



Gurunavi, Inc.

INVESTOR PRESENTATION

Financial Results for the Third Quarter of the Fiscal Year 2016

(Stock Code: 2440)



Steadily progressing towards initial full-year profit targets while continuing to actively invest

- **Further strengthening business base through healthy increase in member restaurants**
- **Additional expenditure towards achieving Medium Term Management Plan after management's review**

Financial highlights for the third quarter of FY2016

Net sales	JPY 27,365 million	+7.2% YoY
Operating income	JPY 5,045 million	(6.2%) YoY
Operating income on net sales	18.4%	(2.6 percentage points) YoY
Profit attributable to owners of parent	JPY 3,462 million	(3.6%) YoY
Basic earnings per share (EPS)*	JPY 73.68	(0.6%) YoY

* Average number of shares issued excluding treasury shares:

46,991,412 shares in the period from 48,424,566 shares in the third quarter of the previous year due to share buyback

Number of member restaurants (paid)	60,816 (At the end of December 2016)	+8.8% YoY
Number of unique users	61 million (In December 2016; 57 million users/month in December 2015)	
Number of Gurunavi members	14.65 million (As of January 1, 2017; 13.73 million members as of January 1, 2016)	

Consolidated income statement

(JPY million)	Q3 2015 (Apr.-Dec.)	Ratio to sales	Q3 2016 (Apr.-Dec.)	Ratio to sales	YoY Increase
Net Sales	25,533	100.0%	27,365	100.0%	7.2%
Cost of sales	6,214	24.3%	6,393	23.4%	2.9%
Gross profit	19,319	75.7%	20,972	76.6%	8.6%
SG&A expenses	13,938	54.6%	15,927	58.2%	14.3%
Operating income	5,380	21.1%	5,045	18.4%	(6.2%)
Ordinary income	5,407	21.2%	5,062	18.5%	(6.4%)
Profit before income taxes	5,407	21.2%	5,062	18.5%	(6.4%)
Profit attributable to owners of parent	3,591	14.1%	3,462	12.7%	(3.6%)

Consolidated sales breakdown

(JPY million)	Q3 2015 (Apr.-Dec.)	Q3 2016 (Apr.-Dec.)	YoY
Net Sales	25,533	27,365	7.2%
Restaurant promotion services	23,239	25,053	7.8%
Cumulative retained services	21,395	23,156	8.2%
Spot services	1,843	1,896	2.9%
Promotions	674	607	(9.9%)
Related businesses	1,620	1,705	5.2%

