



# Financial Analyst Meeting 1H 2015

MarkLines Co., Ltd.

August 6, 2015

Copyright © 2015 MarkLines Co., Ltd. All Rights Reserved

### **Forward-Looking Statements**

This report contains statements that describe our plans and expectations, based on the current financial results and our judgment for possible future events. Our business performance is subject to influence from various external factors. We therefore caution readers that our actual results could differ from our plans and expectations.

Any information on other companies used in this report is cited from various public sources; hence the accuracy and appropriateness of such information can not be guaranteed.

MarkLines Co., Ltd.

# 1. 1H 2015 Business Highlights

# 1H 2015 Business Highlights

---

1. New content and features (Aiming to be the best in each content area)
  - Top 500 Suppliers: Added video footage from JSAE.
  - 40,000 Supplier Database: Added filtering function by nationality of shareholding company with at least a 20% ownership stake (12 nationalities)
  - New content: Model plans for vehicles assembled in India; imports by model in China; sales statistics for Laos and Myanmar
2. Strengthening “Other Businesses (Businesses other than Automotive Information Platform)” to serve as one-stop portal
  - Consulting services for customized research
    - Increased the number of staff to meet research demands from customers in various fields
    - Research projects: new vehicle sales volumes; Who Supplies Whom data on electronic parts in the global market; European suppliers; procurement on niche products; suppliers in ASEAN countries
  - Executive search services
    - Revenues per deal grew year-over-year (y/y)
    - Recruited new staff for business expansion
3. Business activities outside Japan
  - Opened and began operations at MarkLines Europe GmbH in Frankfurt, Germany
  - Exhibited at the Manufacturing EXPO 2015 in Thailand
4. Number of customers : 1,834 companies as of June 2015, an increase of 122 from December 2014.

## 2. Consolidated Financial Results for 1H 2015

## Summary of Consolidated Financial Results for 1H 2015

(in millions of JPY)

	Y/Y Change (%)		Factors
<b>Net Sales</b>	598	+19.6	Net sales from the Automotive Information Platform were 1.1% higher than initially forecast. Overall net sales were JPY 14 million or 2.4% lower than expected due to sluggish 1Q sales from the LMC Automotive Forecast Business. Lower-than-expected sales from the LMC Automotive Forecast Business had a marginal impact on operating income, as the divisions' gross profit margin is small.
<b>Operating Income</b>	186	+22.3	4.5% higher than initially planned The negative impact from lower-than-expected sales in the LMC Automotive Forecast business and start-up costs for a new subsidiary were offset by increased sales from other high-margin businesses. These included the Automotive Information Platform; Consulting services; and Executive Search services.
<b>Ordinary Income</b>	193	+30.0	6.6% higher than initially planned due to large dividends on investment securities and large foreign exchange gains
<b>Net Income</b>	127	+29.5	10.3% higher than initial expectations

Note: Financial results for 2Q 2014 are not subject to review by KPMG Azsa LLC

## Business Performance by Segment

### Automotive Information Platform business

- Net sales increased 18.4% y/y
- Large number of contracts won in Thailand during first half; steady increase in contracts in China and Japan
- Number of contracts in Europe and the U.S. started to recover in 2Q

### Other Businesses

- Net sales increased 31.4% y/y

#### Consulting Services

- First-half sales increased 98.4% y/y
- Strong 1Q sales; 2Q sales impacted by delay in certain projects' completion dates to 3Q

#### Executive Search

- First-half sales increased 16.1% y/y
- Recruited new staff to support business expansion

#### LMC Automotive Forecast

- First-half sales fell 8.1% y/y due to slow sales in 1Q
- Will hold first seminar in October 2015

## Net Sales by Business Segment

(in millions of JPY)

	1H 2015	Y/Y Change (%)	Factors
<b>Automotive Information Platform</b>	539	+18.4	Won many new contracts in Thailand through first half; steady -increase in contracts in China and Japan
<b>Other Businesses</b>	59	+31.4	
Consulting Services	26	+98.4	Strong 1Q performance Sales fell in 2Q, as certain projects' completion dates were delayed to 3Q or later
Executive Search	16	+16.1	Number of contracts closed increased for executive positions. Net sales exceeded target.
LMC Automotive Forecast business	15	-8.1	Slow sales in 1Q Will hold first seminar in October 2015
<b>Total</b>	598	+19.6	


Note: Financial results for 2Q 2014 are not subject to review by KPMG Azsa LLC



## Sales by Geographic Region

### Percentage of sales outside Japan increased to 36.8% in 1H 2015

(in millions of JPY)

	2014	Sales Percentage (%)	1H 2015	Sales Percentage (%)
Japan	693	65.8	378	63.2
North America	106	10.1	60	10.2
Europe	69	6.6	42	7.2
Asia	180	17.2	114	19.1
Other regions	3	0.3	2	0.3
Total	1,053	100.0	598	100.0
Sales outside Japan		34.2%		36.8%

## Net Sales by Geographical Region

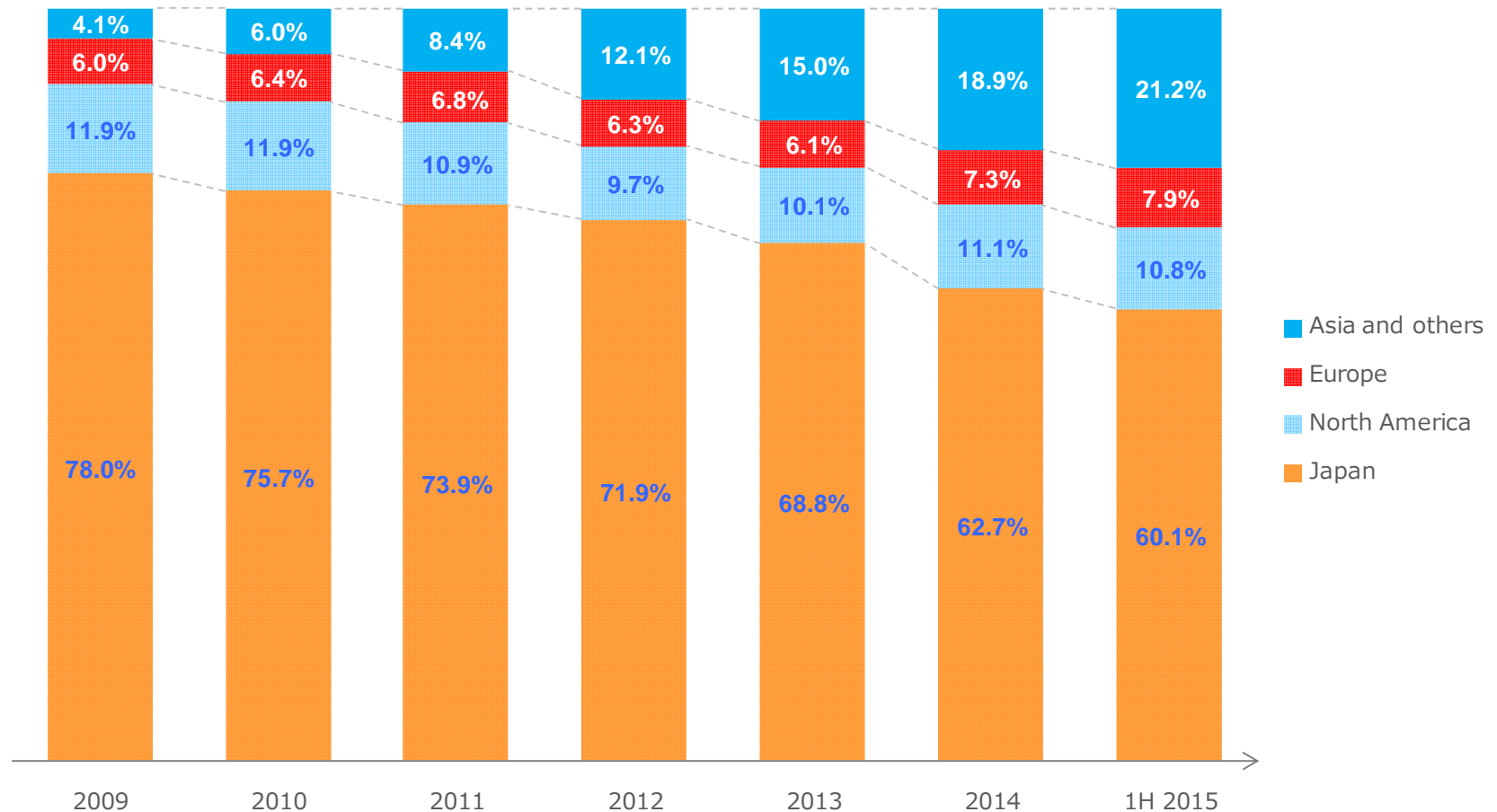
Overall Business	1H 2014	1H 2015	Y/Y Change (%)	(in millions of JPY)
Japan	338	378	+11.6	Net sales increased in all regions.
North America	52	60	+15.9	
Europe	33	42	+29.6	
Asia	74	114	+53.8	
Other regions	1	2	+28.2	
<b>Total</b>	<b>500</b>	<b>598</b>	<b>+19.6</b>	

Automotive Information Platform	1H 2014	1H 2015	Y/Y Change (%)	
Japan	293	324	+10.4	Many new contracts in Thailand
North America	52	57	+10.1	
Europe	33	42	+29.6	
Asia	74	112	+50.6	
Other regions	1	2	+28.2	
<b>Total</b>	<b>455</b>	<b>539</b>	<b>+18.4</b>	

