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MARKLINES

www.marklines.com

MarkLines Co., Ltd.

Financial Results

Briefing Materials

FY2023 H1

August 08, 2023

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MarkLines Co., Ltd.

- I. Topics for the first half (H1) of 2023**
- II. Financial Summary**
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- IV. Status of initiatives for the growth strategy announced in February 2023**

I. TOPICS FOR THE FIRST HALF (H1) OF 2023

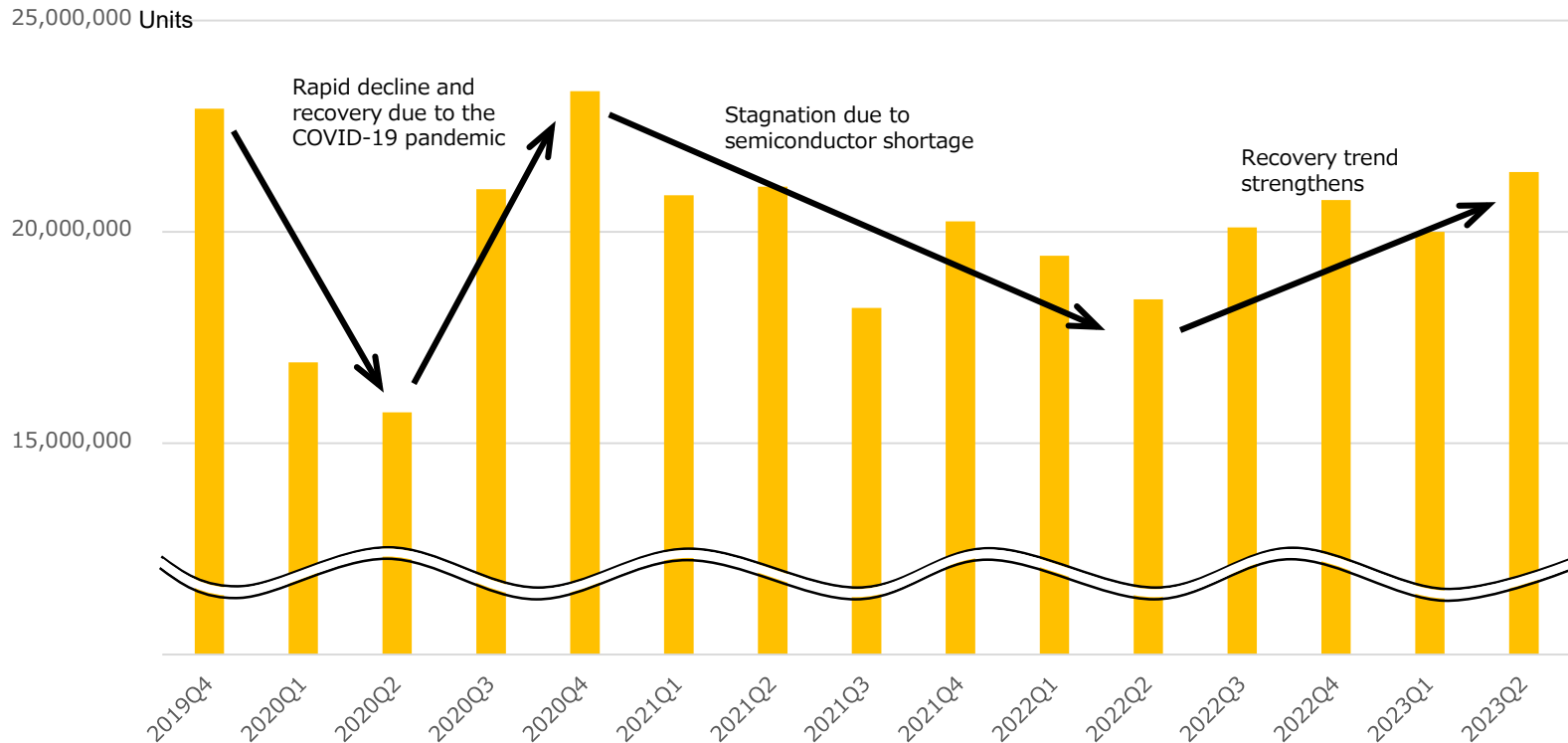
Topics for H1 of 2023

1. Changes in the Business Environment

① Semiconductor shortage

After bottoming out in Q2 of 2022, semiconductor shortages are beginning to show a stronger recovery trend, and automobile sales volumes are steadily increasing.

Global automobile sales volume (quarterly)

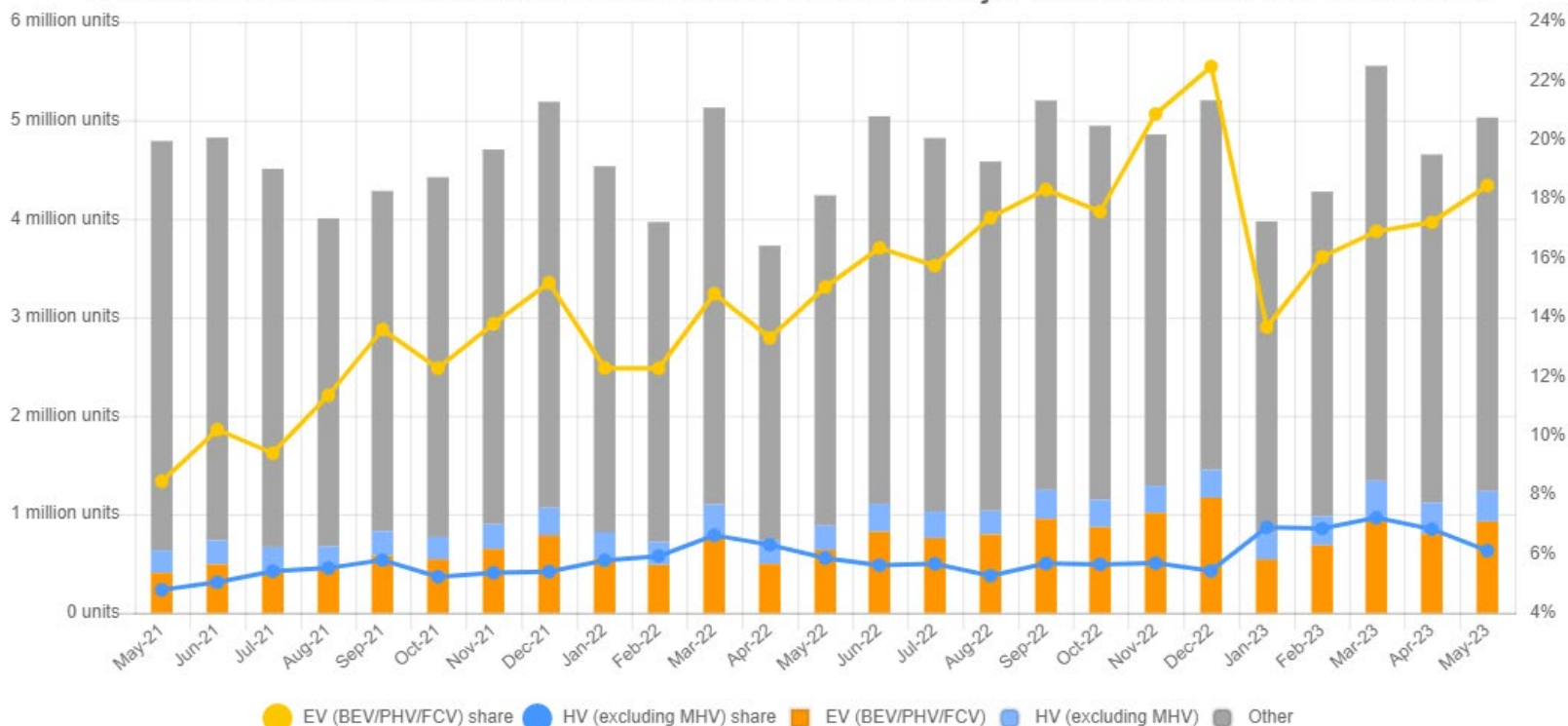


Topics for H1 of 2023

② Global Trends Toward Achieving Carbon Neutrality

New EVs are being launched one after another by various automakers, and parts suppliers specializing in EVs, led by Contemporary Amperex Technology Co., Ltd. (CATL), are also emerging. The trend toward electrification continues to progress on a global scale.