【 Restaurant promotion services 】

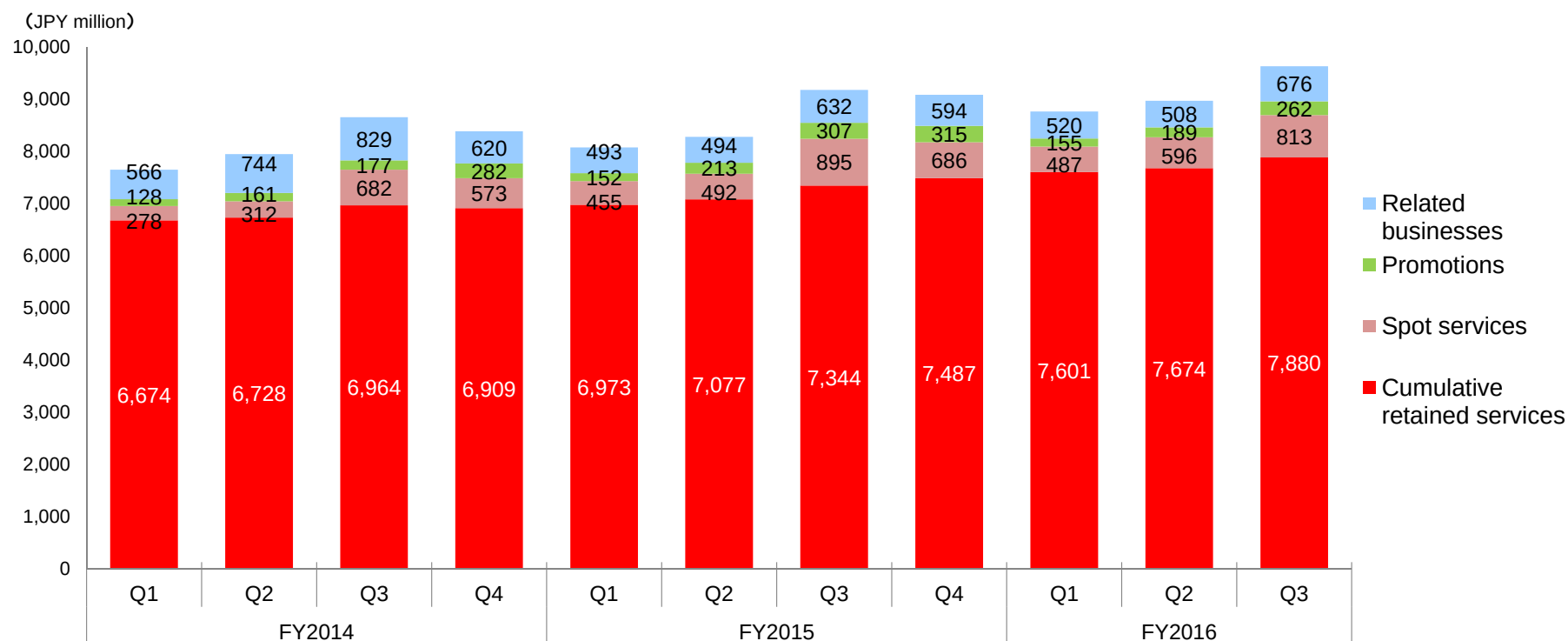
•Cumulative retained services

Due to effective regional measures and inbound measures

•Spot services

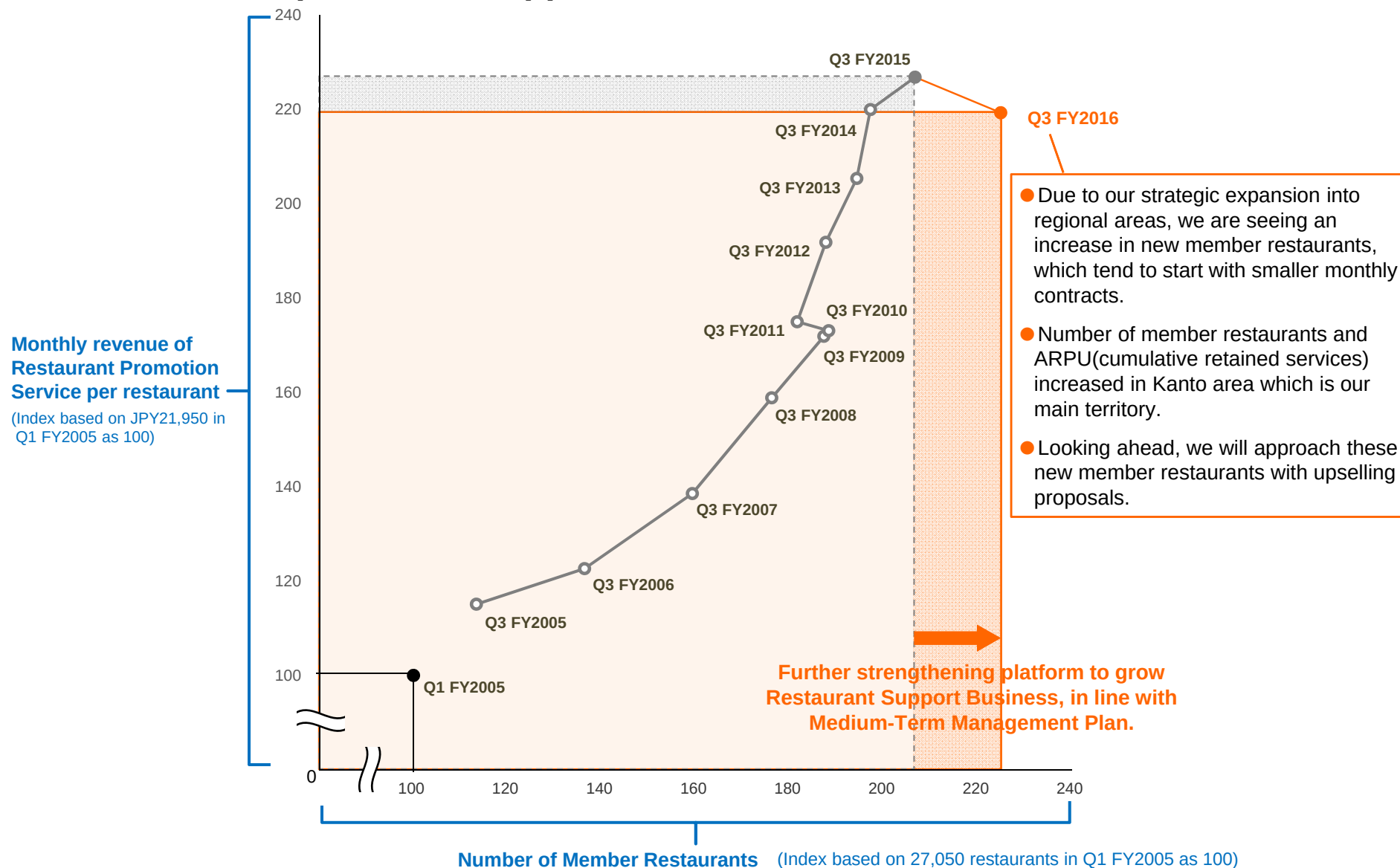
Steady growth in online reservation commission fees