Note: Financial results for 2Q 2014 are not subject to review by KPMG Azsa LLC

## Sales by Geographic Region (Automotive Information Platform)

Percentage of sales outside Japan grew to 39.9%

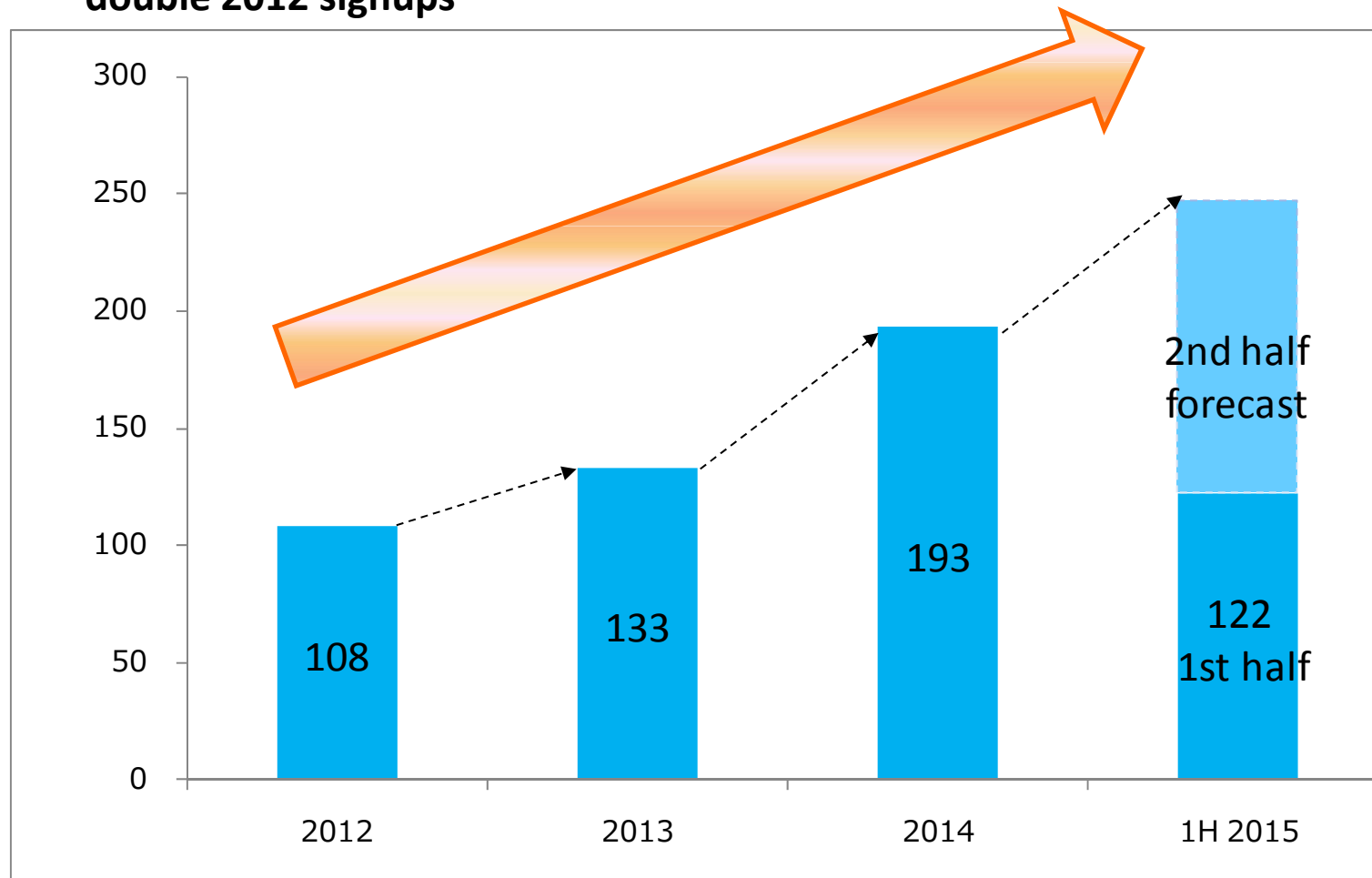


Note: Financial results for the period before 2012 are not subject to audit by KPMG Azsa LLC

### 3. Financial Analysis of Growth Potential

## Number of MarkLines Corporate members (Automotive Information Platform)

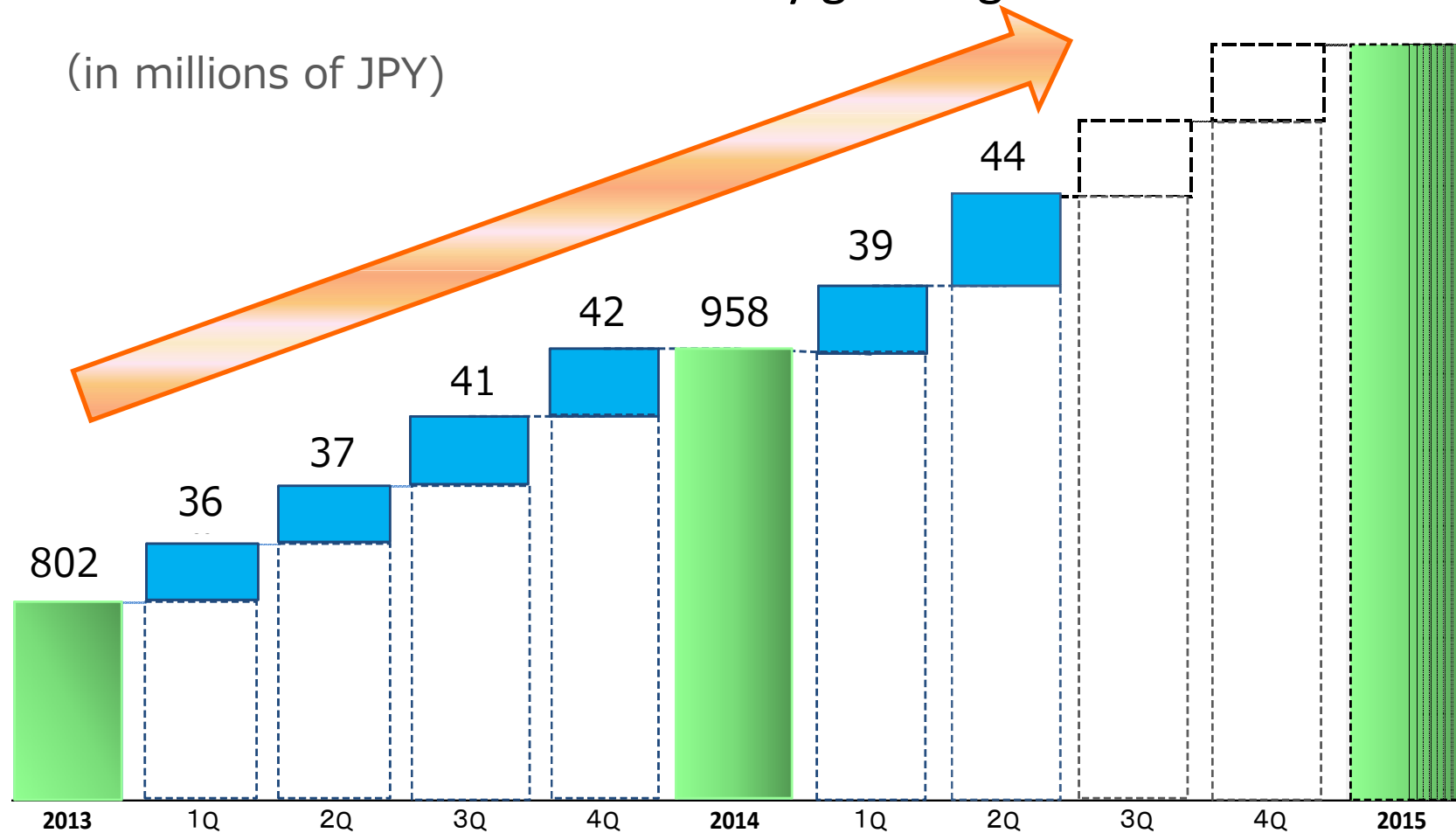
**Number of new corporate member signups in 2015 is expected to more than double 2012 signups**