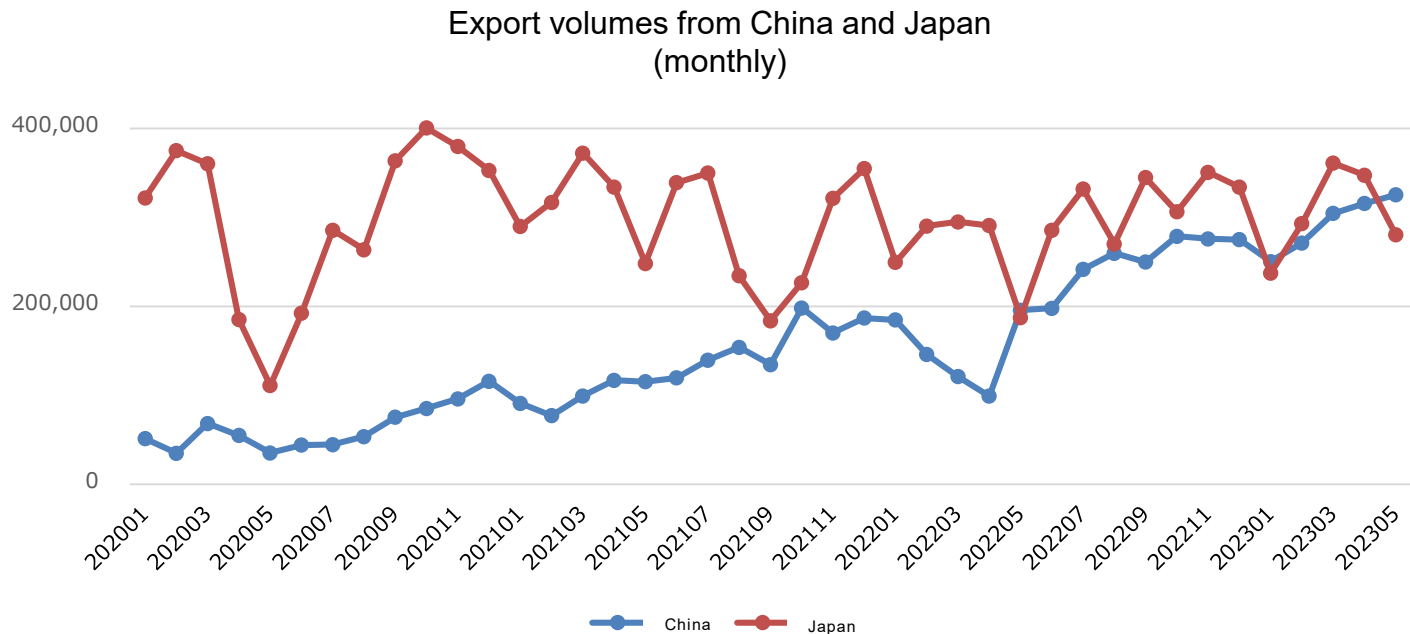
Total sales volume / share of electric vehicles and HVs in 11 major countries and 3 Nordic countries



Topics for H1 of 2023

③ Globalization of Chinese Automakers

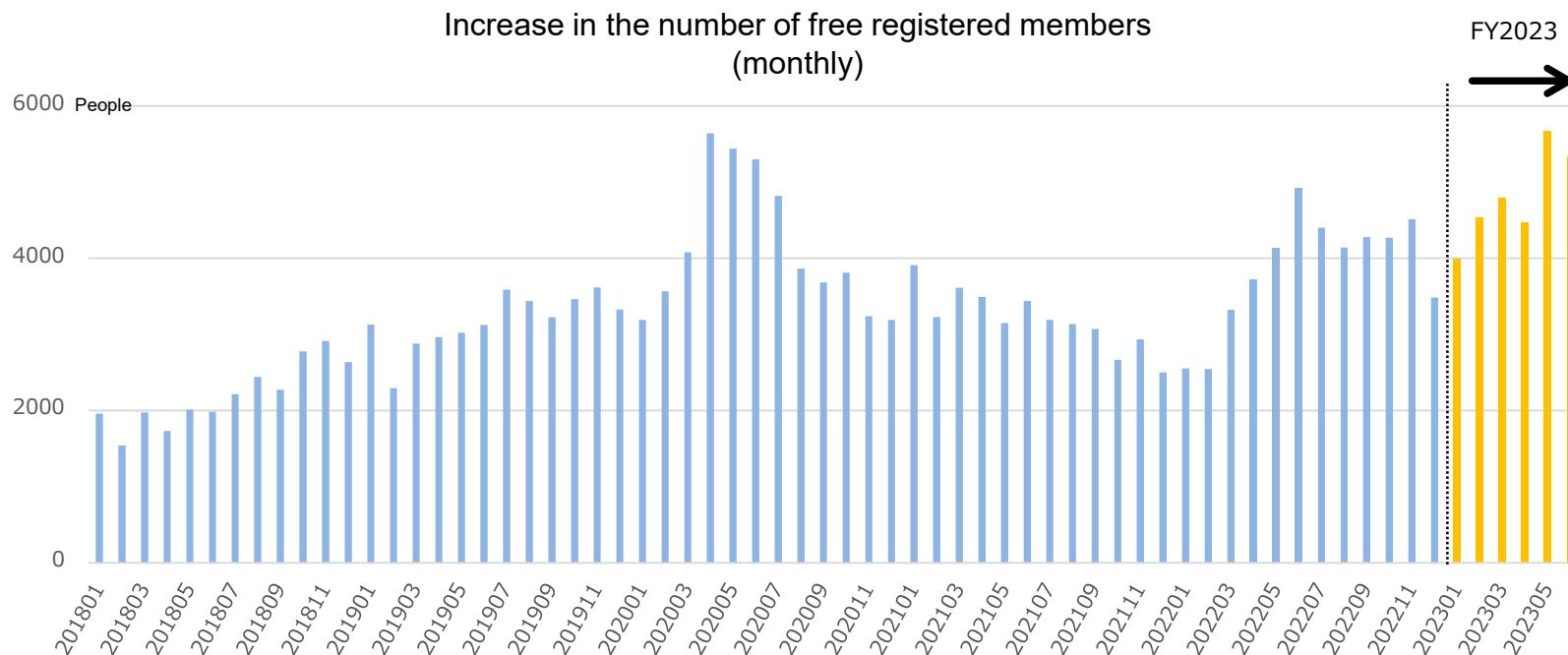
- ◆ Chinese automakers are increasing exports to Europe and other countries, and as of May 2023, China has surpassed Japan as the world's largest exporter of automobiles.
- ◆ Leveraging the popularization of EVs, Chinese automakers and parts suppliers are expanding their manufacturing sites globally.