* A decrease in spot service sales for the year-end party season were offset by an increase in revenue from online reservation commission fees



Growth of restaurant promotion services

- Focus on expansion of member restaurants in anticipation of further growth in restaurant promotion support business



Consolidated cost breakdown

(JPY million)	Q3 2015 (Apr.-Dec.)	Ratio to sales	Q3 2016 (Apr.-Dec.)	Ratio to sales	Ratio change
Total Cost	20,153	78.9%	22,320	81.6%	2.6 p
Cost of Sales	6,214	24.3%	6,393	23.4%	(1.0 p)
SG&A	13,938	54.6%	15,927	58.2%	3.6 p
Personnel expenses	6,659	26.1%	7,160	26.2%	0.1 p
Rent expenses	996	3.9%	1,154	4.2%	0.3 p
Business consignment expenses	1,621	6.4%	1,896	6.9%	0.6 p
Advertising and promotion expenses	1,742	6.8%	2,245	8.2%	1.4 p
Other	2,918	11.4%	3,470	12.7%	1.3 p

Subcontract costs and labor costs increased due to promoting the key measures (construction of new media, production of contents etc.)

Decrease in depreciation & amortization cost due to mitigated amortization burden of high software investment in the past and decrease in loss on software retirement

Increasing costs for implementation of the medium-term management plan.

