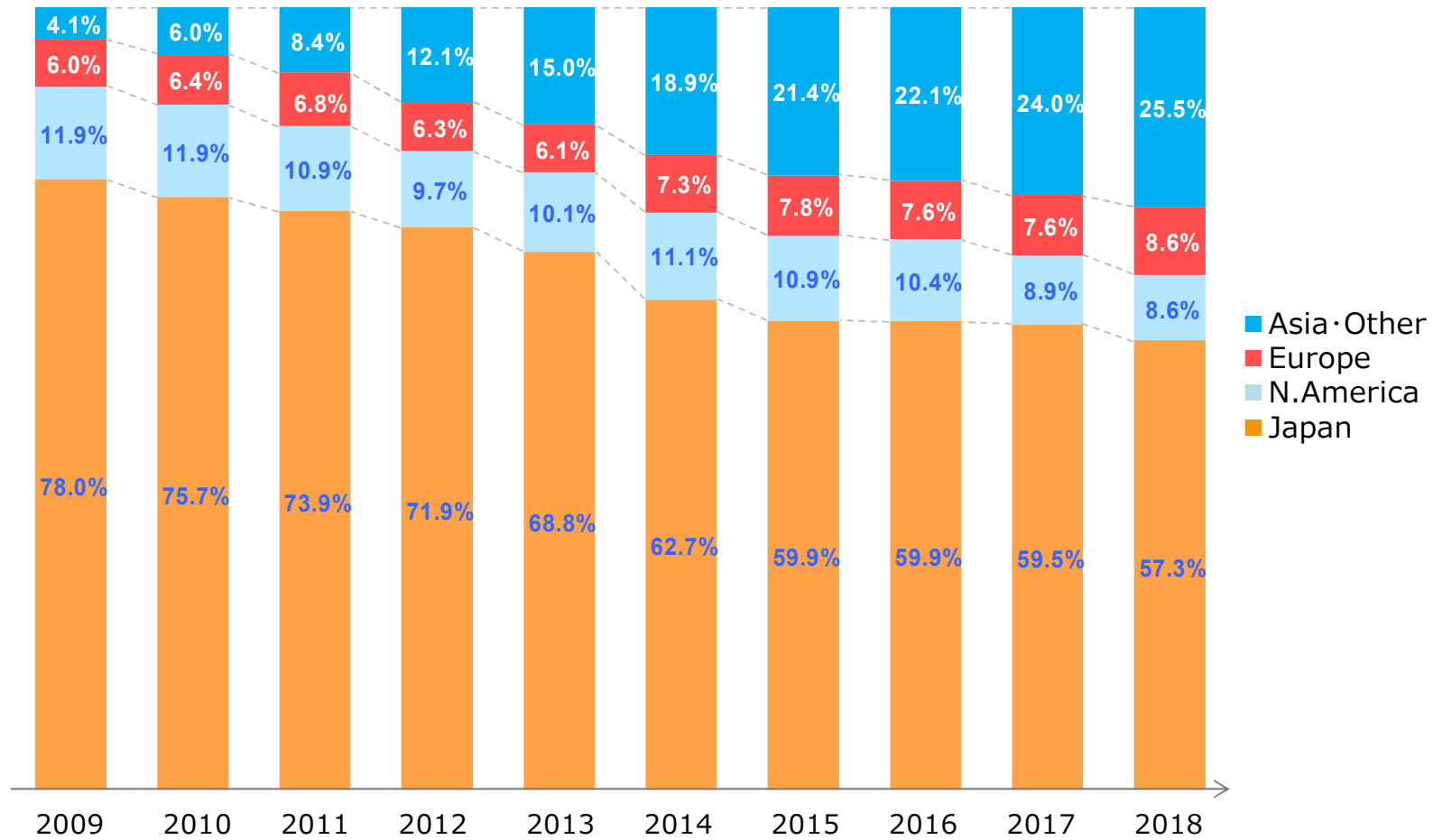
Sales by Region: Information Platform business

Sales by Region:



Information Platform: Trend by Region

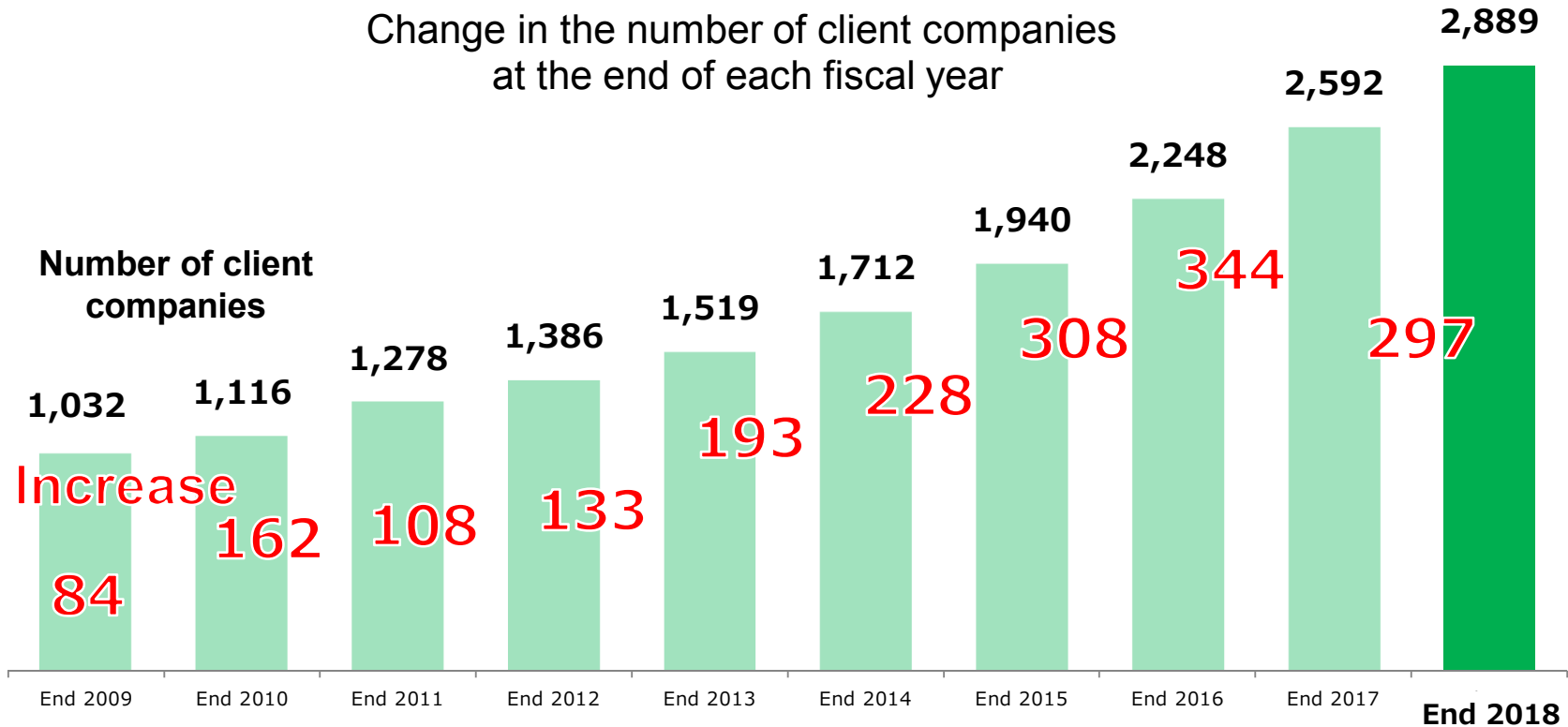
As a result of expanding overseas sales growth in Asia and Europe (up 18.5% YoY), revenue attributable to overseas sales increased to 42.7%.