## Quarterly Net Sales from Automotive Information Platform

Sales amount ( ) is steadily growing

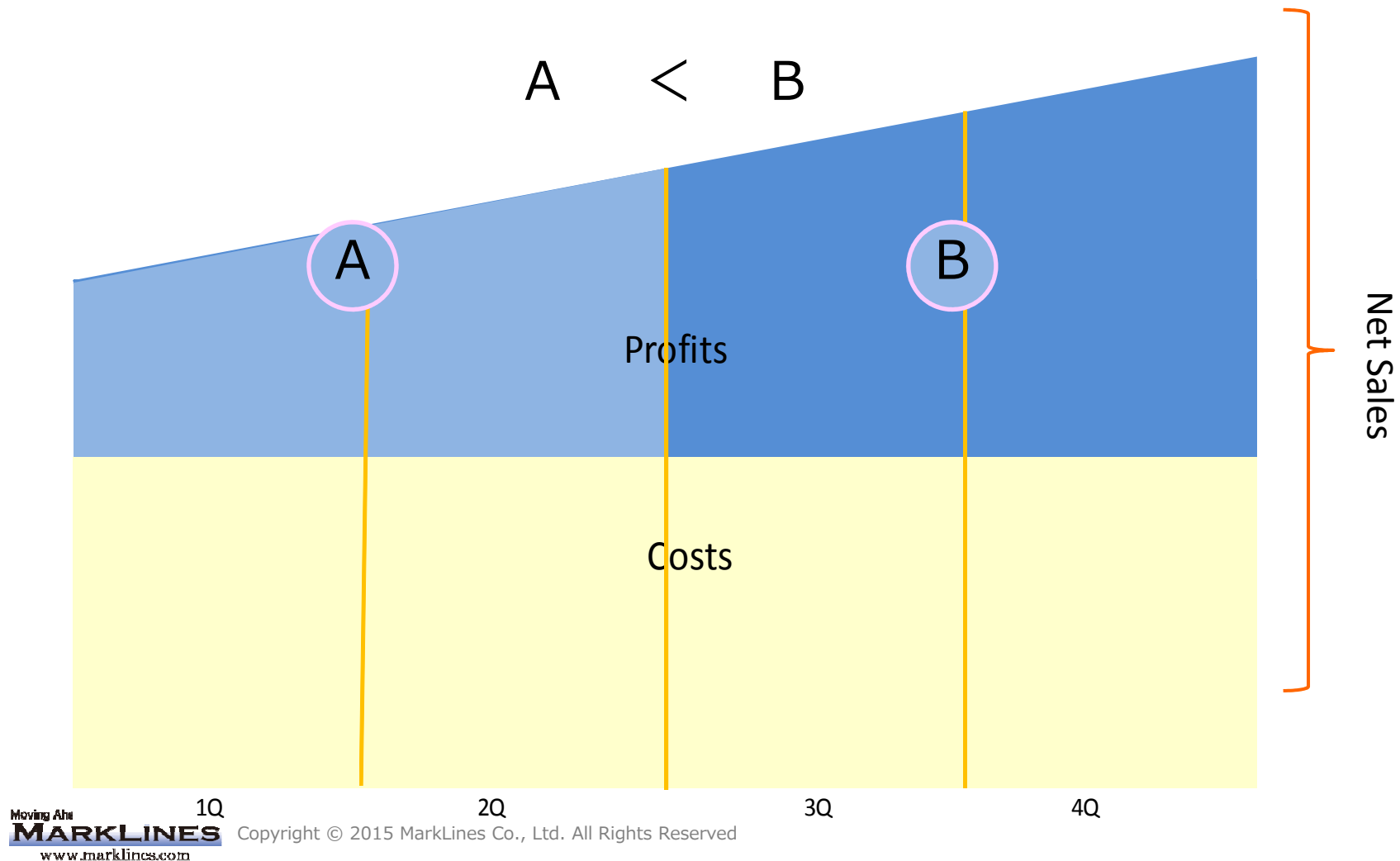
(in millions of JPY)



Note: Financial results for the 1Q and 2Q 2014 are not subject to review by KPMG Azsa LLC.

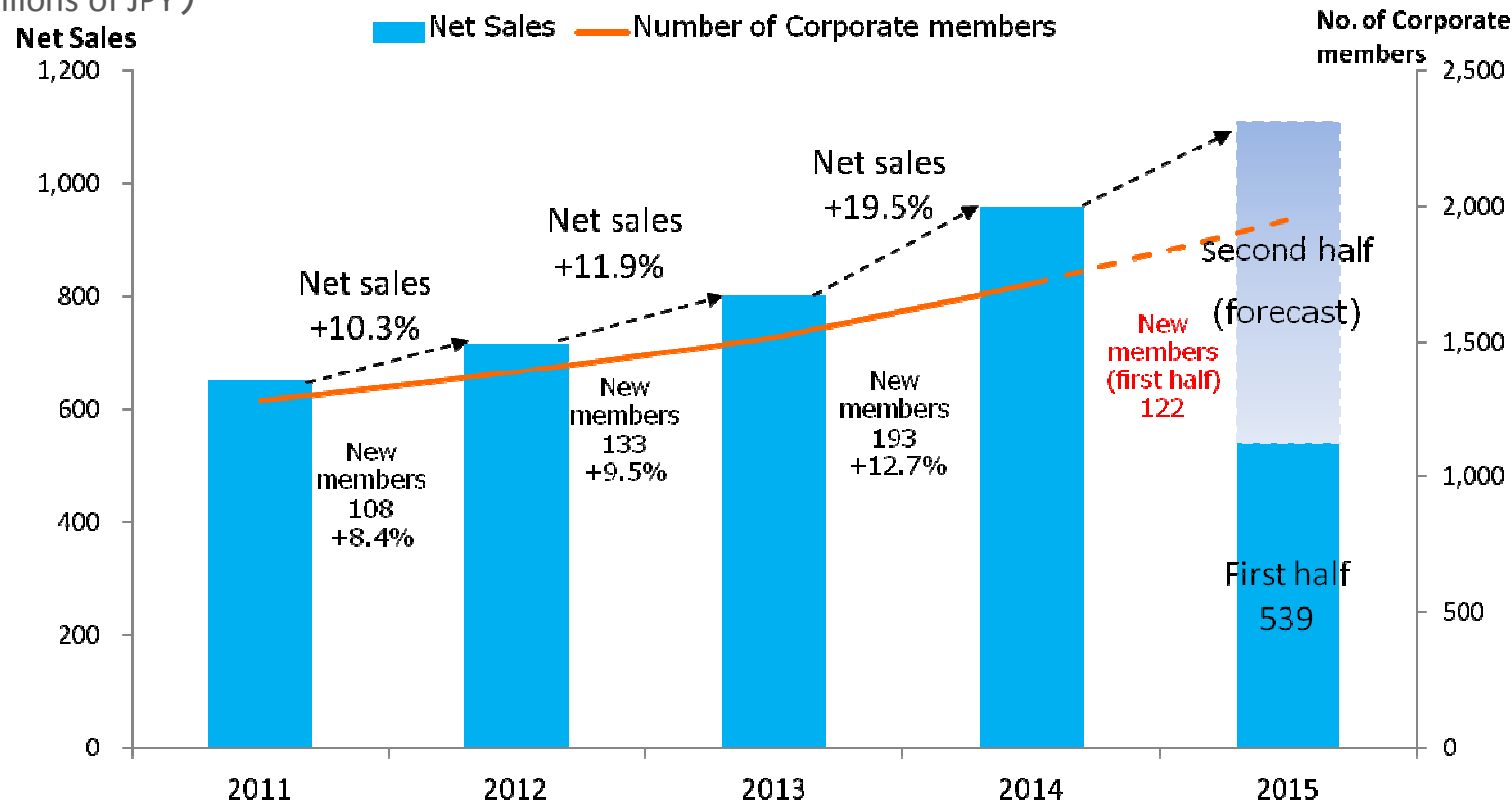
## Quarterly Net Sales and Profit

Net sales from the Automotive Information Platform business make up 90% of MarkLines' overall net sales. Quarterly sales from the segment tend to increase incrementally as the fiscal year progresses, while quarterly increases in cost are relatively small as the year progresses. For this reason, profit in the second half of the fiscal year tends to be larger than that in the first half.



# Growth Rate of Net Sales exceeds the Growth Rate of membership (Automotive Information Platform)

(in millions of JPY)



## Major factor: A weak yen combined with increased business outside Japan is boosting net sales

Ex: 4-user contract (converted to JPY using end-of-period conversion rate)

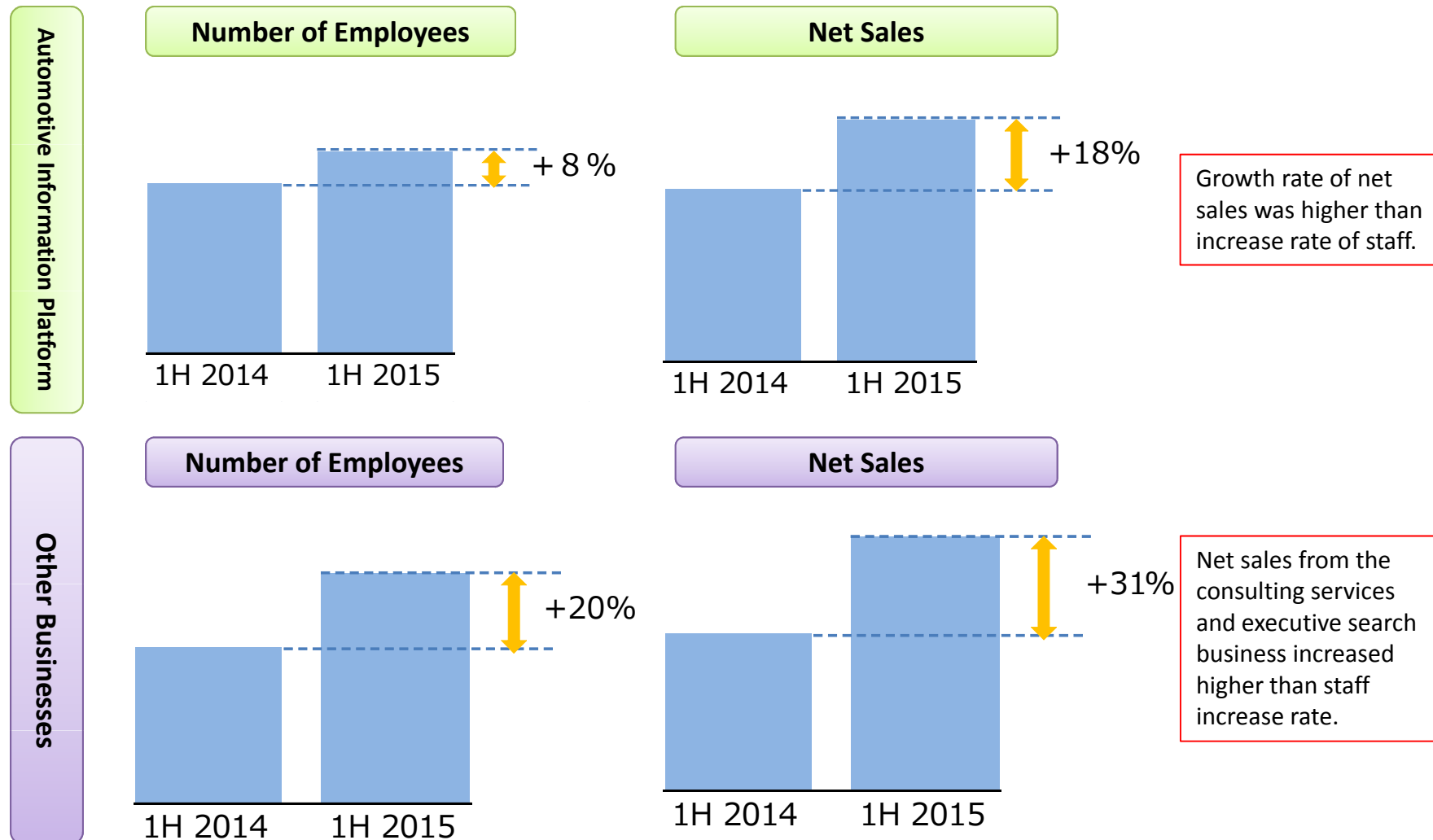
USD-based contract: JPY 540,000 (JPY 86.58 / USD) in 2012 → JPY 760,000 (JPY 120.55 / USD) in 2014 → JPY 770,000 (JPY 122.45 / USD) in June 2015