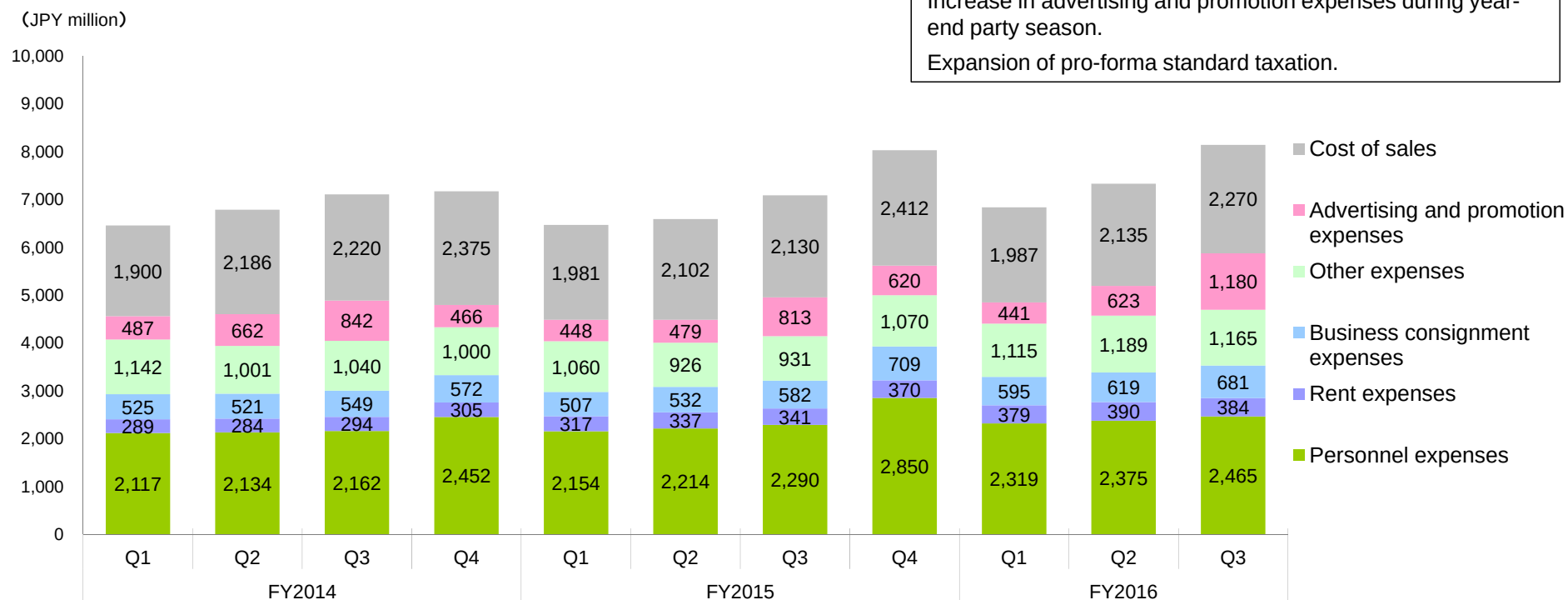
L Increasing costs for positive recruitment and personnel expenses.

L Expenses incurred by enhancement of internal systems in preparation for expanding business areas.