Note: Sales before the fiscal year ended December 2011 are not subject to audit by KPMG AZSA LLC.

Information Platform: Client Company Trend

As of the end of December 2018, the number of information platform client companies increased by 297 companies over FY 2017 to 2,889 companies in 2018. The net increase in the number of new client companies was less than the previous year, but our recovery continues to trend upwards.



III. EARNINGS FORECAST

Full-year Business Forecast

(Unit: JPY millions)

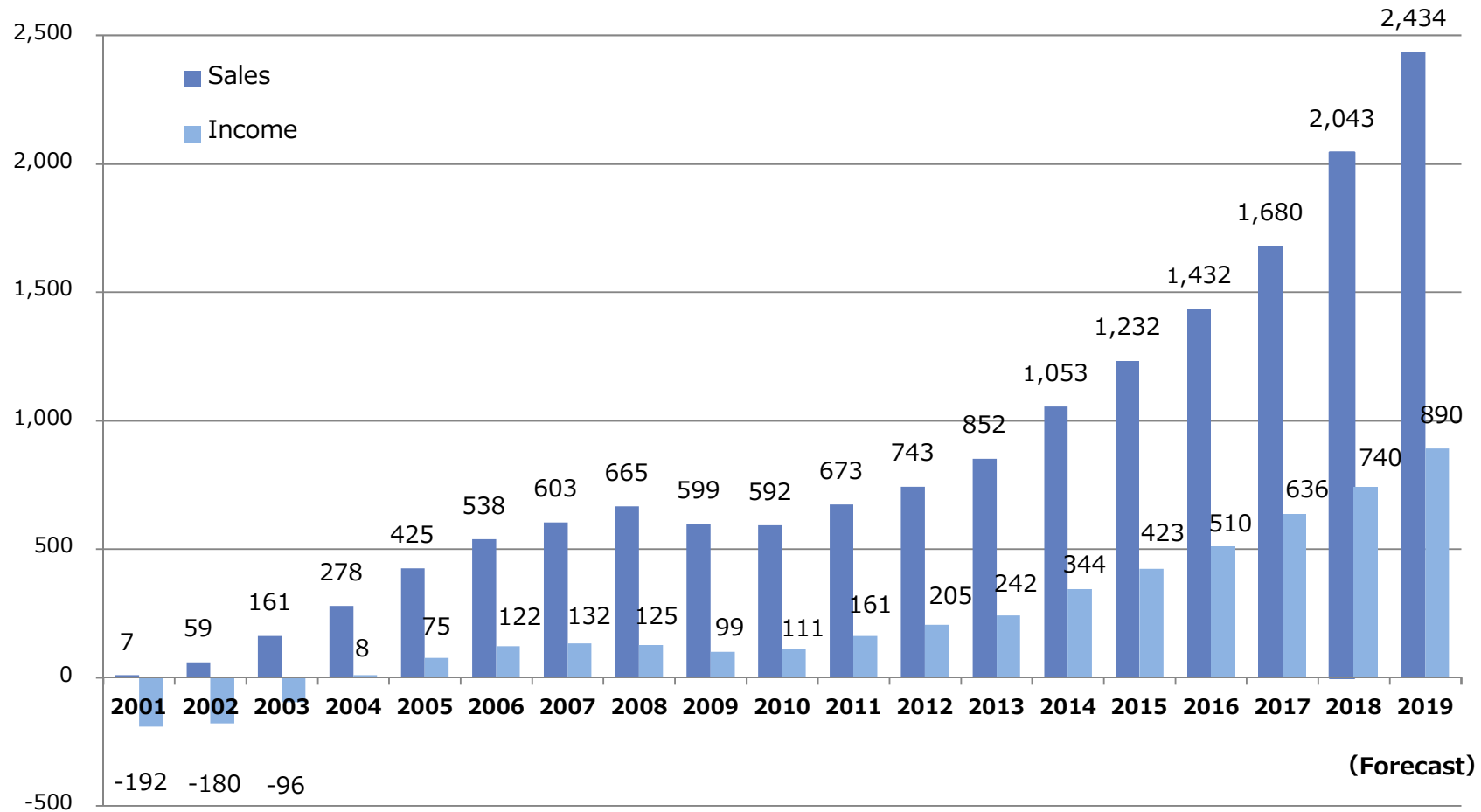
	Actuals 12/2018	Planned 12/2019	YoY (%)
Consolidated Sales	2,043	2,434	+19.1%
Operating Income	734	875	+19.2%
Ordinary income	740	890	+20.1%
Net profit attributable to parent company shareholders	508	620	+21.8%

※ Exchange Rate assumption for the FY 2019/12 planning period is as follows:
JPY110/USD, JPY125/EUR, JPY16.1/CNY, JPY3.4/THB

Performance: Expect to achieve record profits for the 9th consecutive term

(Unit: JPY millions)

Unit profit/loss from 2001 to 2003
Consolidated results from 2004 to 2019



(Forecast)

Note: Data before the fiscal year ended December 2011 are not subject to audit by KPMG AZSA LLC.