Topics for H1 of 2023

2. Increasing Free Membership of Information Platform

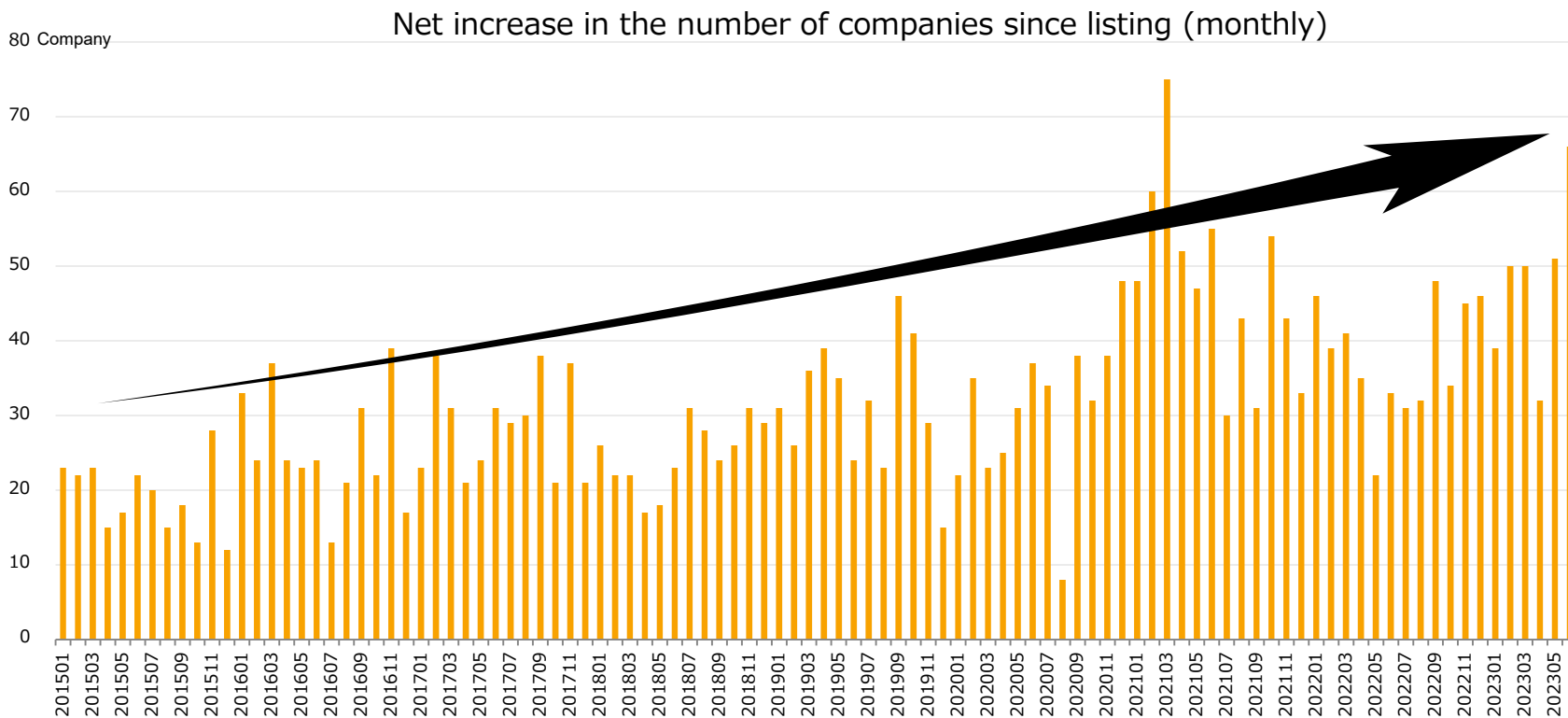
Since the end of the previous period, opportunities for Marklines content to be exposed in newspapers, television, and other media have increased. As the Company's visibility has further increased, the number of trial free registered members has begun to increase again this period, reaching a record high in May.



Topics for H1 of 2023

3. Net increase in Information Platform contracts

As the graph on page 5 shows, in line with the recovery in sales volume, the number of companies with a net increase in subscriptions is on an upward trend. In addition, the Global Sales Department continues to strengthen its personnel structure and is working to share its know-how. As a result, the net increase in the number of subscribing companies in the first half of the fiscal year was strong.



Topics for H1 of 2023

4. Information Platform Fee Structure Change

In light of changing customer needs and price levels between countries, we have made changes to our rate structure effective July 1, 2023.

[After revision]

Number of users	JPY	USD	EUR	CNY	GBP
Up to 2 people	600,000	5,100	5,100	36,000	4,200
Up to 4 people	780,000	6,300	6,300	45,000	5,400
Up to 10 people	1,200,000	10,200	10,200	72,000	8,400
Up to 20 people	1,800,000	15,300	15,300	108,000	12,600
21 or more	2,400,000	20,400	20,400	144,000	16,800

[Before revision]

Number of users	JPY	USD	EUR	CNY	GBP
Up to 2 people	480,000	5,100	5,100	36,000	4,200
Up to 4 people	600,000	6,300	6,300	45,000	5,400
Up to 10 people	840,000	9,000	9,000	63,600	7,500
11 or more	1,200,000	12,600	12,600	86,400	10,800

Topics for H1 of 2023

5. Investment in 3 domestic and overseas companies

Automobile Fund Co., Ltd., a subsidiary of MarkLines, has invested in the following three companies in Japan and overseas through the “Automotive Industry Support Fund 2021 Investment Business Limited Liability Partnership” operated by the Company.

[List of new investments in the first half of FY2023]

	Investment Project No. 2	Investment Project No. 3	Investment Project No. 4
Investment amount	USD 1,000,000	EUR 1,600,000	JPY 99,760,000
Company name	Kardome Technology Ltd.	Tacto Tek Oy.	Organic Mobility, Inc.
Location	Israel	Finland	Japan
Establishment	2019	2012	2022
Business content	Development and sales of spatial speech recognition software technology	Development of process technology for molded products with built-in electronic circuits for HMI	Development and operation of systems for connected cars

Topics for H1 of 2023

6. Improved operations by introducing the low-code tool ("Kintone")

In June, the company introduced a full-fledged low-code tool and began activities to centralize data, speed up operations, and go paperless in the Information Platform business.



Low-code tools: Platforms that allow applications to be developed with intuitive operations, without requiring advanced programming.

II. FINANCIAL SUMMARY

Summary of Consolidated Financial Results

(Unit: JPY Millions)

	FY2023 H1			YoY change (%)	Primary factors
	Actuals	Feb. 2023 earnings forecast	Ratio to forecast (%)		
Consolidated net sales	2,398	2,400	Δ 0.1	+16.0	The "Information Platform" business increased 18.6% year-over-year (y/y). Other businesses increased 12.0% y/y due to a significant increase in the consulting business. Overall, sales increased 16.0% y/y.
Consolidated operating income	972	920	+5.8	+25.1	Sales increased by 25.1% y/y, absorbing the impact of higher fixed costs.
Consolidated ordinary income	972	920	+5.8	+23.9	Operating income increased 23.9% y/y, reflecting a 25.1% y/y increase in operating income.
Net income attributable to shareholders of the parent company	671	630	+6.6	+22.6	Ordinary income increased 22.6% y/y, reflecting a 23.9% y/y increase in ordinary income.

Business segment profit and loss

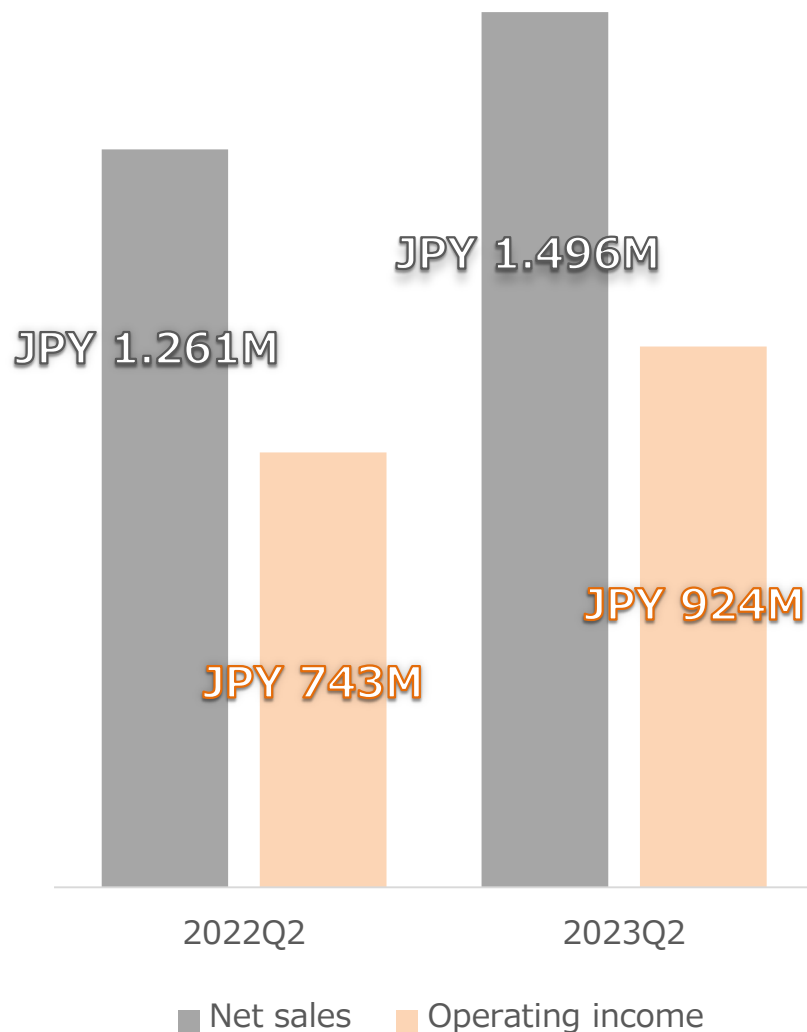
(Unit: JPY Millions)