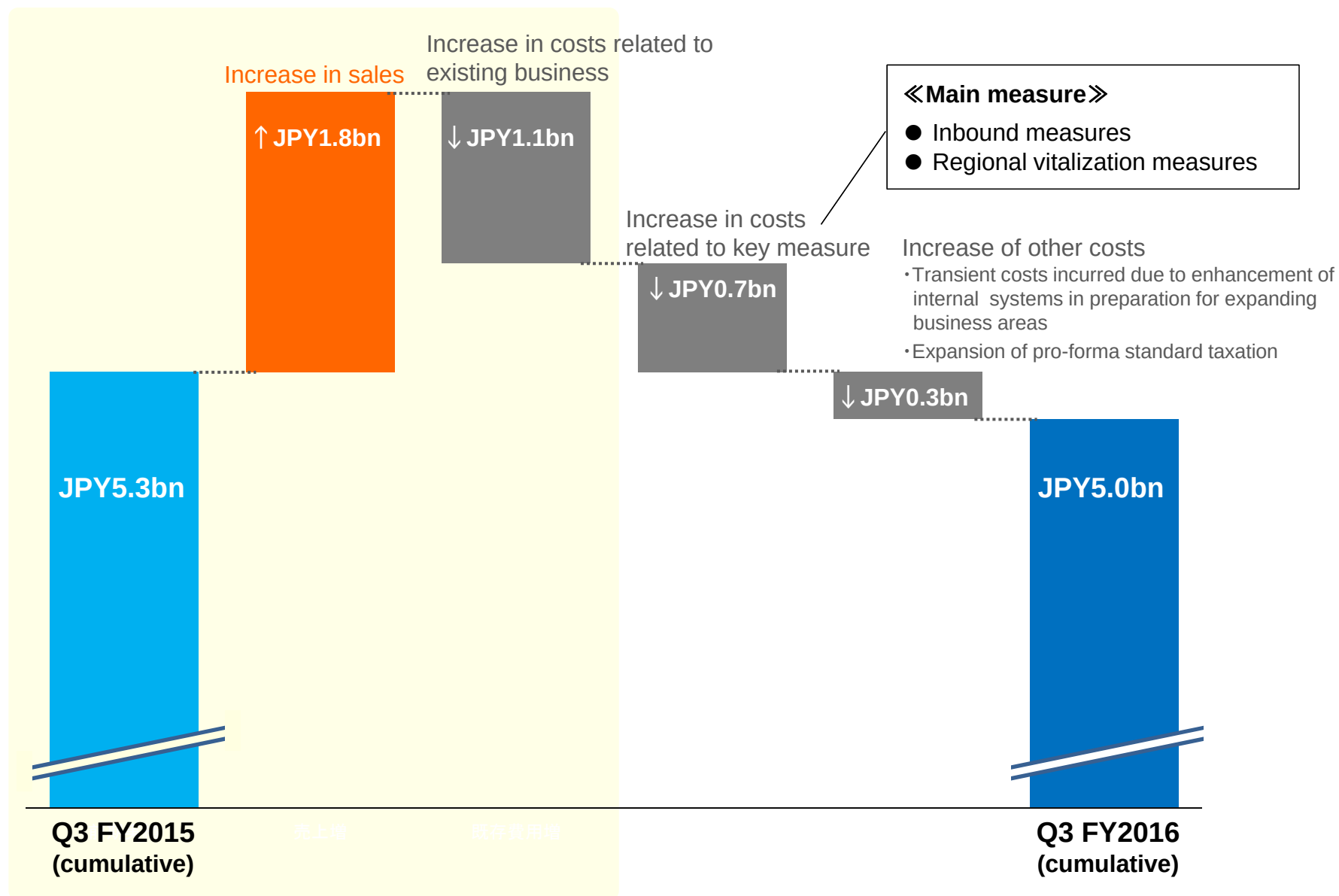
L Advertising and promotion expenses and outsourcing costs for direction according to promoting key measure.

Increase in advertising and promotion expenses during year-end party season.

Expansion of pro-forma standard taxation.



Variation factors of operating income



■ Acquisition of own shares amounted to 5 billion yen

(JPY million)	As of Mar.31, 2016	As of Dec. 31, 2016	Change	(JPY million)	As of Mar.31, 2016	As of Dec. 31, 2016	Change
Total current assets	20,889	14,348	(6,540)	Total current liabilities	6,809	5,316	(1,493)
Cash and deposits	13,131	6,202	(6,929)	Accounts payable-other	2,264	2,461	197
Notes and accounts receivable-trade	4,670	4,775	105	Income taxes payable	1,457	542	(914)
Accounts receivable-other	1,747	2,032	284	Provision for bonuses	1,378	430	(948)
Allowance for doubtful accounts	(286)	(314)	(27)	Provision for point card certificates	168	140	(28)
Other	1,625	1,652	27	Other	1,541	1,741	200
Total non-current assets	6,433	7,866	1,432	Total non-current liabilities	216	230	14
Property, plant and equipment	933	1,060	126	Total liabilities	7,026	5,547	(1,478)
Intangible assets	3,550	4,381	831	Total net assets	20,296	16,668	(3,628)
Investments and other assets	1,949	2,424	475	Equity	20,266	16,642	(3,623)
Total assets	27,322	22,215	(5,107)	Total liabilities and net assets	27,322	22,215	(5,107)