IV. GROWTH STRATEGY

- ◆ Information platform . . . P24-P28
- ◆ Consulting . . . P29
- ◆ Sales of LMC Automotive Ltd. products (market forecast information) . . . P30
- ◆ HR Referral . . . P31
- ◆ Benchmarking . . . P32
- ◆ *LINES* . . . P33
- ◆ Full service package promotion . . . P34

Information Platform

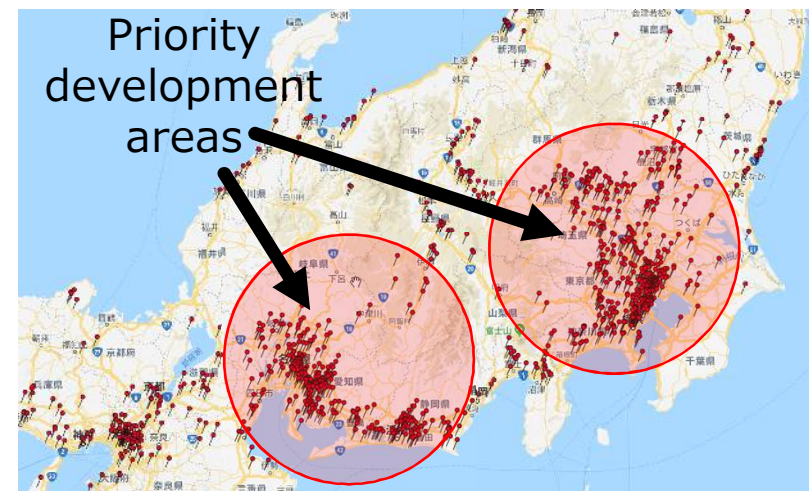
1. Efforts toward cultivating corporate members

- ① More than 90% of automobile production is overseas, and our sales resources are focused on areas where there are many potential customers such as China, the Americas, Europe, and Asia.

- ② We established our Nagoya branch office, focusing on the many automotive related companies located in Aichi prefecture in the Chubu area. For the Japan domestic market, we will focus on potential clients in the Kanto and Chubu areas.



Forecasted production by country (~2025)



Manufacturing sites for engines (incl. parts)

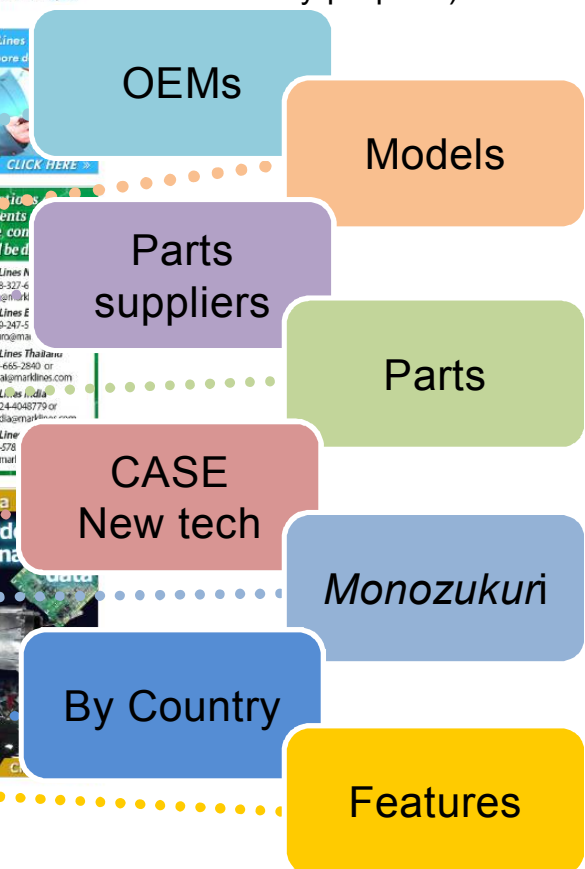
Information Platform

2. Renovation of the information portal site

- ① To improve browsing convenience, in addition to the menu bar on the left side, we plan to renovate the portal to enable the user to access content by purpose.

Conventional menu (to search by function)

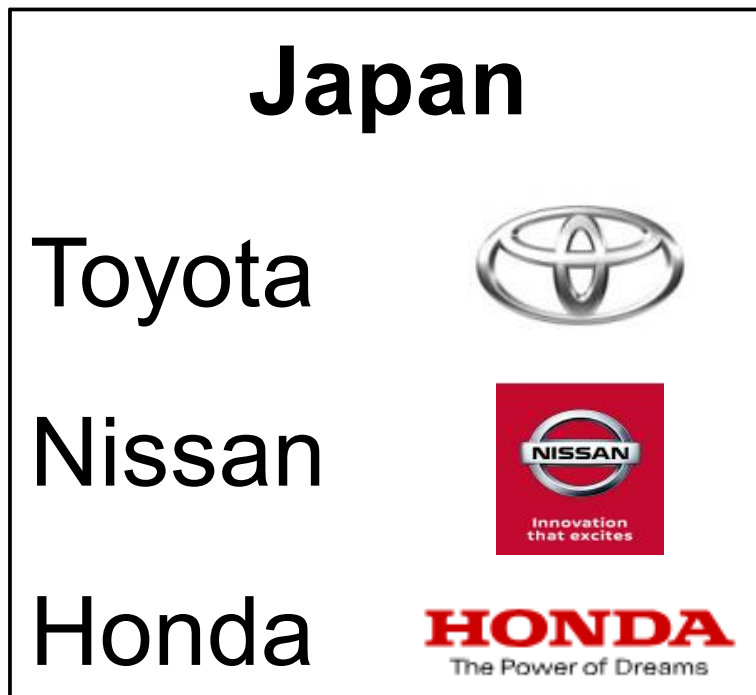
New additional menu (to search by purpose)



Information Platform

- ② Added a function to change the menu displayed on the top page, identifying the country where the user is located utilizing the IP address.