CNY-based contract: JPY 590,000 (JPY 13.91 / CNY) in 2012 → JPY 820,000 (JPY 19.35 / CNY) in 2014 → JPY 837,000 (JPY 19.73 / CNY) in June 2015

Note: Financial results for the period before 2012 are not subject to audit by KPMG Azsa LLC.



## Number of Employees and Net Sales (1H 2014 vs 1H 2015)



Note: Financial results for 2Q 2014 are not subject to review by KPMG Azsa LLC.

## MarkLines' Earnings Structure: High Marginal Income Ratio

	2014	1H 2015	
① Net Sales (in millions of JPY)	1,053	598	
② Variable expenses (in millions of JPY)	89	51	Procurement costs, outsourcing expenses, sales commissions
③ Marginal income (in millions of JPY) [Marginal income ratio (%)]	964 [91.5]	547 [91.5]	Marginal income=①-② Marginal income ratio= ③/①
④ Fixed expenses (in millions of JPY)	631	361	Personnel costs, depreciation costs, rent expenses, systems maintenance costs
⑤ Operating income (in millions of JPY) [Operating margin ratio (%)]	333 [31.6]	186 [31.2]	Operating income=③- ④ Operating income ratio=⑤/①
Break-even point (%)	65.4	65.9	=(④/marginal profit ratio)/①

## High Profitability: High Marginal Income Ratio and Low Break-even Point

### Sales Growth Boosts Profitability

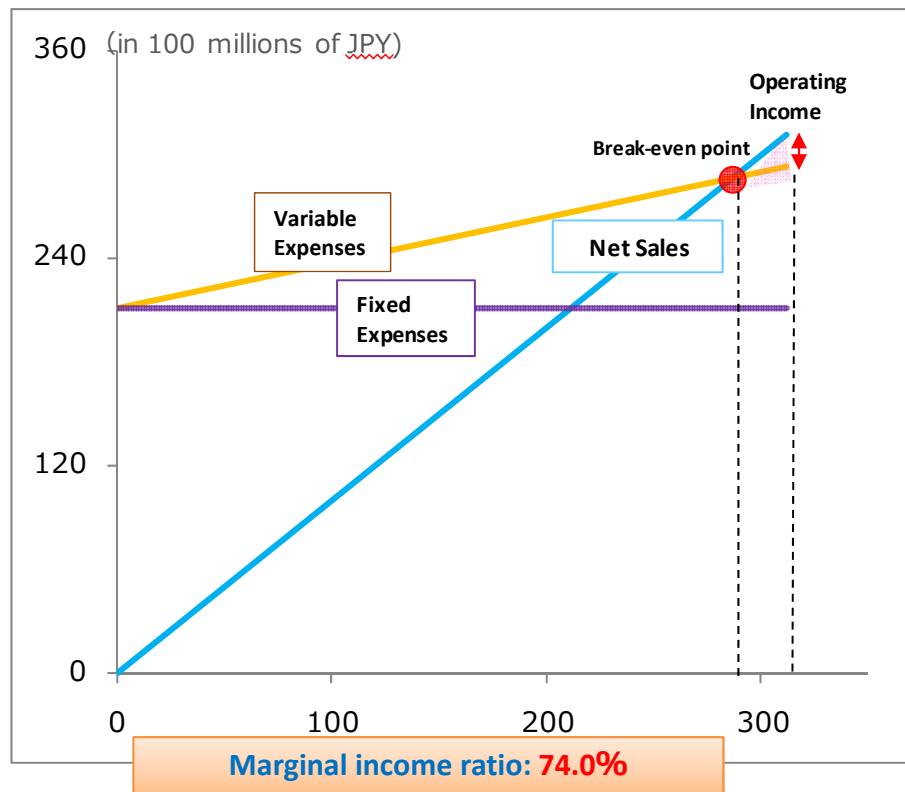
#### All industries in Japan

(Listed companies, non-consolidated data for FY ended March 2015)