FY2016 Consolidated forecasts

FY2016 Consolidated forecasts

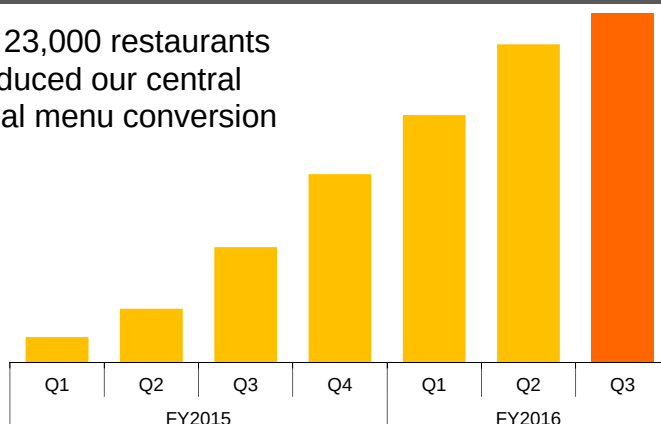
■ No revision to full-year forecast

(JPY million)	FY2015	FY2016		YoY change
	Full-year results	Q3 (Apr.-Dec.) results	Full-year forecast	
Net Sales	34,617	27,365	37,000	+6.9%
Operating income	6,429	5,045	6,700	+4.2%
Operating income on net sales	18.6%	18.4%	18.1%	(0.5 points)
Ordinary income	6,492	5,062	6,700	+3.2%
Profit attributable to owners of parent	4,367	3,462	4,550	+4.2%
Basic earnings per share (JPY)	90.19	73.68	96.95	+7.5%
ROE	23.2%			

Expand restaurant support business and create new business fields

Gurunavi multi-lingual sites

- More than 23,000 restaurants have introduced our central multi-lingual menu conversion system



⇒ Aim to be the de-facto standard platform for restaurants

Recent topics

Pre-pay reservation system collaboration with overseas travel sites.

⇒ Interconnected service to start this spring (planned)

- **Ctrip** (China) Annual visitors to Japan **2,000,000**
- **Kkday** (Taiwan) Annual visitors to Japan **250,000**

⇒ Strengthen customer referrals for member restaurants including premium restaurants and reducing risk from sudden cancellations.

- ▶ Promoting collaboration with other companies regarding pre-pay reservation system
- ▶ Increasing revenue via settlement fee model

Strengthening collaboration with local governments, etc.

- November 1, Sapporo City Signed 'Tourism Promotion Tie-Up Agreement Focused on Food'
- November 29, Shizuoka Prefecture Signed 'Food and Tourism Tie-up Agreement'



Communicating the attractiveness of local regions, particularly in terms of food, based on collaboration with local governments. Mobilizing 'people' in both Japan and overseas, and regional 'products', to vitalize regional economies through food and tourism.

Counterparties of the agreements

Kyoto City, Niigata City, Kawasaki City, Hokkaido, Fukuoka City, Yokohama City, Kyushu Tourism Promotion Organization and Fukuoka Federation of Chamber of Commerce and Industry, Okayama City, Osaka City

⇒ Enlargement and enhancement of the basis for our business development

- ▶ Leverage business foundation to expand support business for produce sector and to establish new business related to the field of extraordinariness such as travel, going out, and gift-giving as outlined in the Medium Term Management Plan

Efforts to preserve and cultivate Japan's world-renowned cuisine culture

Japanese cuisine culture to hand down to posterity

Dec. 5

Promoting the prosperity of a shared experience of Japan's cuisine culture through selecting and announcing

Dish of the Year



Contributing to further development of Japan's world-renowned food culture

- Selecting a dish that reflects the social environment of the year by utilizing Gurunavi's food-based big data*.
- Promoting prosperity and introducing Japan's cuisine culture to the world.

*Gurunavi users' search history and members' questionnaire

Put chefs onto center stage

Dec. 12

Discovering Japan's next generation of talent
Japan's largest cooking competition

RED U-35 2016



Supporting aspiring young chefs

- Using the collective strengths of the Japanese food industry to discover and support a new generation of chefs with brand new values.
- Aiming to raise the value of Japan's food industry through this competition.