Example: For members located in Japan, the display of content for Japanese automakers such as Toyota, Nissan and Honda are given priority, and for members located in the U.S., the display of content for U.S. automakers such as GM, Ford and FCA are given priority.



Information Platform

3. Content enhancement

- ① We plan to enhance content on CASE (Connected, Autonomous, Shared, & Electric) technologies of business alliances.
- ② We plan to create a database for model change information to enable content retrieval from various perspectives, and improve user convenience.
- ③ We will strengthen the survey capability of our German subsidiary to enhance content on the European auto industry.
- ④ We will enhance global manufacturing site information for eco-friendly vehicles.

Reports on Google/Waymo automated driving technology

Make the "brain," essential to autonomous driving
Similar to how Google is aiming to create an information platform. Moreover, it goes without saying that the following are reasons why Waymo places heavy emphasis on simulation.

- 1) 10 years' worth of data collected by human-driven vehicles.
- 2) Sudden incidents or accidents that are difficult to experience in actual driving can be efficiently experienced and made into data.
- 3) By adding actual driving data to simulations, developers can recreate existing city data instead of using a virtual city.

The image on the bottom left is an example of Waymo's simulated driving. Based on information (video or spatial information from LiDAR, etc.) acquired from driving actual vehicles, Waymo has been able to recreate real-world environments in a virtual space. Thanks to this, it can recreate real-life driving situations, sudden incidents (including natural phenomena such as rain and snow), as well as accidents which are unlikely to occur in reality, all while being in a virtual environment. Furthermore, the simulation space isn't limited to driving, but provides feedback from various driving conditions to computers in autonomous driving vehicles in order to create a "brain" that has learned and experienced far more than an average driver.

This "brain," created through massive amounts of information processing, is converted to the AI's neural network and equipped on in-vehicle computers. This, coupled with edge computing technology, completes an intelligent autonomous driving platform.

Simulated driving
(Source: Waymo)

Autonomous driving platform and AI
(Source: Created based on information provided by Waymo (vehicle and simulator images))

4. Improved awareness

- ① One of the menus we are creating will be a glossary of automotive parts and processing info (photos, function, size, material, & processing method). This will increase the number of PVs (hits) by others in the automotive industry such as tier 2 and tier 3 suppliers. Also, this page would serve to promote the induction of free members.
- ② Creating landing pages in languages such as Korean and German, to entice interest of free members.

Automotive parts & processing glossary (Engine compartment panel parts page)



エンジンコンパートメントパネル部品

モノコックボディにおけるエンジン室を構成するフロントサイドフレームなどのこと。

役割

エンジンの搭載、乗員の保護=衝突クラッシュアブソルビビリティの確保

サイズ

500mm~2000mm

材質

ハイテン（高張力鋼板440~600 Mpa級）

工法

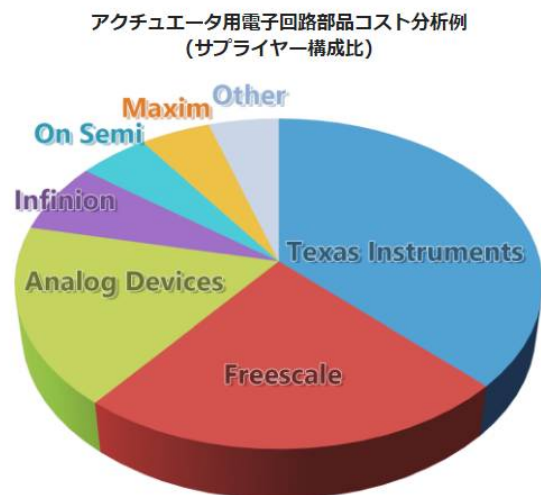
プレス→アーク溶接、スポット溶接

(Japanese version only)

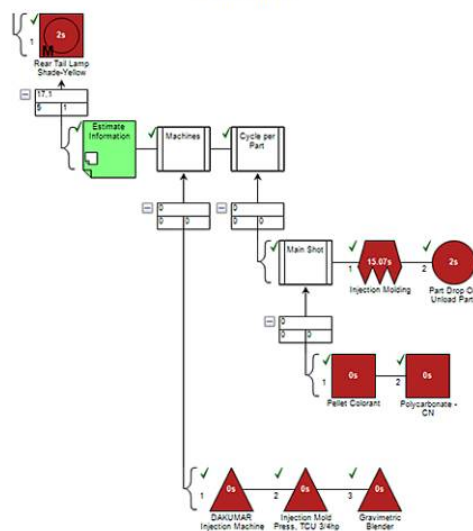
Consulting

1. The launch of our Cost Comparative Analysis Service, which we began offering in FY 2018, was very successful. We plan to continue with activities to promote awareness of this service through various events such as exhibitions etc. to expand sales of our consulting services.
2. We intend to identify and develop outsourcing and alliance partnerships to serve the needs of our customers where the demand is high for information on technologies such as those associated with the four CASE trends.