Division		2022 H1 actuals	2023 H1 actuals	y/y change	
Information Platform business	Net sales	1,261	1,496	+234	+18.6%
	Segment profit	743	924	+180	+24.2%
Teardown survey data sales business	Net sales	145	158	+13	+9.0%
	Segment profit	71	70	△0	△ 1.0%
Consulting business	Net sales	176	248	+72	+41.4%
	Segment profit	32	62	+30	+93.4%
Vehicle and Parts Procurement Business Group	Net sales	222	206	△15	△6.9%
	Segment profit	33	37	+3	+11.2%
Recruiting Solutions Dept.	Net sales	84	97	+12	+15.2%
	Segment profit	29	43	+13	+47.1%
Promotional Advertising business	Net sales	39	43	+3	+9.2%
	Segment profit	35	37	+2	+7.1%
Market Forecast Information sales business	Net sales	118	127	+9	+8.0%
	Segment profit	31	37	+6	+20.9%
Automobile Fund business	Net sales	19	19	+0	+0.0%
	Segment profit	0	0	+0	+18.7%
Adjustment	Net sales	-	-	-	-
	Segment profit	△199	△199	△41	-
Consolidated net sales		2,066	2,398	+331	+16.0%
Consolidated operating income		777	972	+195	+25.1%

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Business segment profit and loss (Information Platform business)

■ Information Platform business



① Information Platform business,

- Sales increased due to a steady increase in the number of client members as a result of the effect of the strengthening of the sales department's personnel structure and the sharing of know-how within the department to raise the level of sales capabilities.
- The continued depreciation of the JPY against the USD and EUR from the previous fiscal year led to increased sales in JPY terms of the relevant currencies.

As a result of the above, net sales increased by 18.6% y/y and operating income increased by 24.2%.

Business segment profit and loss (Information Platform business)

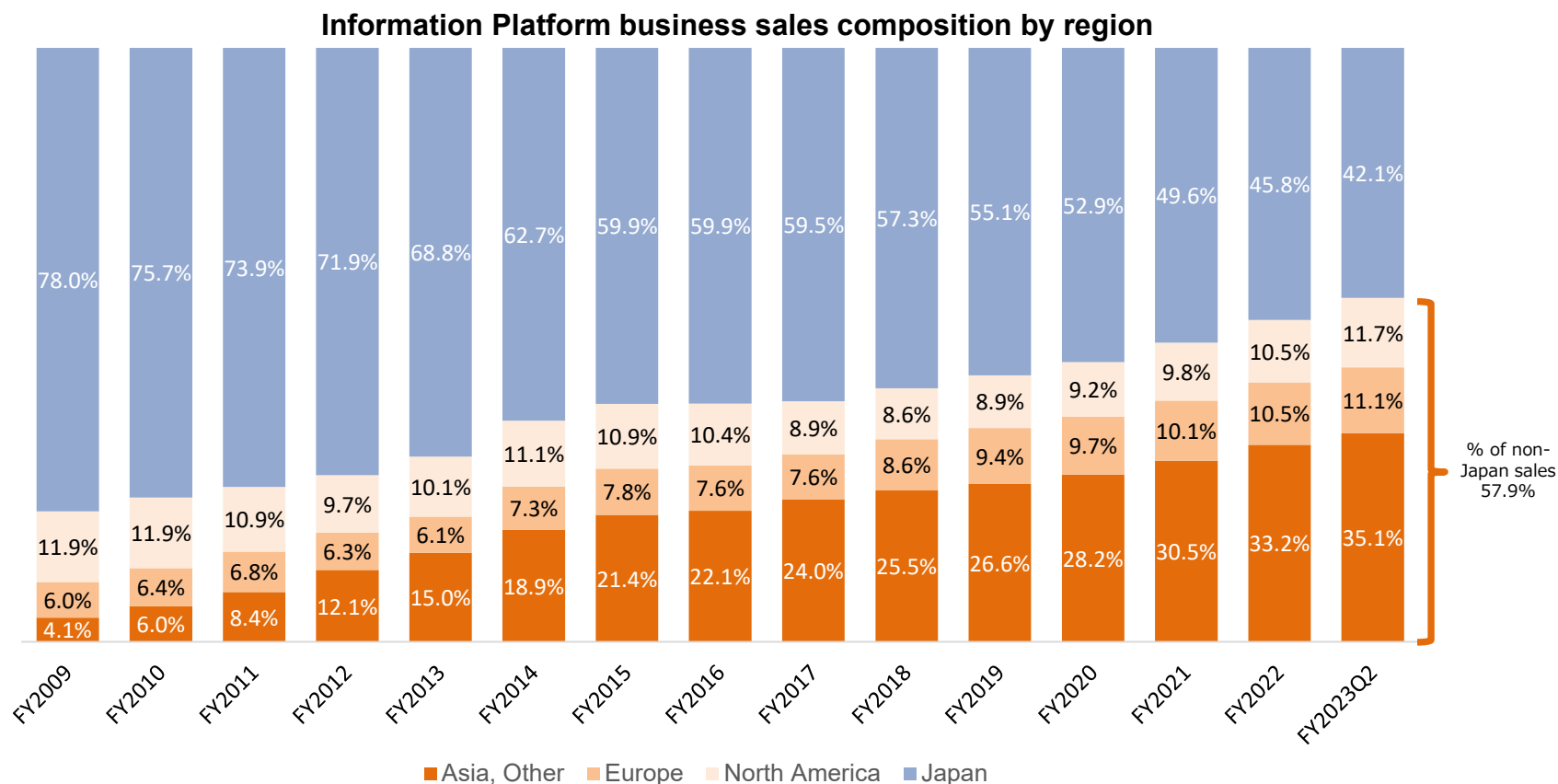
- ② Sales of the Information Platform business by region showed significant growth, particularly in North America and Asia, due to the positive contribution of the yen's depreciation (approx. 28% of total sales growth).

(Unit: JPY Millions)

Information Platform business sales by region				
Information Platform business	FY2022 H1	FY2023 H1	YoY change (%)	Change factors
Japan	580	630	+8.5	Sales increased due to the sustained effect of the increase in the number of client members in the previous fiscal year.
China	225	263	+16.5	The number of client members continues to increase due to steady acquisition of new contracts by domestic sales in Japan and sales by our China subsidiary. Net sales also increased 16.5% against the backdrop of an increase in the number of client members.
Asia	187	251	+34.2	Sales remained steady mainly in Thailand and South Korea. Sales increased by more than 30%, due in part to the effect of unifying the contract currency to the U.S. dollar.
North America	128	175	+37.0	New contracts in the U.S. and Mexico, which are positioned as priority areas, are growing significantly. Net sales increased significantly due in part to the effect of a weaker JPY.
Europe	131	166	+26.2	Sales also increased due to direct sales from domestic sales in Japan to Japanese companies in Europe and the effect of the net increase in the number of companies in the previous fiscal year.
Other	7	9	+24.7	-
Total	1,261	1,496	+18.6	-

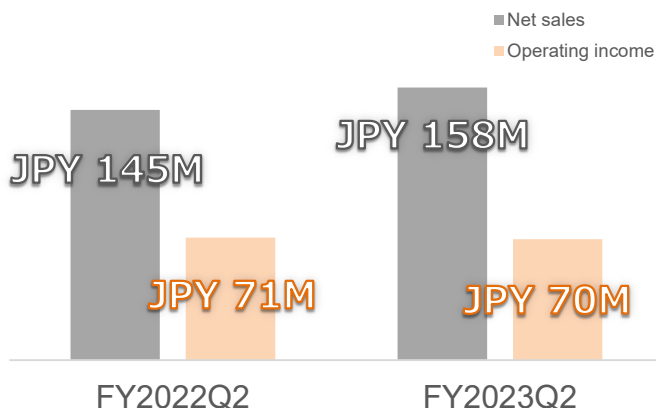
Business segment profit and loss (Information Platform business)

- ③ In terms of Information Platform sales by region, the ratio of overseas sales rose 3.7 points to 57.9% for H1 as new contracts with non-Japanese companies continued to exceed 60% and the effect of the weak JPY also contributed to the increase in overseas sales.