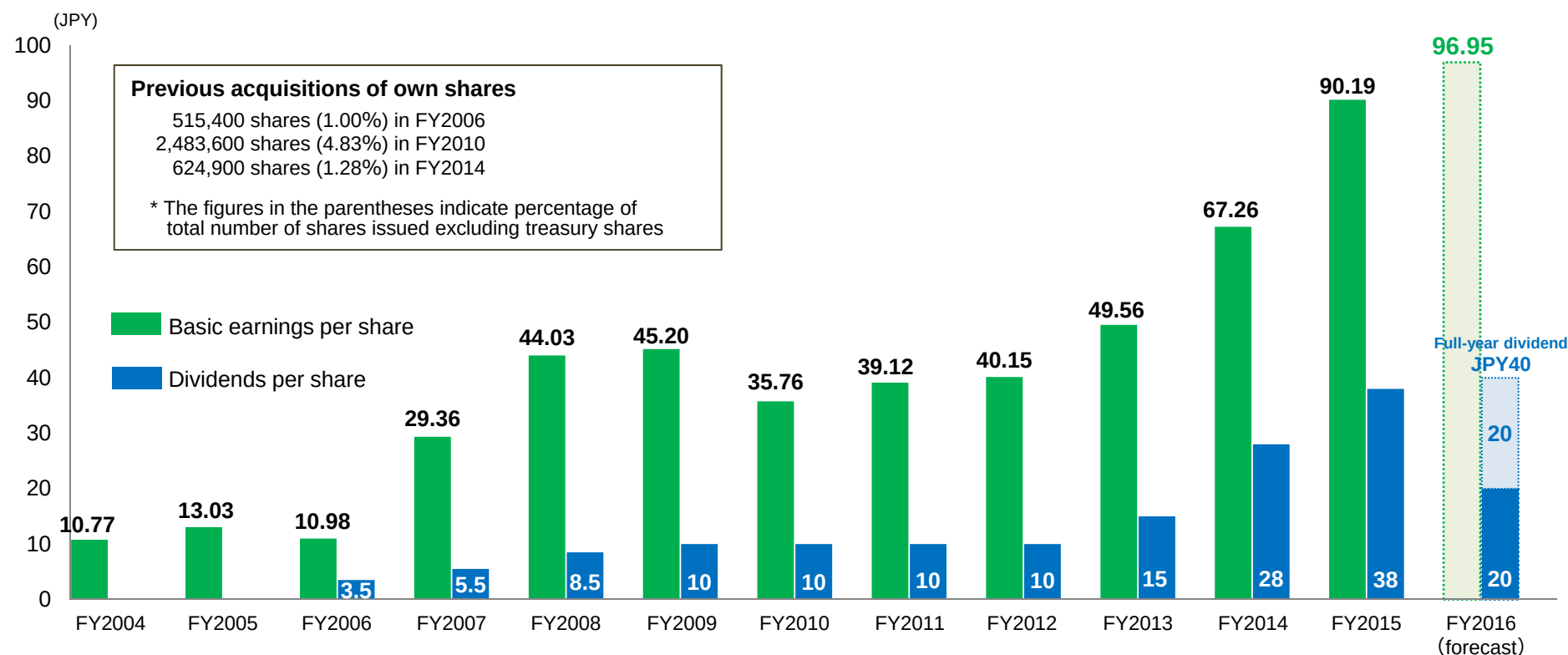
Shareholder returns

- Distribution to shareholders with a consolidated dividend payout ratio of approximately 40% as standard, while emphasizing ROE.