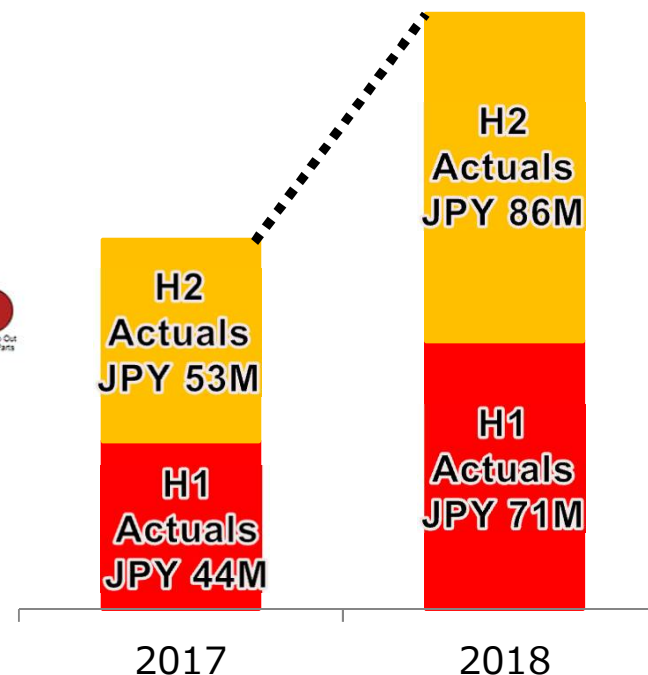
【Image: Cost Comparison Analysis Service】



工程分析例

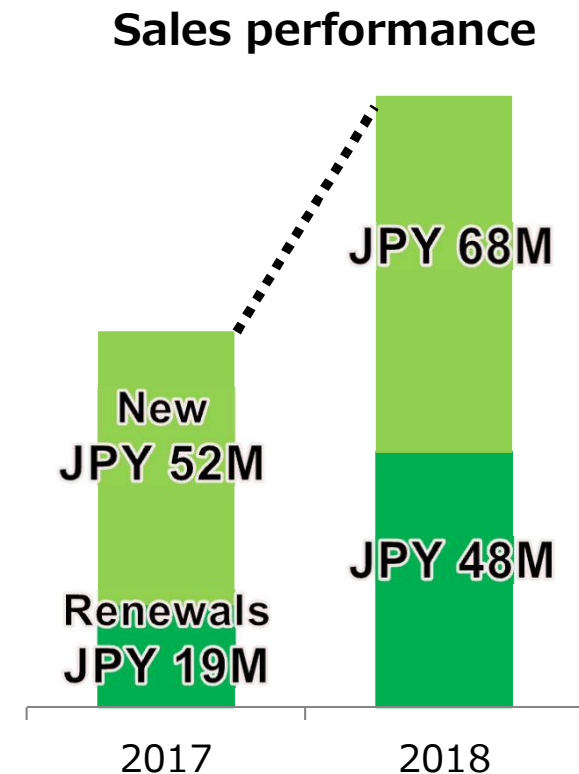


【Sales Results】



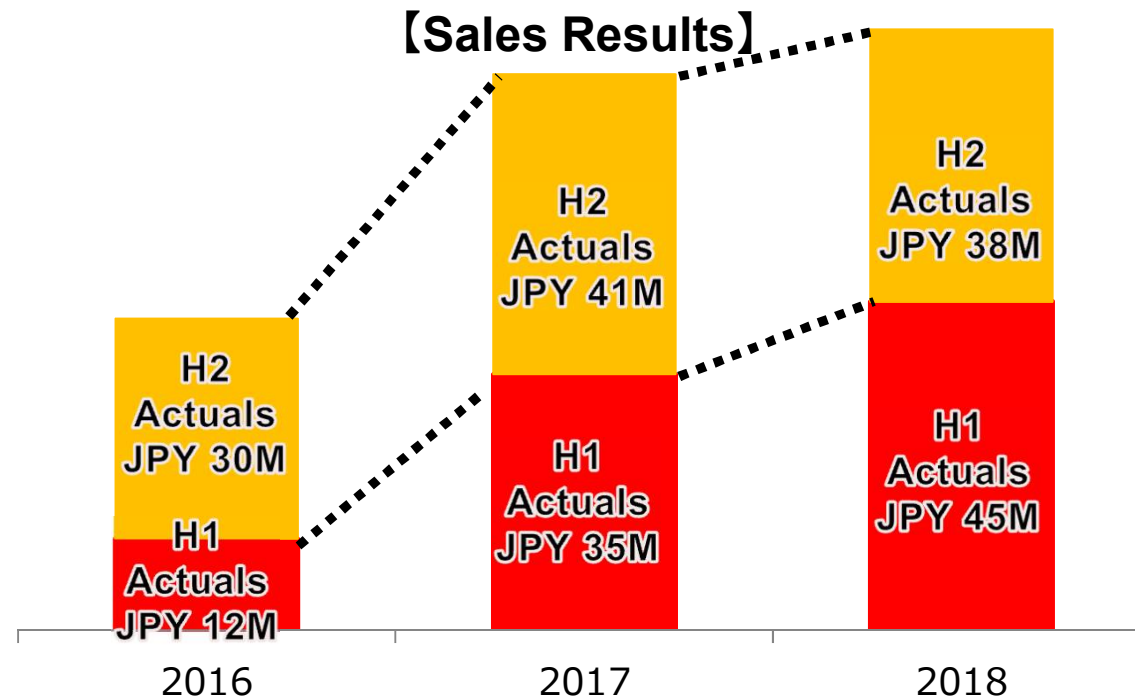
Sales of LMC Automotive Ltd. products (market forecast information)

1. We are adding reports on vehicle volume data, as described below, to the market and technology reports on the Information Platform, and increasing the exposure of the service by linking this to the market forecast information sales page.
 - ① For the sales volumes of the top 10 OEM groups, we provide 2 year forecast data updated quarterly.
 - ② For the production volumes for the top 10 countries, we provide 2 year forecast data updated quarterly.
2. We are marketing a range of cost competitive products not offered by our competitors and are expanding our new client customer base.
3. In October 2018, we successfully conducted the "Automotive Market and Technology Forecast Conference", which was well received. In 2019 we will conduct similar large conferences as part of our activities to increase the awareness of this service.