Variable expenses to sales: **26.0%**

Fixed expenses to sales: **67.7%**

Break-even point ratio: **91.8%**

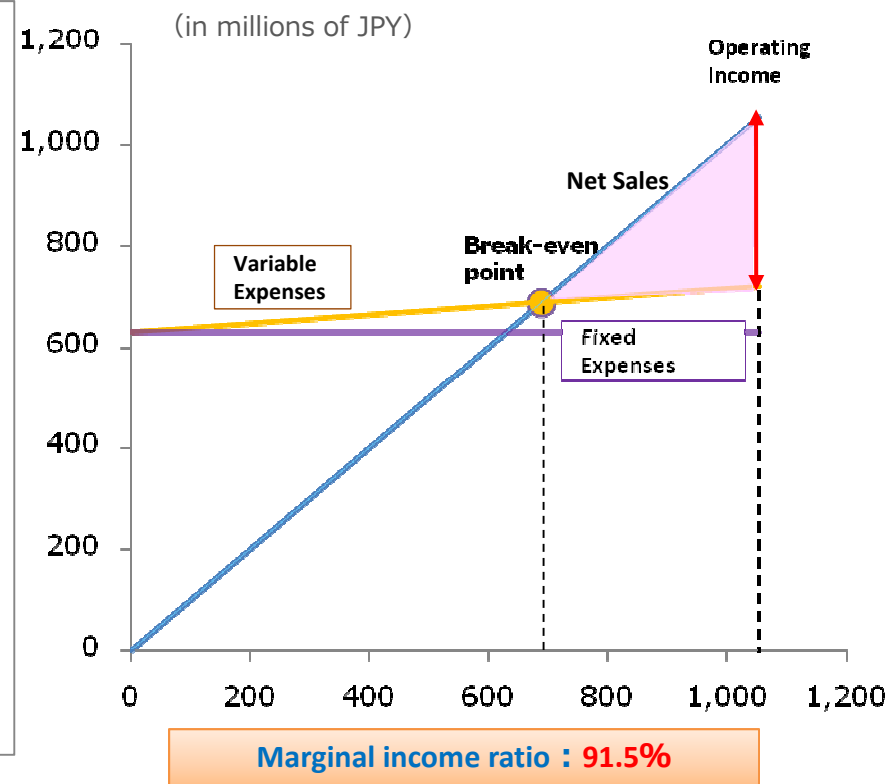


#### MarkLines (Dec. 31, 2014)

Variable expenses to sales: **8.5%**

Fixed expenses to sales: **59.9%**

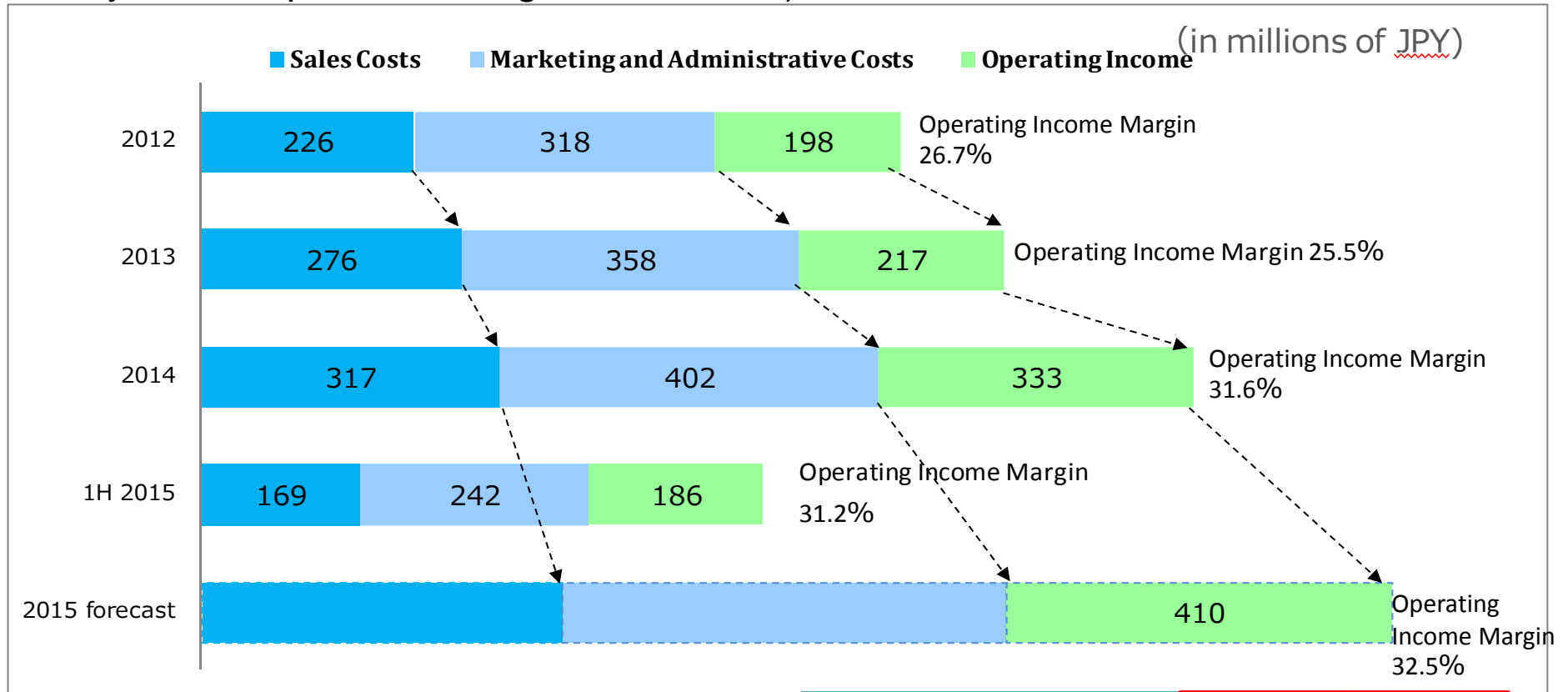
Break-even point ratio: **91.5%**



(Sources: Nikkei Digital Media, NEEDS financial data for FY 2013 (except banking companies, securities firms, insurance companies and companies listed on the JASDAQ market))

## Operating Income is Increasing

Achieved higher profitability despite increasing fixed expenses (personnel costs, systems expenses, foreign investments)



Operating income is maintaining  
y/y growth trend.

Comparison of operating income margin	1Q (Jan.-Mar.)	1H (Jan.-Jun.)
2014	29.0%	30.4%
2015	30.1%	31.2%

## 4. 2015 Financial Forecast

## 2015 Financial Forecast

(in millions of JPY)

	2014 Results	2015 Forecast	Change
Net Sales	1,053	1,263	+19.9%
Operating Income	333	410	+23.0%
Ordinary Income	344	415	+20.5%
Net Income	220	270	+22.7%

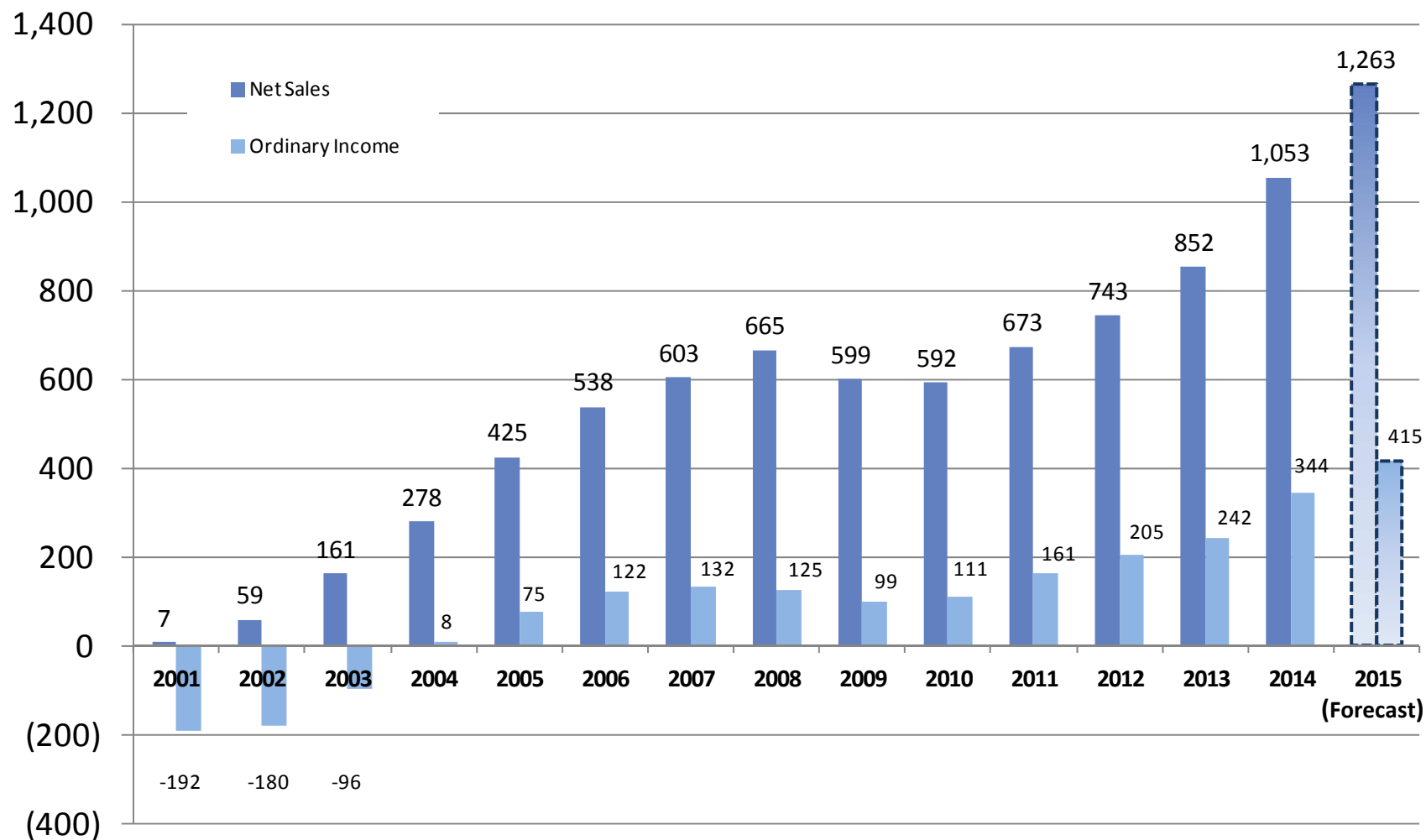
- Net sales from the Automotive Information Platform business is increasing at a higher pace than initially planned. MarkLines will maintain this increase for the latter half of 2015 by improving its contents and increasing the number of free and corporate members.
- The Consulting and Executive Search businesses increased the number of staff and achieved sales targets respectively. MarkLines will hold its first seminar for the LMC Automotive Forecast Business in October 2015.
- The exchange rates used in the figures above were from 2014. (USD 1=JPY 116.57, CNY 1 = JPY 19.03, EUR 1=JPY 145.25)

# Financial Results History

(in millions of JPY)

2001-2003: Unconsolidated

2004-2014: Consolidated



## 5. Growth Strategy



## Growth Strategy ① Improve Each Content and Service Area

### Advance from best comprehensive service provider to being best in each content area

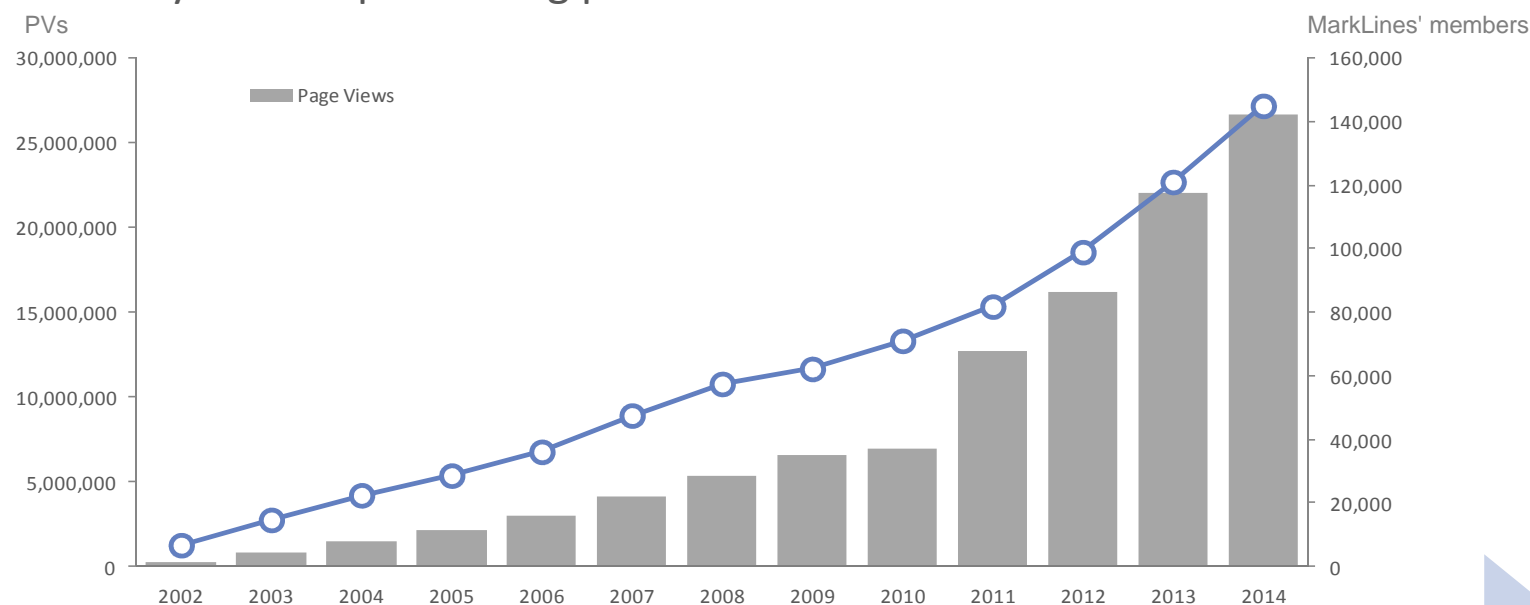
In order to achieve the goal of becoming the best source of information for the automotive industry, MarkLines is poised to improve all of its content by conducting an extensive benchmarking survey on the services of our competitors.