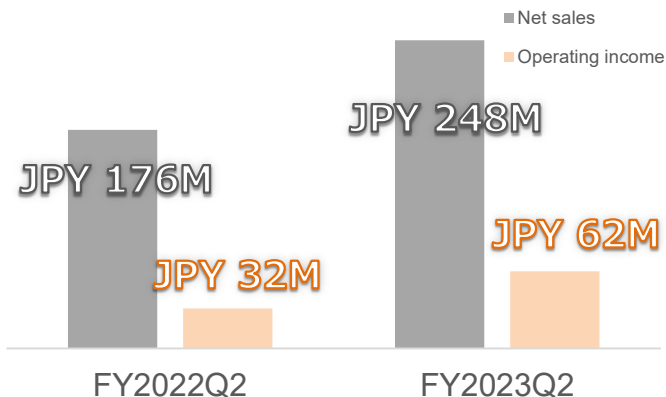
Business segment profit and loss (businesses other than Information Platform business)

■ Teardown survey data sales business



Sales of reports pertaining to new models such as the Tesla Model Y, Ford F-150, and Rivian R1T were strong. In addition, CAD data sales also contributed to earnings growth. Conversely, the start of sales of in-house reports with high profit margins was delayed to 3Q, resulting in a slight decrease in operating income y/y.

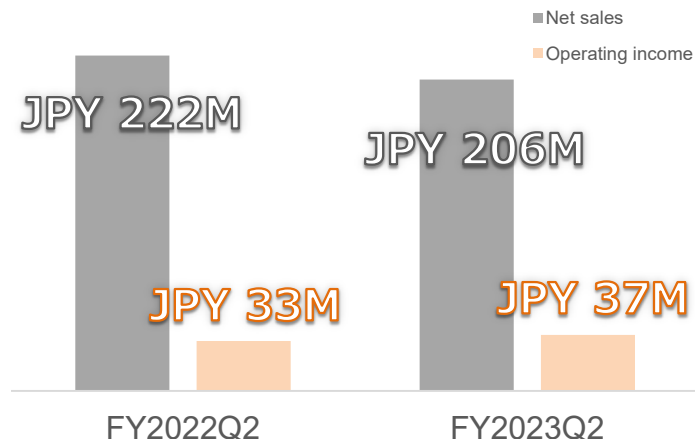
■ Consulting business



Cost Comparison Analysis services performed well against the backdrop of growing trust from major automakers. In addition, the ECU benchmarking service, which was launched at the end of the previous fiscal year, succeeded in winning orders for high-value projects, partly due to the effect of capital investment in equipment such as digital microscopes. As a result, net sales increased 41.4% y/y, and operating income rose a significant 93.4% y/y due to the ongoing review of outsourcing prices and the promotion of in-house production.

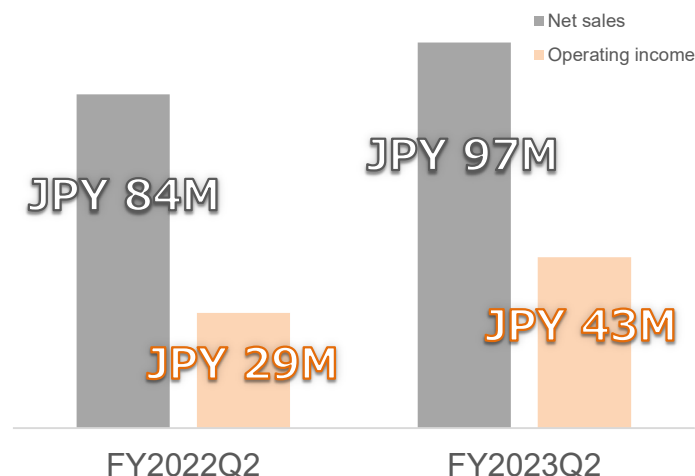
Business segment profit and loss (businesses other than Information Platform business)

■ Vehicle and Parts Procurement Business Group



Net sales decreased 6.9% y/y due to relatively fewer orders for high unit-price vehicle bodies and an increase in the proportion of smaller projects, but operating income increased 11.2% y/y due to the large number of projects with higher profit margins.

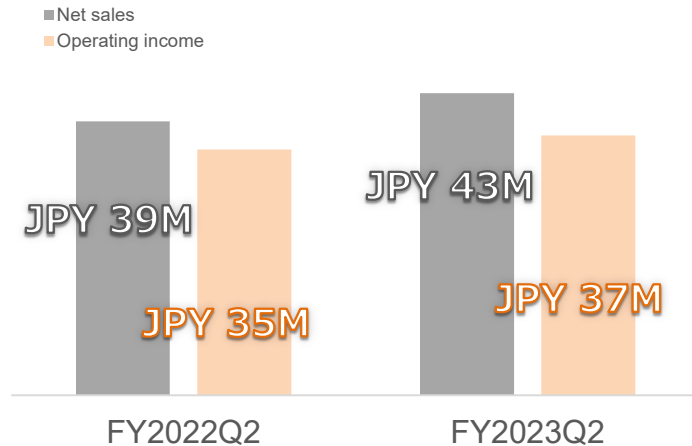
■ Recruiting Solutions Dept.



The number of contracts signed was 50 (compared to 40 in the same period last year). Compared to the same period last year, sales increased 15.2% due to a doubling in the number of contracts for R&D engineers to automakers, etc., despite a decrease in contracts for executive level personnel. Operating income increased 47.1% y/y, partly due to a decrease in fixed costs.

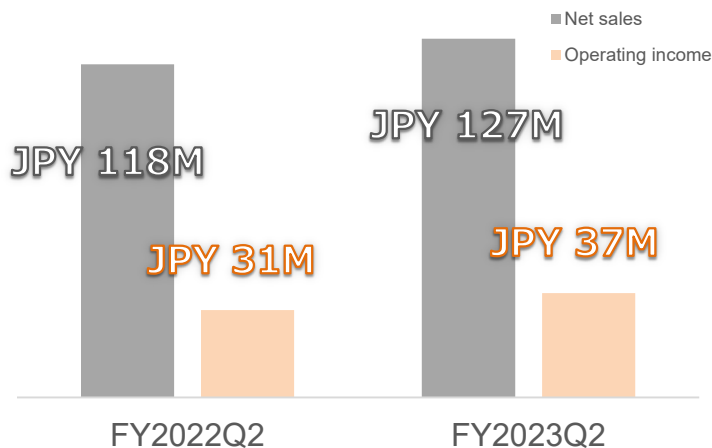
Business segment profit and loss (businesses other than Information Platform business)

■ Promotional Advertising business



It continues to attract attention as a web advertising tool, and sales and operating profit rose y/y 9.2% and 7.1%, respectively, due to the acquisition of new customers and an increase in the number of repeat orders from existing customers. In addition, the backlog of orders at the end of June this term has increased by 42.5% y/y to JPY 22 million, and is expected to contribute to net sales in 3Q and beyond.

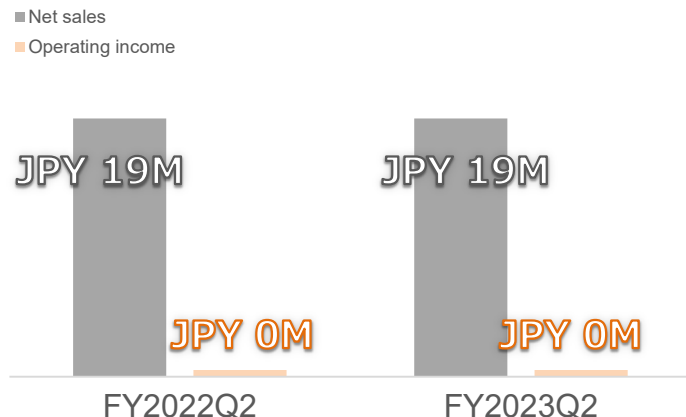
■ Market Forecast Information sales business



Contract renewal rates remained high, and the upselling effect of some customers also contributed to earnings. In addition, sales increased 8.0% y/y due to the effect of increased inquiries following the renovation of the introduction page of this service. Operating income increased 20.9% y/y, partly due to a decrease in fixed costs.

Business segment profit and loss (businesses other than Information Platform business)

■ Automobile Fund business



Management fees received from the "Automotive Industry Support Fund 2021 Investment Limited Liability Partnership," an affiliate accounted for by the equity method, are recorded as sales. There was no change in the structure, and fixed costs were at the same level as in the same period of the previous year. As a result, both sales and operating income were on par with the previous year.