HR Referral

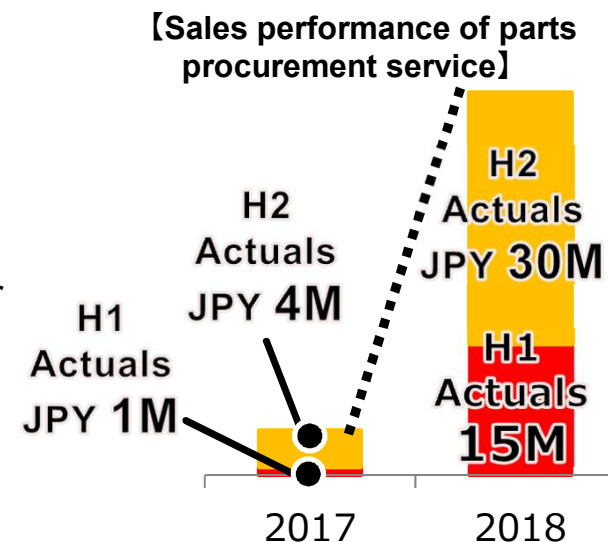
1. Currently, we have been awarded contracts to provide job offers on behalf of 4 of the 8 Japan domestic passenger car OEMs. Targeting the acquisition of HR referral contracts at the corporate level of all 8 OEMs, will allow us to receive a stable and sustainable stream of personnel recruitment requests as well as to establish a foothold to increase the number of potential job seekers.
2. We intend to increase profitability by offering HR referrals for talented job seekers to tier 1 and tier 2 suppliers in the Northern Kanto and Chubu areas of Japan utilizing our human resource information database.



Benchmarking

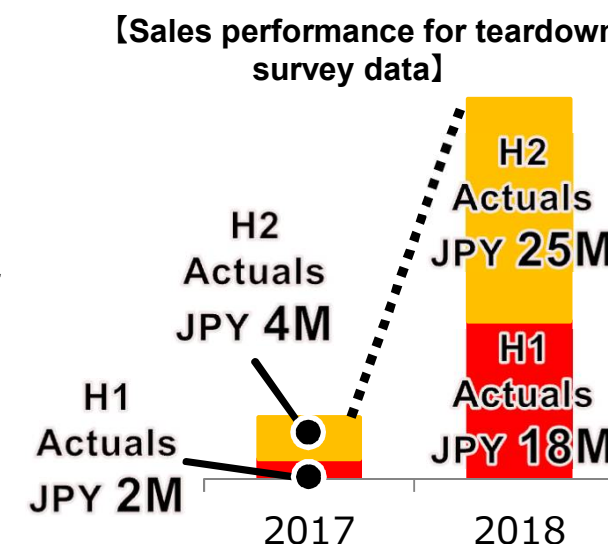
1. Agent for parts procurement

- ① Inquiries are increasing in the area of electric technologies. As a result, we will continue to aggressively promote our procurement service and increase orders for electrified vehicle components such as motors, batteries and power control units.
- ② Our cost comparison analysis service has a high affinity with the parts procurement service because it involves the benchmarking of competing products. Going forward, we will encourage orders for both services in parallel by demonstrating the synergistic effect.



2. Sales of teardown survey data

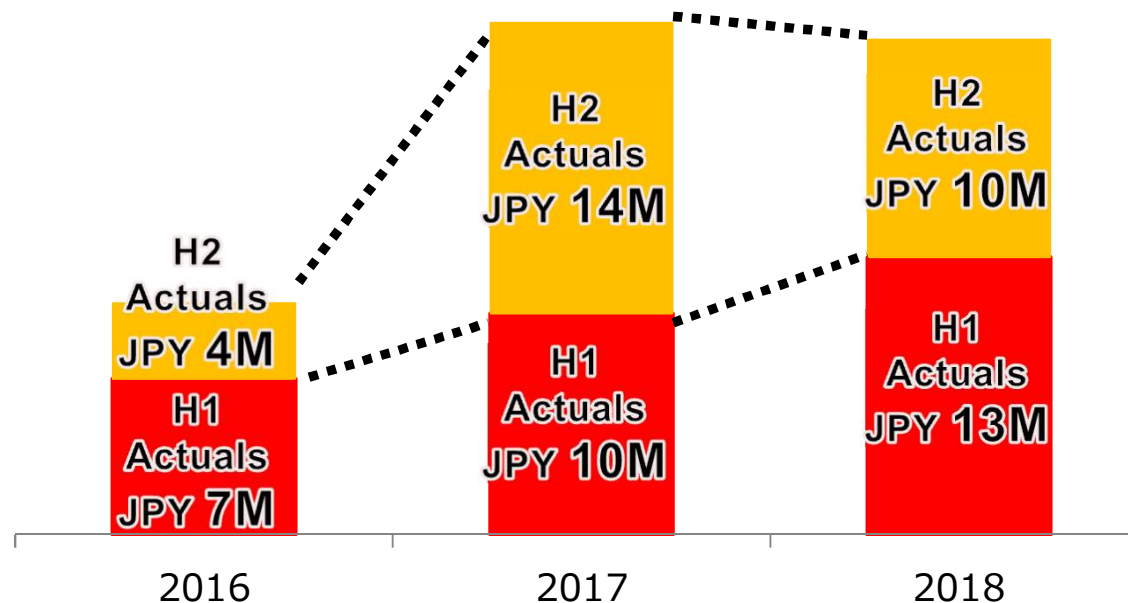
- ① In FY 2018, Munro's teardown analysis reports of the BMW i3 and Tesla Model 3 contributed greatly to the increase in sales. We plan to continue increase sales by aggressively promoting this service.



LINES

1. By establishing a dedicated staff, we have restructured our sales structure to increase awareness and enhance sales activities.
2. We plan to increase revenues by directly approaching companies that are highly motivated to market their products.
3. We plan to increase the number of registered users receiving PR email notices and enhance our LINES service by measures such as increasing the number of notices sent.