## Growth Strategy ② Active Promotion of Marketing Tools

### Expand Sales from Marketing Tool Services

Promotional tools for MarkLines' corporate members to connect with buyers with purchasing potential



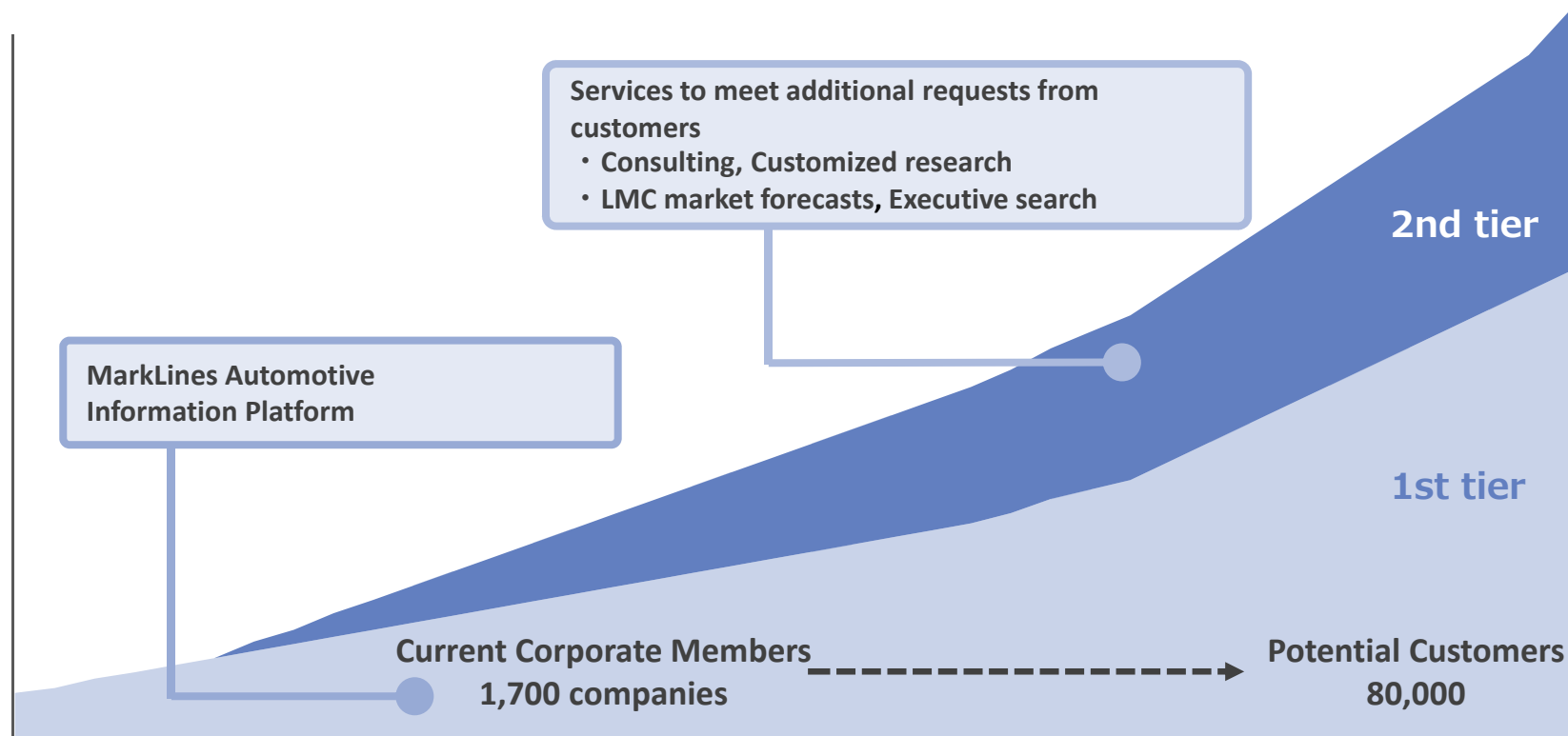
**Increase the number of potential customers**  
(Development and procurement staff at OEMs and leading parts suppliers)

**Increase use of Marketing Tools by parts and material suppliers**

## Growth Strategy ③ Expansion of Other Businesses

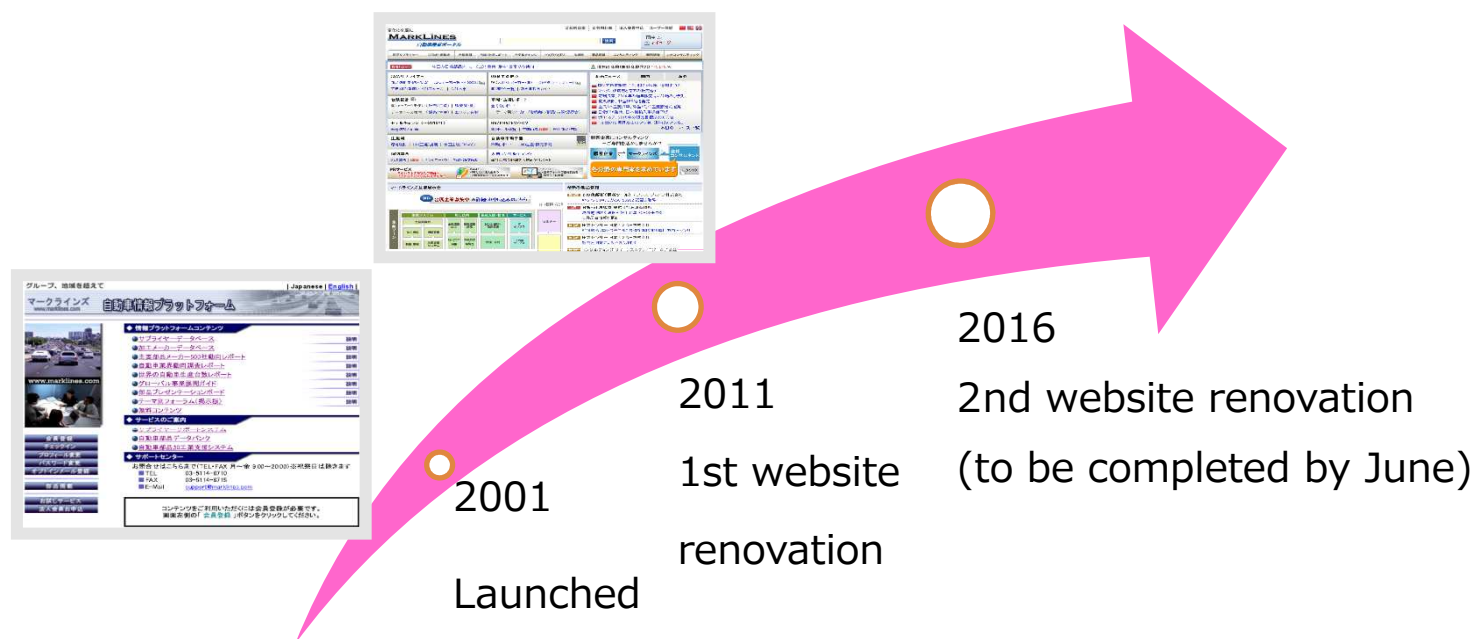
### Establish Two-tiered Service Offerings

Increase net sales from 2nd tier businesses such as consulting, LMC market forecasts, and executive search services.



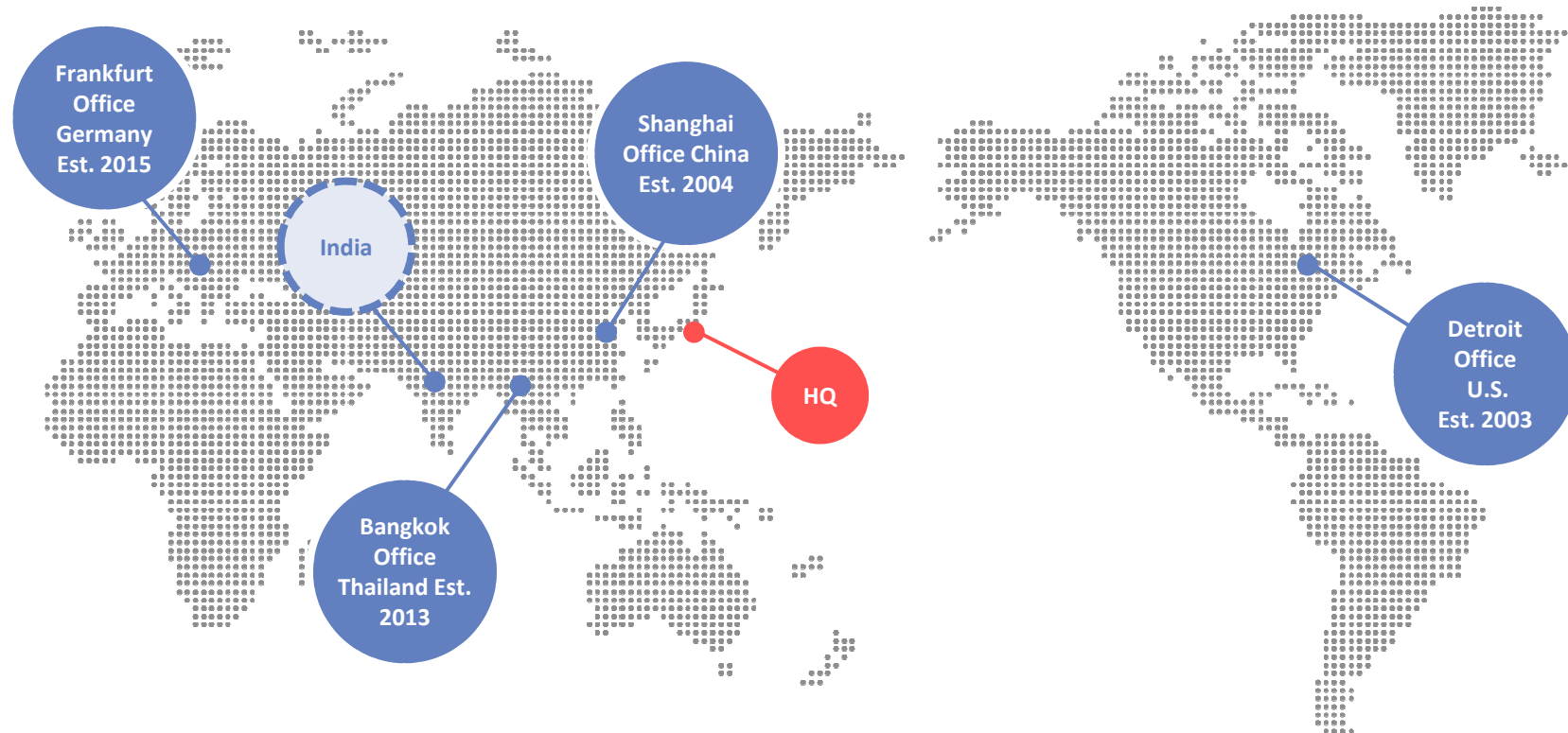
### Website renovation to be completed in June 2016