III. EARNINGS FORECAST

Full-year earnings forecast

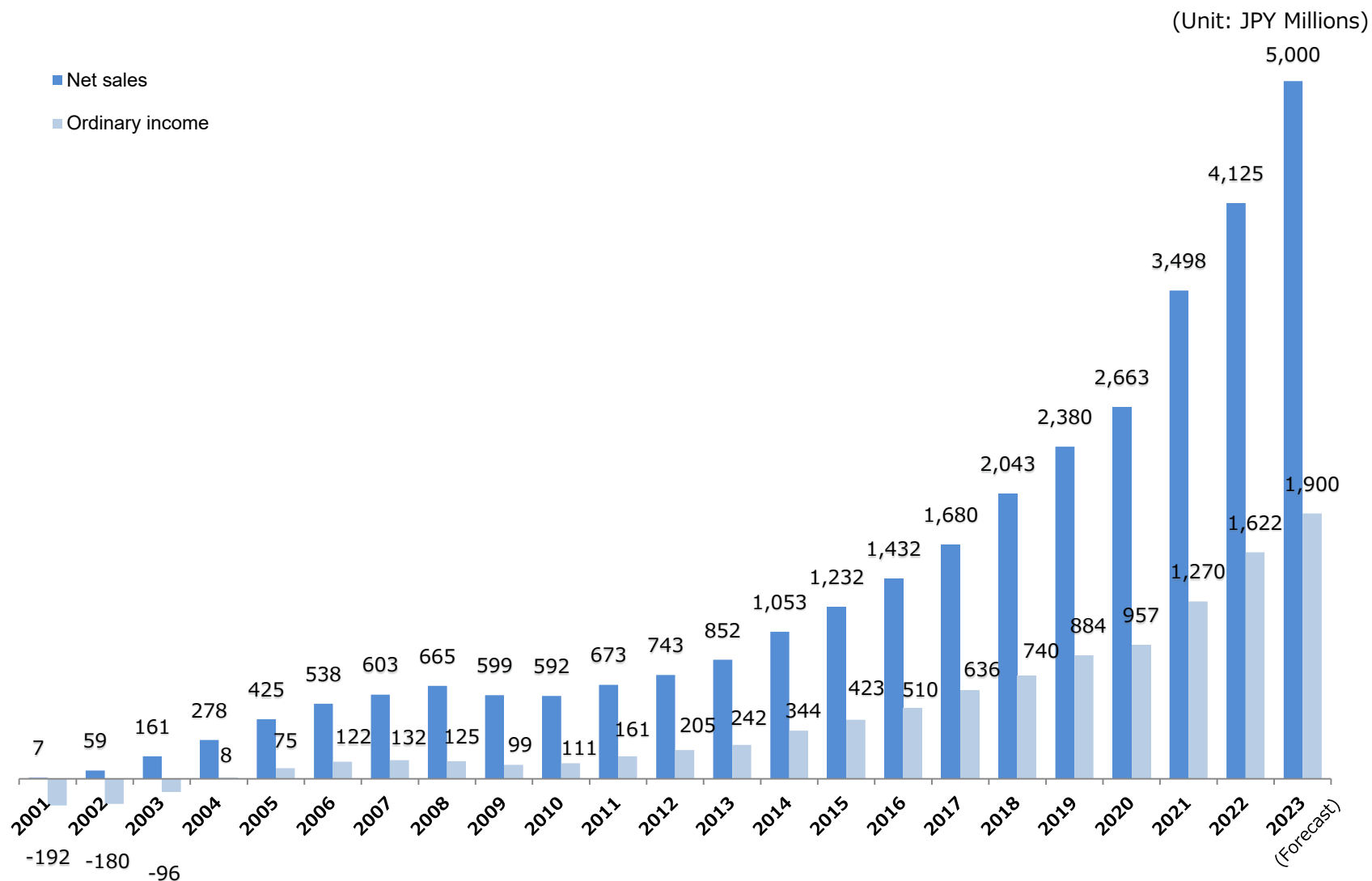
(Unit: JPY Millions)

	2022 Dec. 31, Actuals	2023 Dec. 31, Plan	y/y (%)
Consolidated net sales	4,125	5,000	+21.2%
Consolidated operating income	1,623	1,900	+17.0%
Consolidated ordinary income	1,622	1,900	+17.1%
Net income attributable to shareholders of the parent company	1,139	1,300	+14.1%

※1 The exchange rate assumptions for the FY12/2023 plan are as follows:
JPY130/USD, JPY140/EUR, JPY19.2/CNY, JPY3.9/THB

※2 There is no change to the full-year consolidated earnings forecast announced on February 9, 2023.

Forecasting a 13th consecutive year of record profits



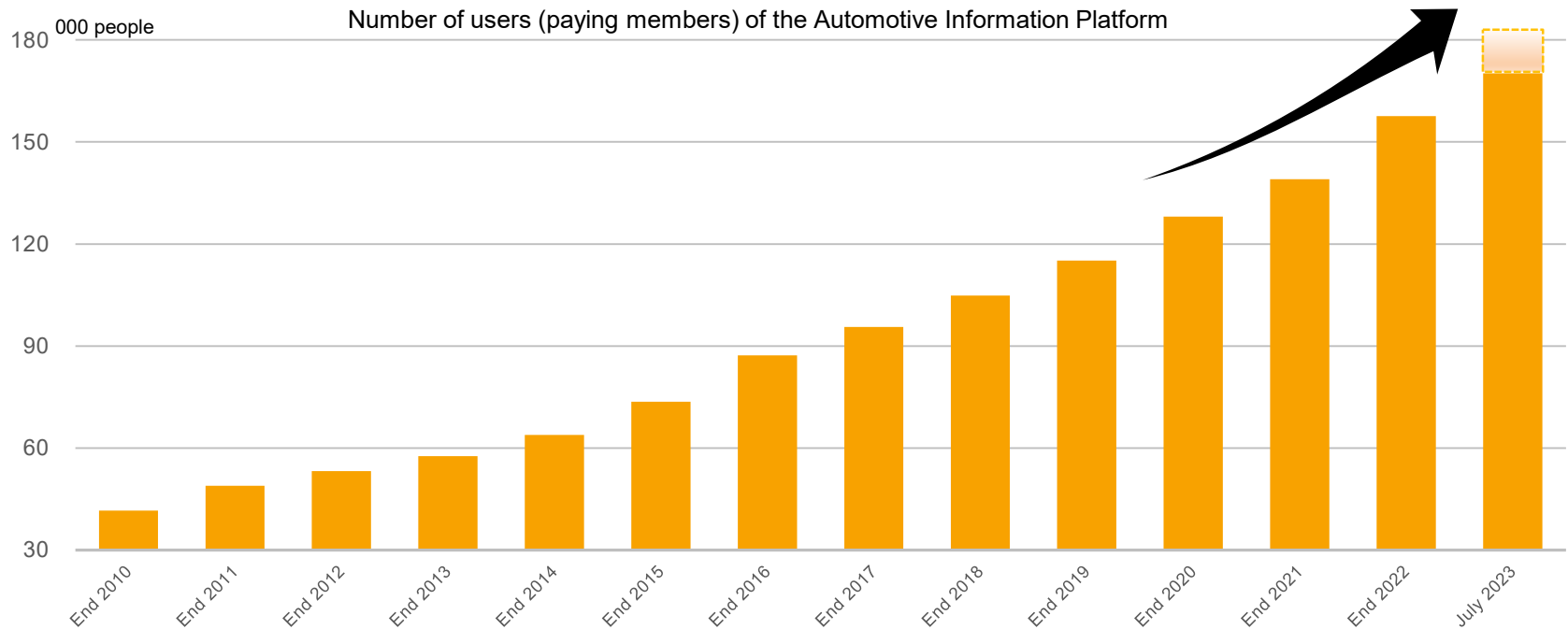
IV. STATUS OF INITIATIVES FOR THE GROWTH STRATEGY ANNOUNCED IN FEBRUARY 2023

1. “Information Platform” business: Expansion of customer base (1/2)

Expansion of the customer base for the "Information Platform" business, which reflects the buyer base of services being expanded by each business

① Efforts to increase the number of subscribers and users

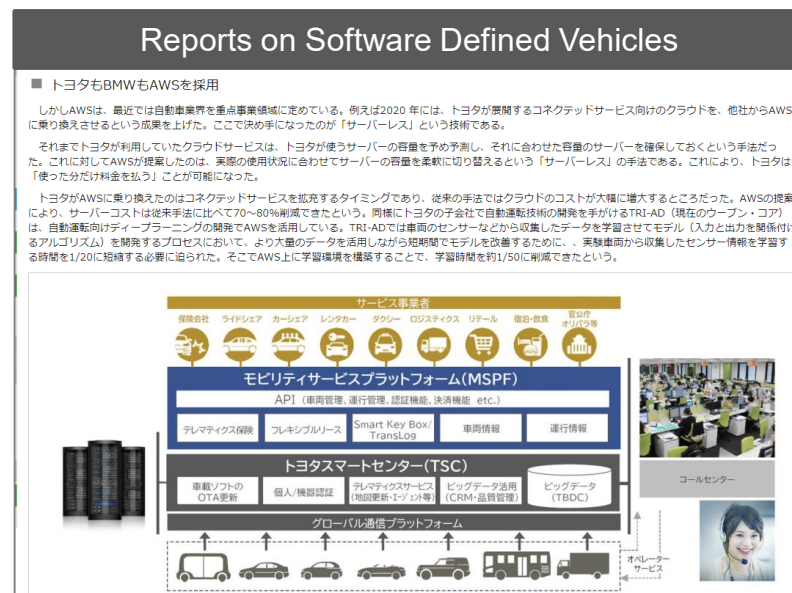
- ◆ The increase in unrestricted contracts, both new and modified, doubled in the January-June period of the current fiscal year to 39 (20 in the same period of the previous year). We will continue to promote the acquisition of unlimited subscriptions.
- ◆ We will continue to increase the number of registered members by encouraging each company with unlimited subscriptions to promote internal recognition and PR.