【Sales Results】

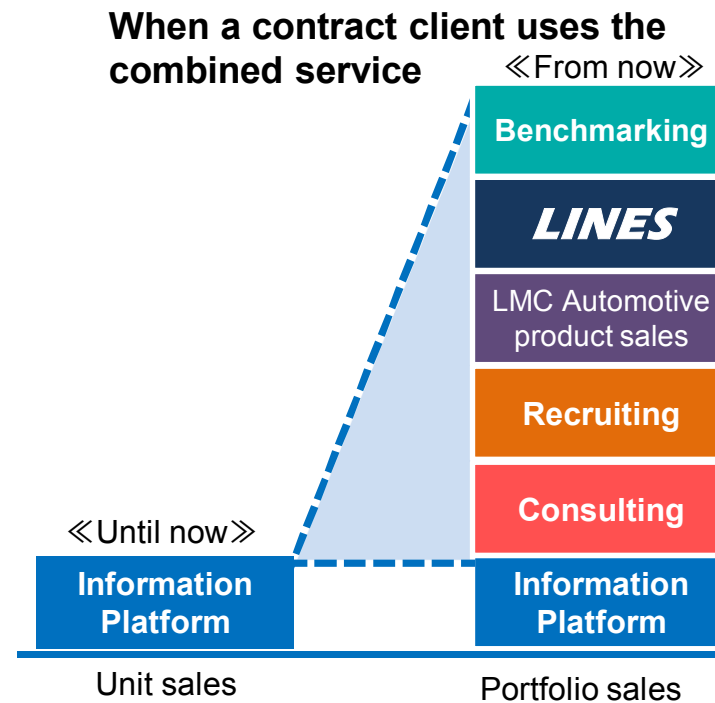
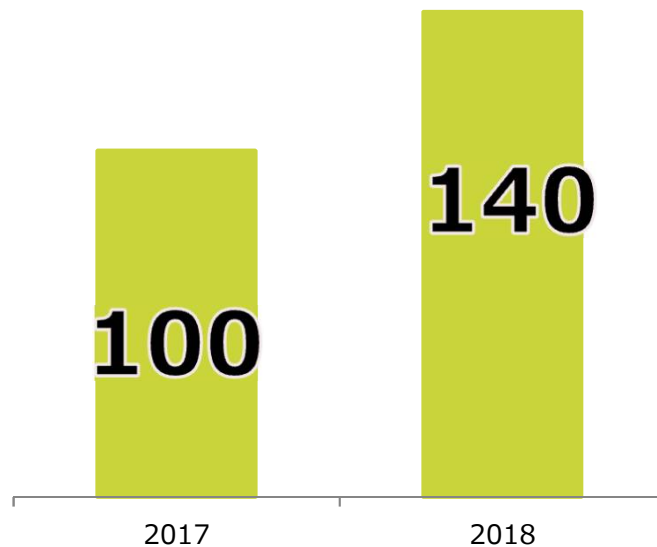


Full service package promotion

Among the total number of Information Platform member client companies in 2018, there were 140 companies (4.8% of our total number of clients) that use multiple MarkLines services, and this reflects a steady growth of 0.9% YoY or 3.9% of our total customer base in 2017.

- We plan to further increase the number of our member client companies by steadily implementing measures to develop each of our businesses and integrate the sharing of information among each of our business divisions.

Number of companies using Multiple MarkLines services



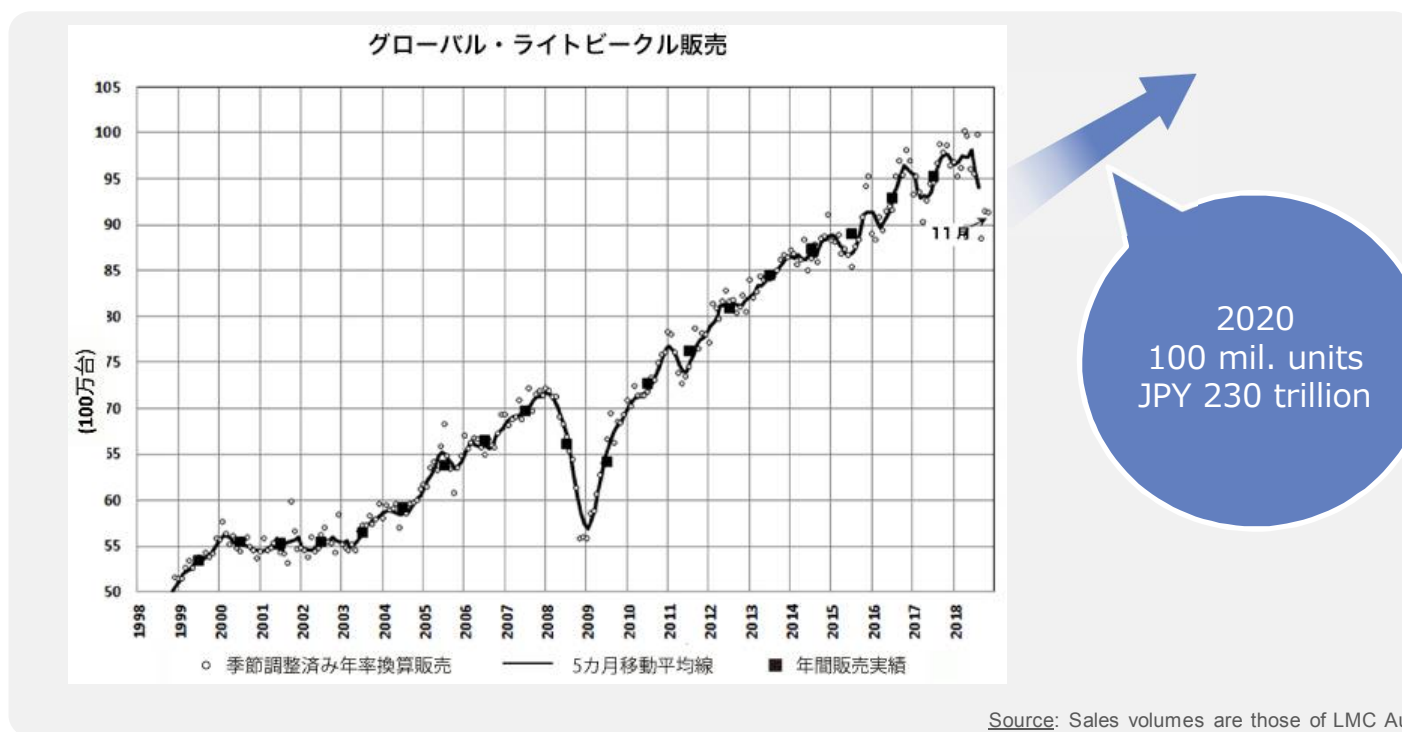
THANK YOU FOR YOUR ATTENTION.