- ❑ Marketing Tools featured as a critical pillar
- ❑ Introduction of latest technologies and videos for better visual effects
- ❑ Changes based on feedback by MarkLines corporate users



### Entering into Europe and Emerging Markets in Asia

Jul. 2013    Opened an office in Bangkok, Thailand  
Jan. 2015    Opened an office in Frankfurt, Germany  
(Future Plans)    Open an office in India



## Growth Strategy ⑥ New Service Packages to Expand Customer Base

### International Business Expansion Support Package for Small-Scale Manufacturing Companies

#### 1. Target Requirements

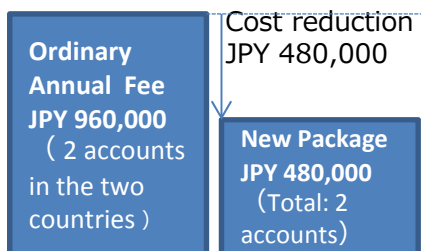
- -Manufacturing companies headquartered in Japan.
- The target company must have less than 100 total employees in Japan or have less than JPY 50 million in market capital.
- \* All applications will be subject to basic screening.

#### 2. Benefits

- Ordinary annual service fees are set by company per contract. (Group companies both within and outside Japan requires separate contracts and are charged separately.) This package allows multiple group companies under one contract in the 5 countries stated below.

Ex: A company uses  
MarkLines in Japan and Thailand.  
Annual service fee: JPY 480,000

Ordinary contract: JPY 960,000  
(Two accounts in the two countries)



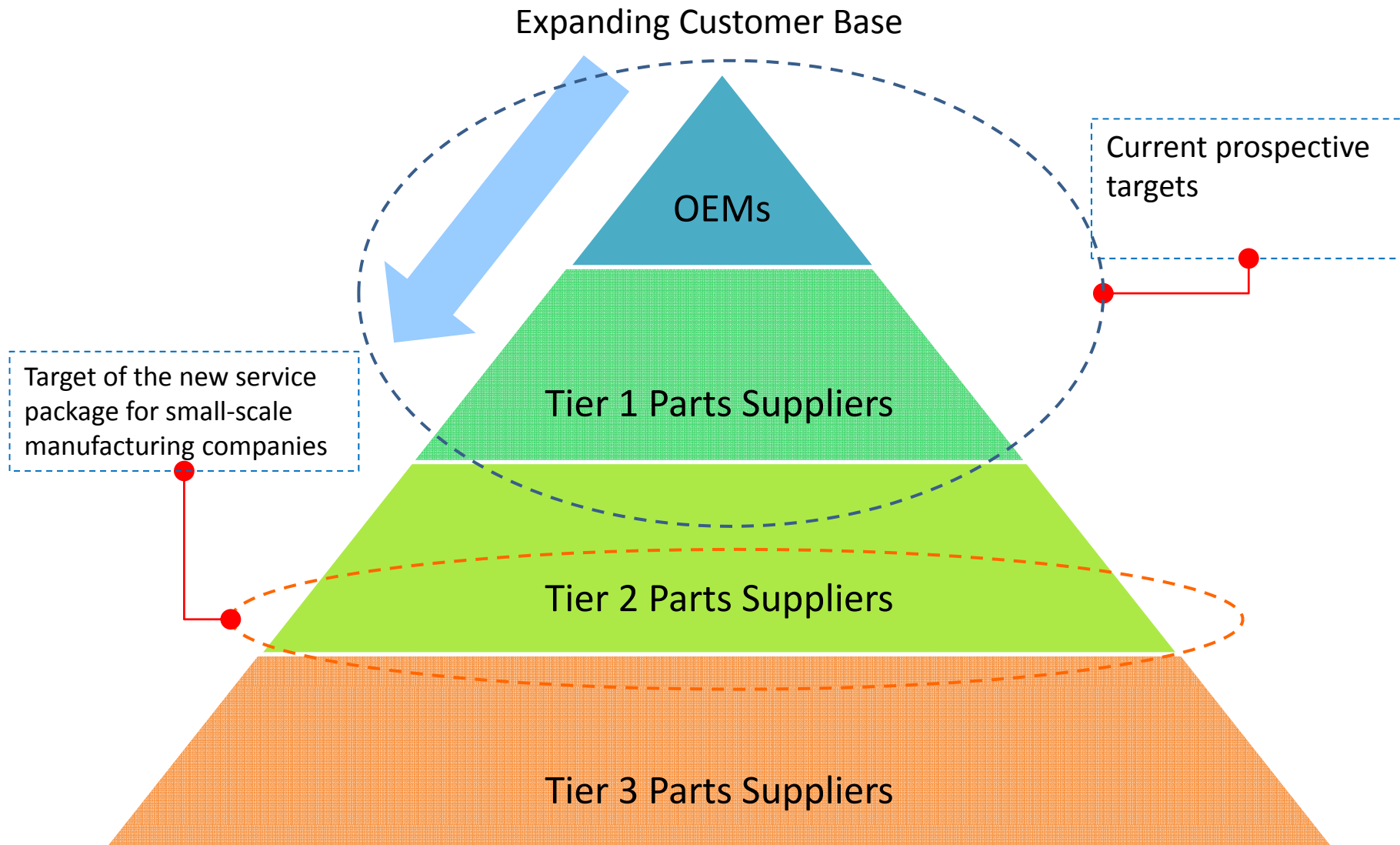
#### 3. Annual Service Fees

Countries					Total number of users	Annual Service Fees (JPY) / before tax
Japan	China	Thailand	Indonesia	Vietnam		
★ When MarkLines is used in 2 of the countries above.					2	JPY 480,000
★ When MarkLines is used in 4 of the countries above.					4	JPY 600,000

- \* This package is available in Japan and any of the countries above.
- \* Contracts outside Japan will be based on local currency.
- \* If a group company is located in a country other than those listed above, please consult with the MarkLines Sales Department.

#### 4. Launch timing: August 2015

## Positioning of International Business Expansion Support Package for Small-Scale Manufacturing Companies



## 6. MarkLines' Strengths and Business Environment



### Significant Cost Advantage

#### Information from Multiple Sources

Statistics From USD 5,000-

Industry Reports From USD 10,000-

Research Reports From USD 5,000-/ month

Global Exhibition reports

Industry Journals

**Annual Fee**  
**Starting from USD 20,000**

VS

#### All-in-one Package

Moving Ahead of Change  
**MARKLINES**  
www.marklines.com

**Annual Fee**  
**USD 5,100-USD 12,600**

## MarkLines' Strengths ②

# New Content Offerings at No Added Cost

2002



2015



20XX

Attract new prospective customer segments



Main users

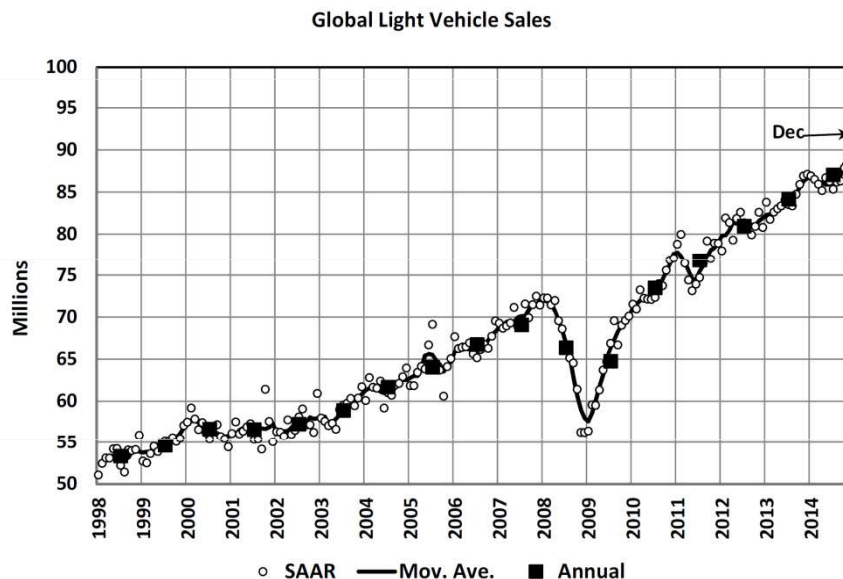
OEMs, major parts suppliers

OEMs, Parts Suppliers, Material Suppliers, Machinery & Equipment Suppliers (including measuring equipment and dies), Solution Vendors, Logistics Companies, Trading Companies, Government Offices, Consulting Companies, Financial Institutions, Construction Companies, Universities, and others.