1. "Information Platform" business: Expansion of customer base (2/2)

② Efforts to strengthen content

- ◆ For "Market and Technology Reports," we doubled the number of reports on carbon neutrality (LCA; Life cycle assessment). The company will continue to promote content enhancement in the second half of the fiscal year.
- ◆ In response to the increasing importance of software in the life cycle costs of automobiles, the company has begun to strengthen its content related to SDV (Software Defined Vehicle) related reports and other information. We will continue to expand content in this area.
- ◆ The company is working to renovate the user interface of the "60,000 Company Search" menu. The company plans to complete said activities by the end of the year.



2. Introduction of customer-specific (horizontal) sales management

The Sales Planning Department was newly established on July 1 to manage the eight businesses operated by the Company in a horizontal and cross-functional manner and to provide services tailored to the needs of each customer. The department will take the initiative to introduce a low-code tool ("Kintone") to centrally manage customer data and service usage for each business unit. Through these efforts, the company aims to maximize sales for each customer.

Image of sales management by business and customer

	Information Platform	Benchmarking	Promotional Advertising	Consulting	Market Forecast Information sales	Recruiting Solutions	Automobile Fund
A automobile	○	○	○	○	○	○	
B automobile	○			○			
C automobile	○				○		
D parts industry	○	○	○				○
E precision equipment		○		○	○	○	

3. Benchmarking related (1/2)

In the first half of 2023, the selection of a contractor and conclusion of a contract for the construction of the benchmark center were completed and work began in July. In addition to parts procurement agency services and cost comparison and analysis services, the company will begin to study the details of services to be provided after construction is completed (May 2024), including vehicle teardown, measurement, CAD data acquisition, and report preparation.

[Completion plan of Benchmark Center]



3. Benchmarking related (2/2)

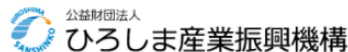
① Vehicle and Parts Procurement Business Group

The company exhibited at the JSAE Automotive Engineering Exposition 2023 held in May and conducted sales promotion activities. In the second half of the fiscal year, the company will implement measures to increase the ratio of repeat orders from automobile and major parts manufacturers.

② Teardown survey data sales business

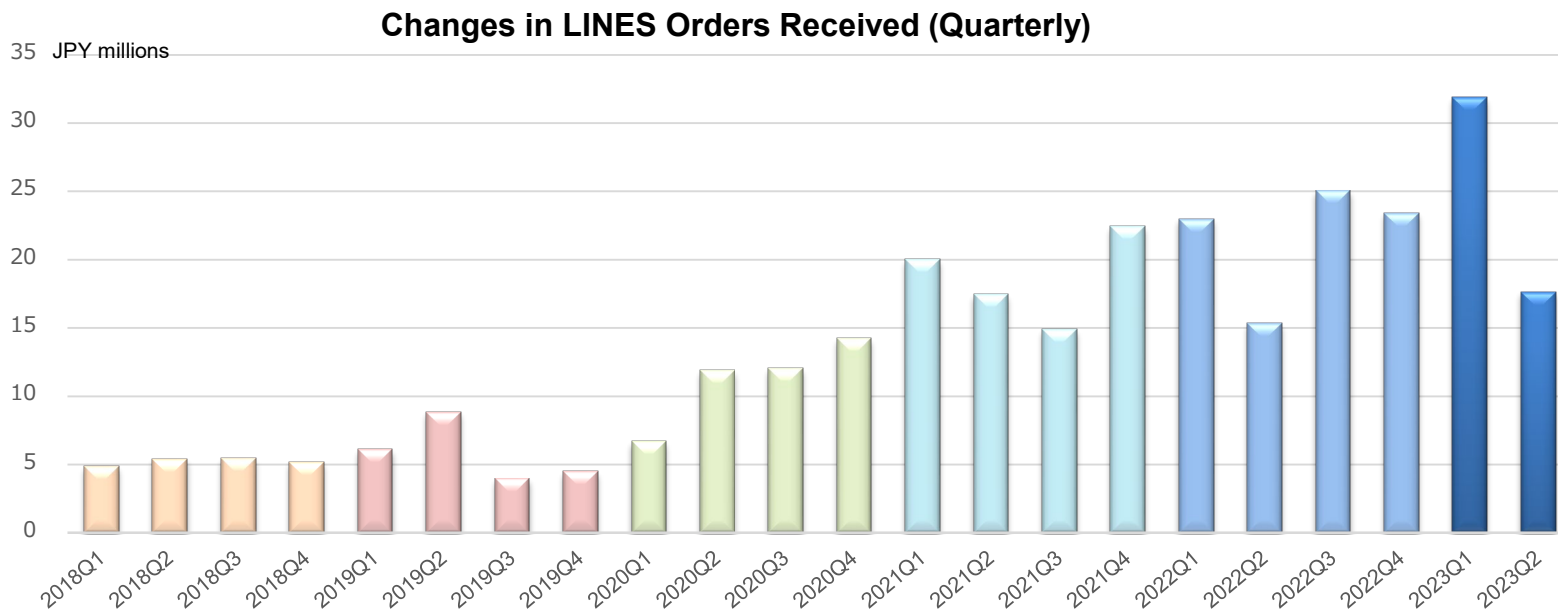
- ◆ A new partner (Ono Sokki Co., Ltd.) was added to expand the report lineup. We will continue to conduct sales promotional activities for the reports.
- ◆ In July, the company began selling cost analysis data (produced in-house) for the e-Axle for BMW iX xDrive50. In the second half of the fiscal year, the company will focus on sales of such reports.

[List of partners as of the end of June 2023]



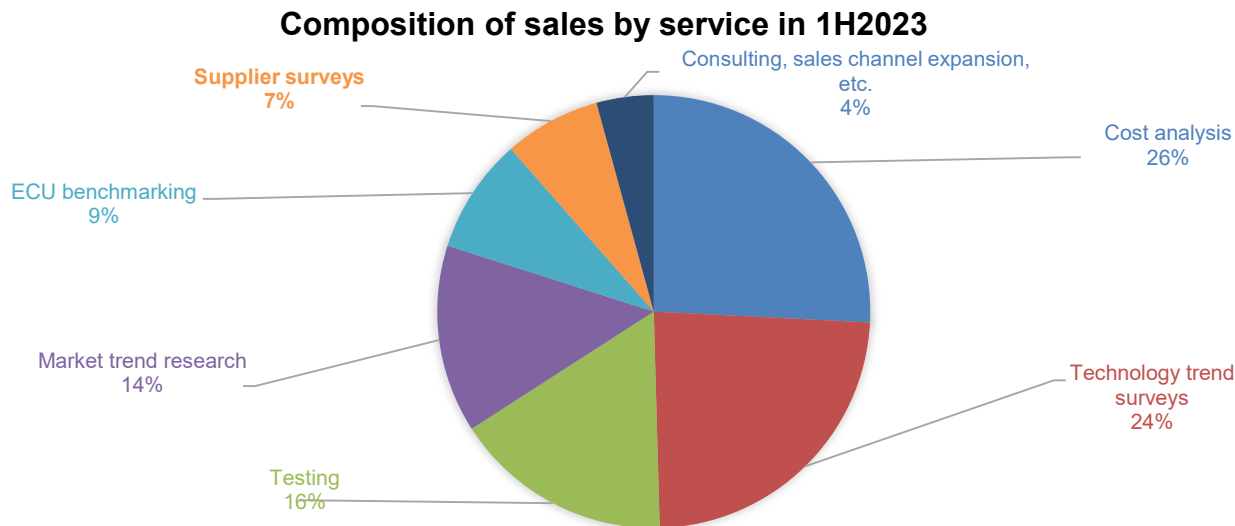
3. Promotional Advertising business (*LINES*)

- ① Orders from distributors with major component manufacturers/solution vendors as customers are increasing. In addition, the company continues to make progress in acquiring repeat orders from newly contracted vendors and will continue to work with them.
- ② The effectiveness of PR mailings in attracting visitors at seminars and exhibitions has been recognized once again, and regular use of such services is on the rise. The company will continue to promote the acquisition of more repeat customers, including after-sales follow-up.