V. REFERENCE MATERIALS

Business Environment (1): Growing automotive market

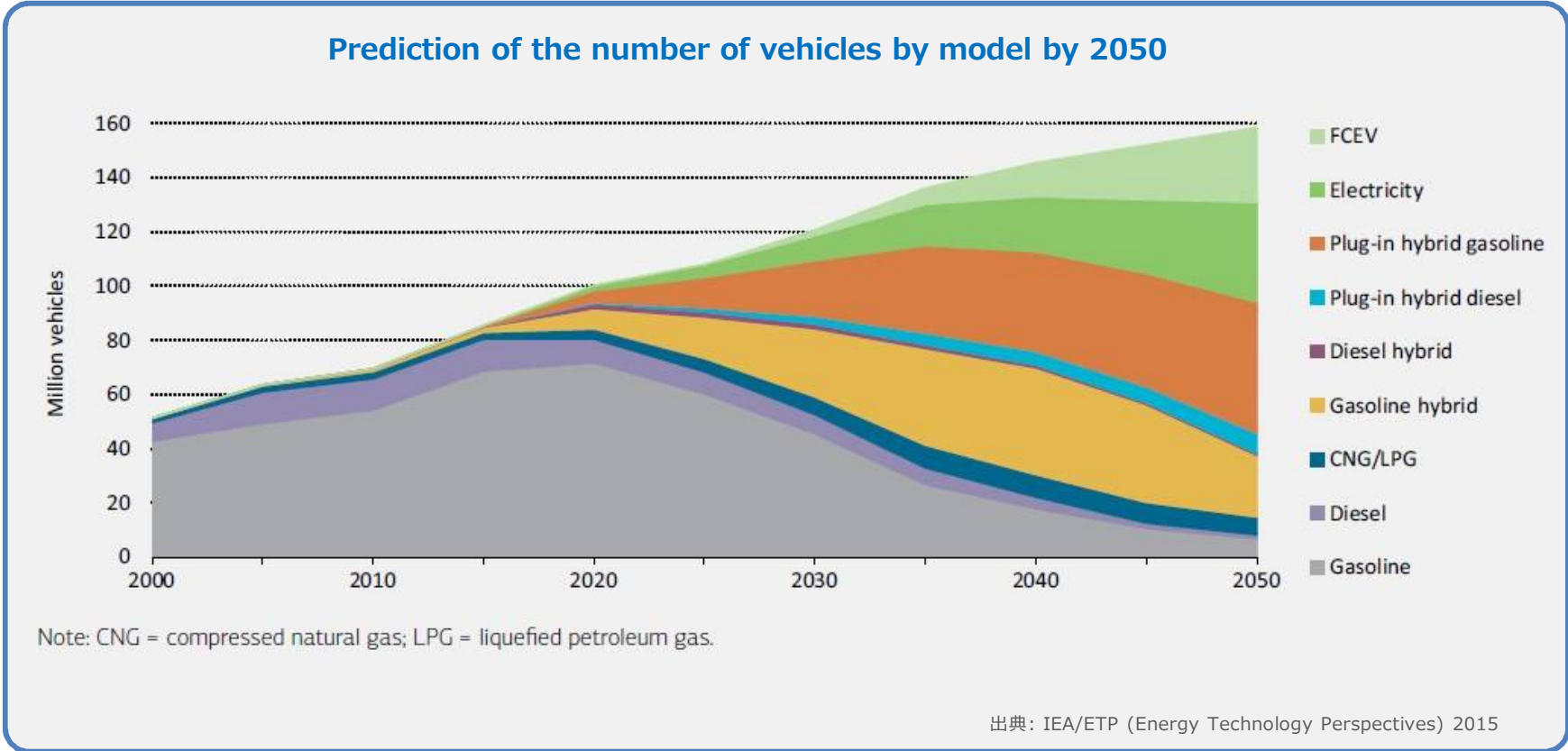
2020 Automobile sales volumes exceeded 100 million units

	2016	2020
World car sales volume	93.2 mil.units	100 million units
Automobile industry scale	JPY 200 trillion	JPY 230 trillion~



Source: Sales volumes are those of LMC Automotive Ltd.; the scale of the automobile industry is based on MarkLines estimate data.

Business Environment (2): Electrification

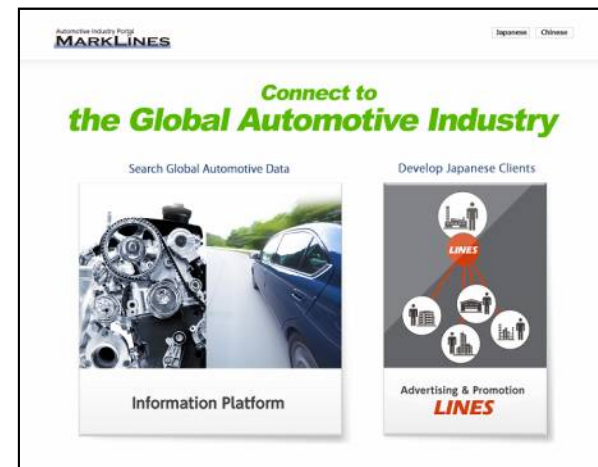


Business Environment (3): Autonomous driving & IoT transition to the practical stage → then the expanded scope of related industries



MarkLines Strengths (1)

There is no other company in the world that can compete with us given our comprehensive portfolio of services we offer via our global automotive industry platform.



MarkLines Strengths (2)

We provide total solutions specifically focused on the automotive industry

自動車業界を支援するトータルソリューション
マークラインズ自動車産業ポータル

顧客を開拓する
プロモーション広告
LINES

業界エキスパート集団
コンサルティング・受託調査

自動車業界に特化した
人材紹介

グローバル市場・技術の中長期予測
市場予測

分解調査・部品調達代行
ベンチマーキング

自動車情報をみんなでシェア
検索サイト
情報プラットフォーム
<https://www.marklines.com>