## Business Environment ①

### 2020 Global Vehicle Sales Expected to Reach 100 Million Units

	2014	2020
Vehicle sales volume	87 million units	➔ 100 million units
Automotive market	JPY 200 trillion	➔ JPY 230 trillion-

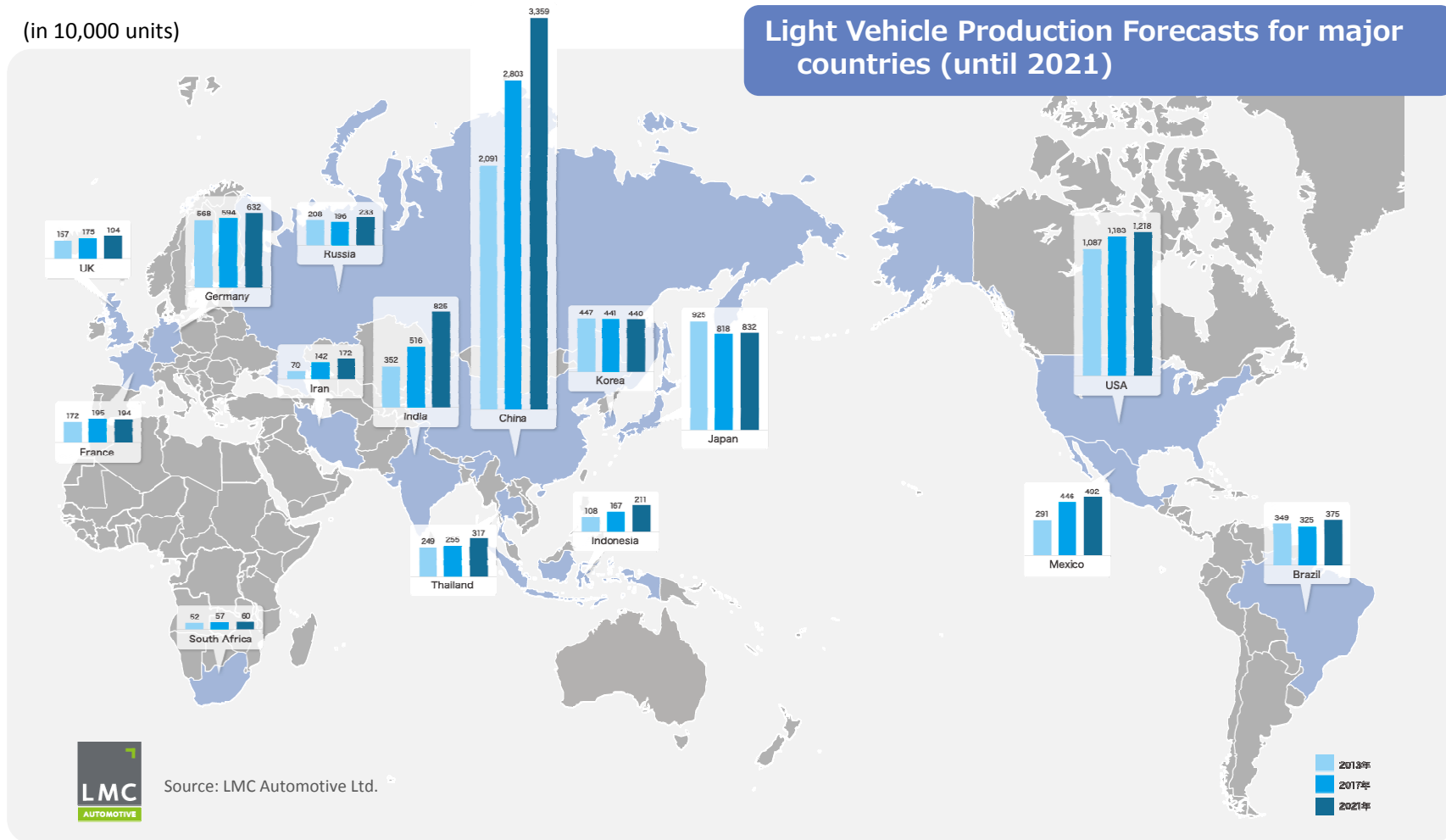


Source: Sales volume: LMC Automotive Ltd.  
Automotive market scale: estimated by MarkLines

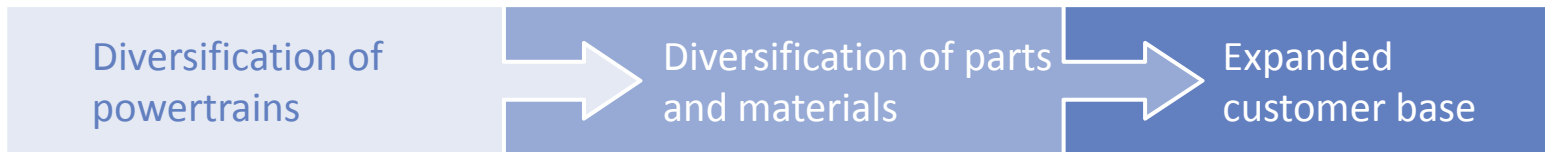
### Further Growth in China, India and Other Emerging Countries

(in 10,000 units)

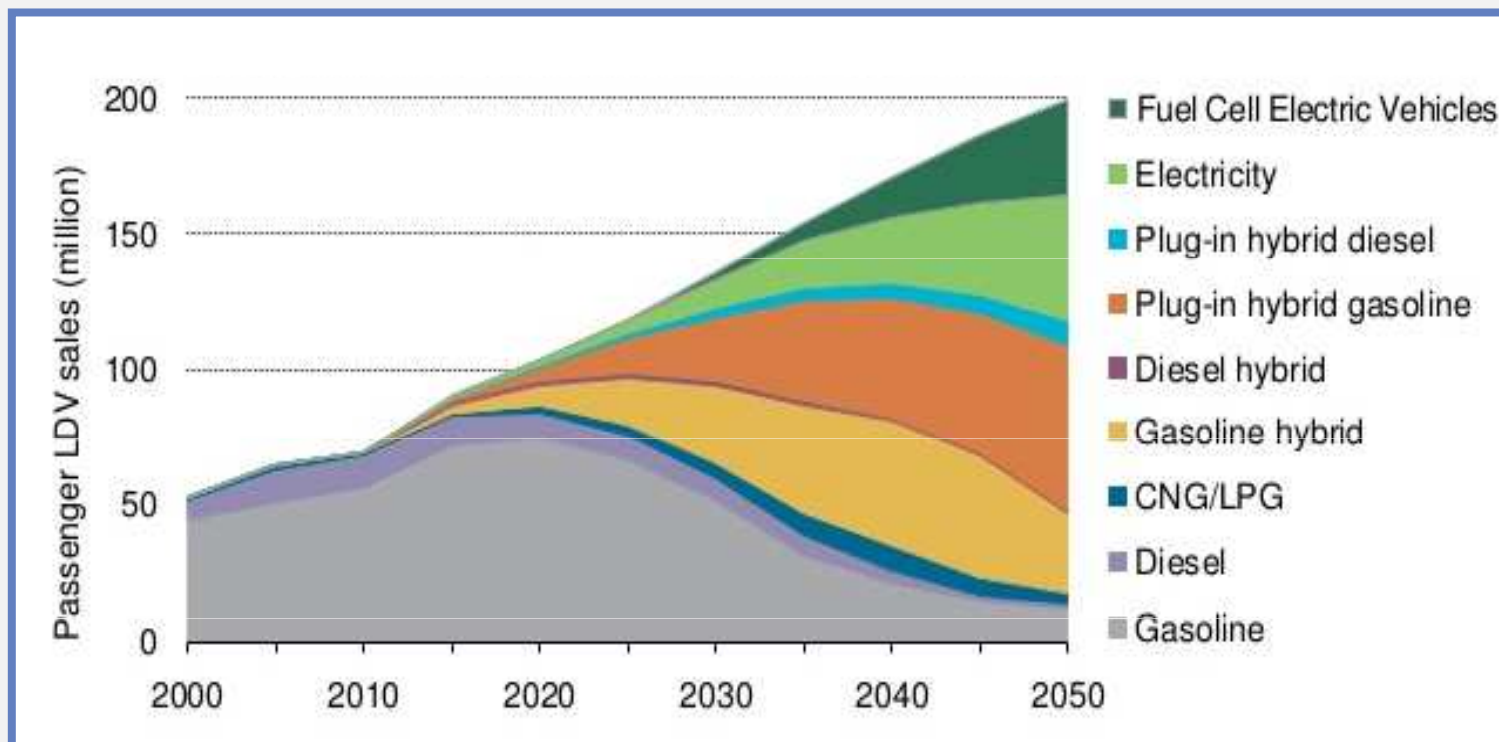
Light Vehicle Production Forecasts for major countries (until 2021)



## Business Environment ③ Diversification of Powertrains



Vehicle sales forecast by fuel type until 2050



source: IEA/ETP (Energy Technology Perspectives) 2012

## Business Environment ④ Safer and More Comfortable Vehicles

New technologies such as autonomous driving and big data

Entrants from other industries

More information and customers for Automotive Industry Portal

### Expansion of Automotive Industry