3. Consulting business

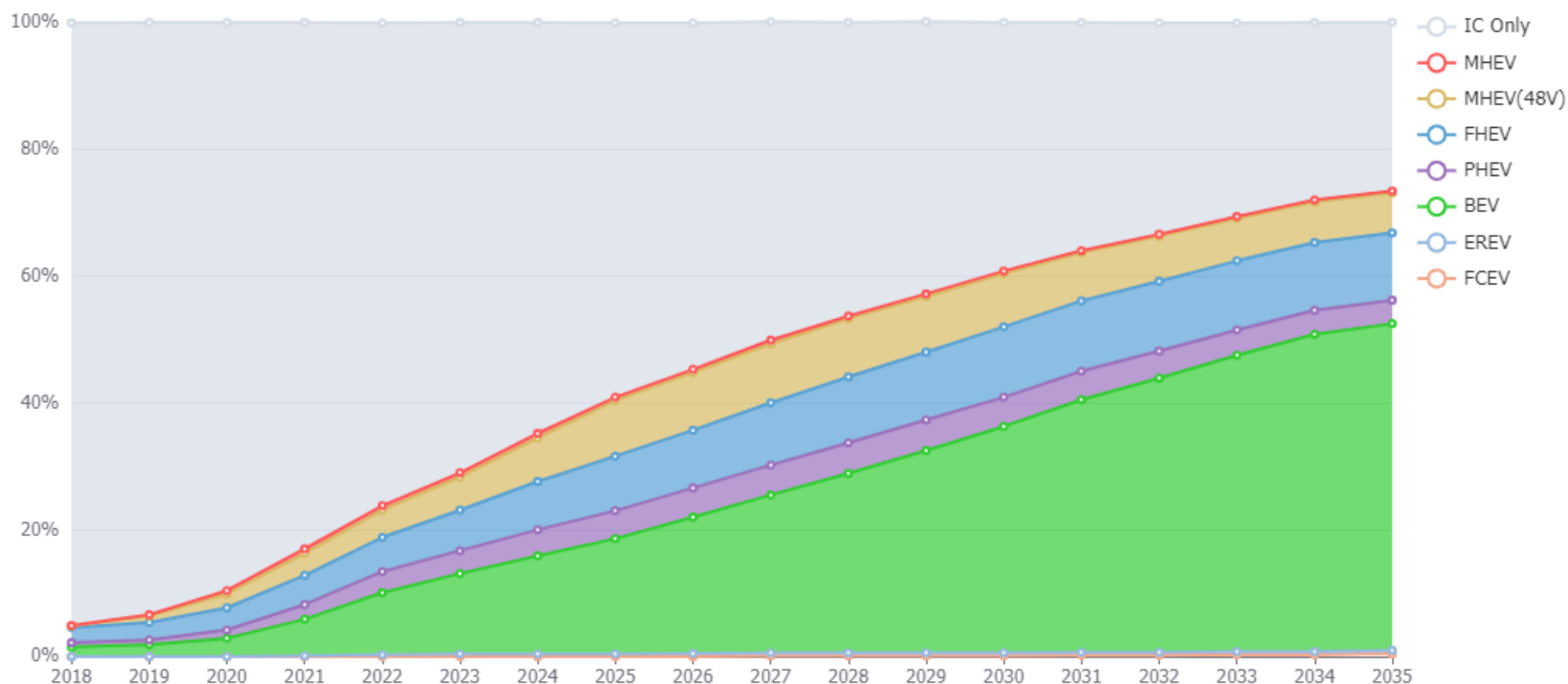
- ① As for cost comparison analysis services, orders for cost analysis of EV motorcycles as well as automobiles remained strong, and the gross profit margin increased due to an improvement in the in-house production rate. We will continue to promote the efficiency of such services to improve business performance.
- ② The ECU benchmarking service, which was launched smoothly at the end of the previous fiscal year, has succeeded in winning orders for large-scale projects, partly due to the effect of capital investment in equipment such as digital microscopes. In the second half of the year, we will continue to capture demand.
- ③ Orders for outsourced testing work commissioned by automakers are also increasing because our services are being highly evaluated. The company will continue to promote the acquisition of such orders in the second half of the fiscal year.



3. LMC Market Forecast Information sales business

The acquisition of LMC Automotive (UK) by GlobalData (UK) has led to some revisions to the market forecasting service. After switching services, the company will follow up with existing customers and promote the penetration of new services to new customers.

Projected share of each powertrain in global passenger car sales



The information provided is based on GlobalData's current prediction for July 2023. (renewed every 6 months)

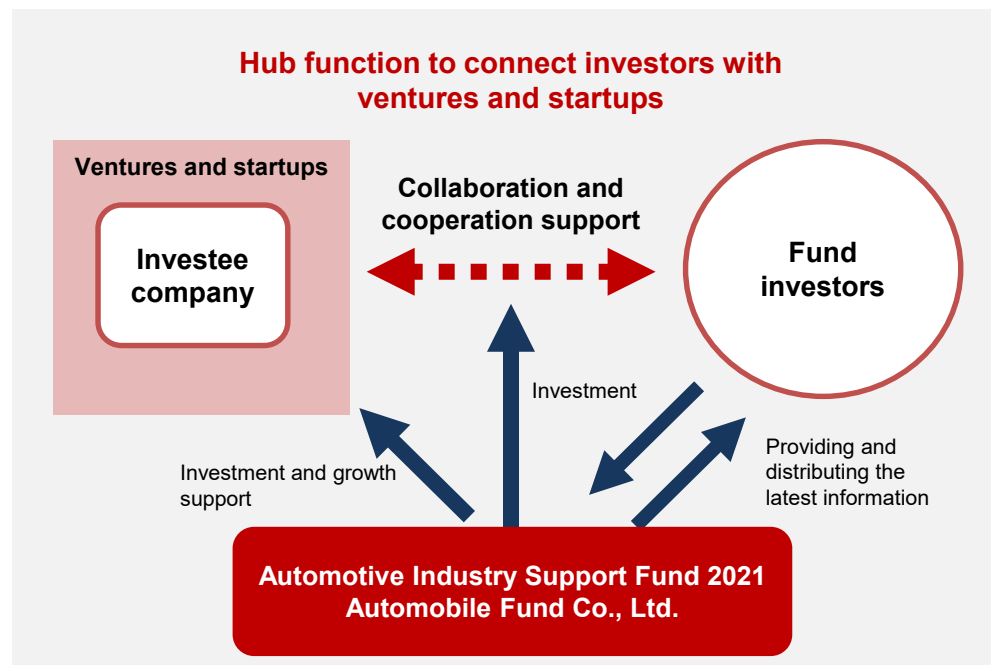
3. Recruiting Solutions Dept.

A veteran recruiting registration system was established and a service was launched to introduce experienced veteran workers from major companies to mid-sized domestic and overseas companies. As a start, the company has begun recruiting engineers for one major automaker. Through this service, the company will promote the creation of three-way relationships between major companies, veteran workers, and mid-sized domestic and overseas companies.



3. Automobile Fund business

- ① By July 2023, the Fund has made three investments. We will continue to explore new investment opportunities.
- ② Since the two of the investee companies are overseas companies that are planning to enter the Japanese market, we will support them by utilizing our industry-wide network.
- ③ The company will continue to support open innovation by fund investors through information-gathering activities on global venture startups centered on CASE (connected, autonomous, shared, electric). In addition, the company will promote activities to support collaboration and cooperation among LP (Limited Partner) investors, investee companies, and venture companies.



**THANK YOU VERY MUCH FOR YOUR
ATTENTION.**