■ Dividend per share

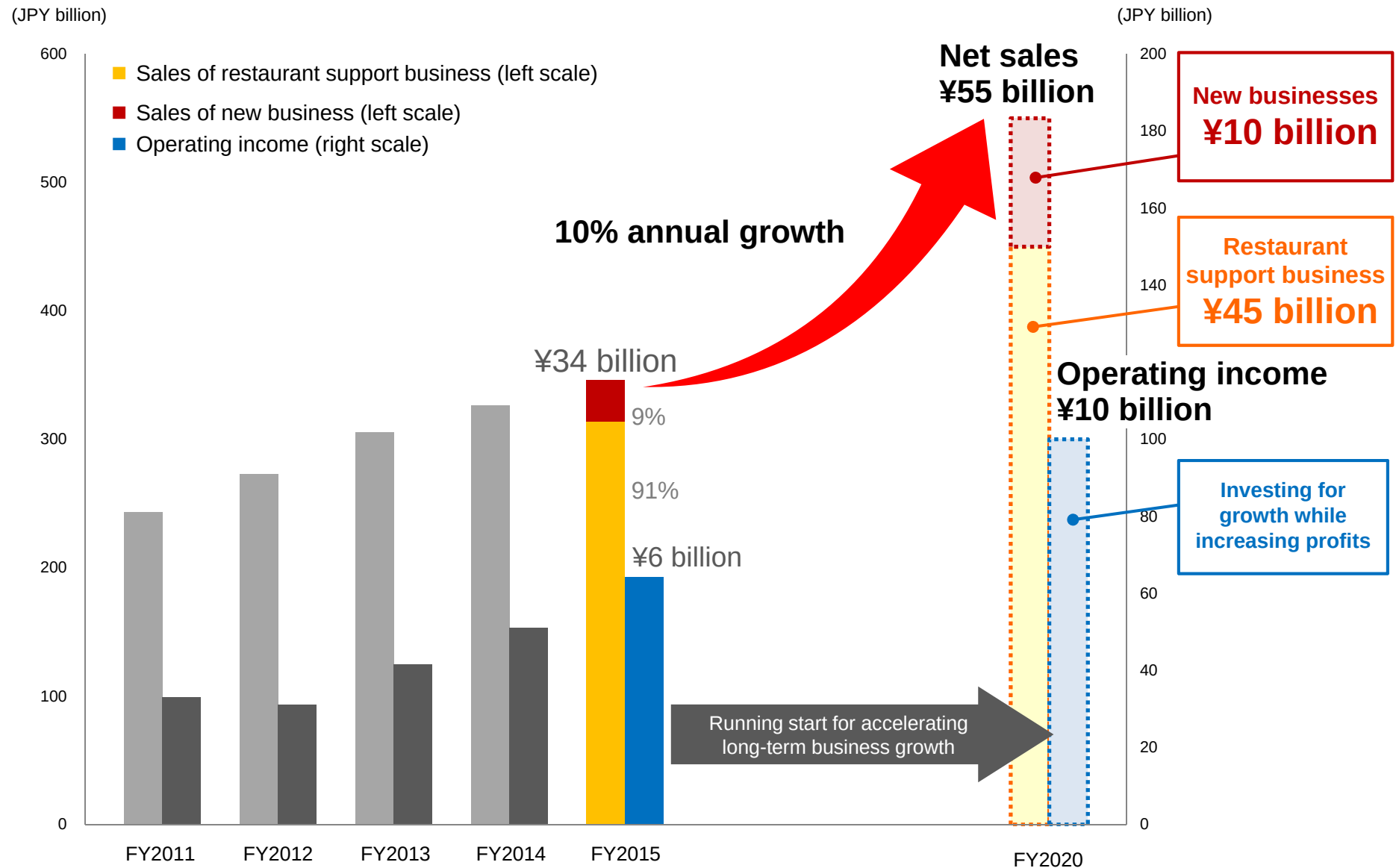
	Interim	Year-end (forecast)	Full-year (forecast)
FY2016	JPY20	JPY20	JPY40
[Reference] Previous year	JPY15	JPY23	JPY38

- Share buyback in May 2016 in order to improve capital efficiency and raise shareholder value per share.
Number of shares acquired: 1,743,900 shares, 3.60% of total number of shares issued excluding treasury shares



*Gurunavi implemented a 5-to-1 share split on August 19, 2005 and a 100-to-1 share split on April 1, 2011 and a 2-to-1 split on April 1, 2014.
 To facilitate comparison, the above graph shows these share splits as having been carried out at the beginning of FY2004.

The medium-term management plan aiming business area expansion **GURUNAVI**



Gurunavi will continue evolving to create
a gourmet lifestyle for the 21st century.



Reference materials

● Current state of the Japanese restaurant industry

Market size: JPY16 trillion in 2015, peaked in 1997 at JPY17 trillion

Four consecutive years of growth, backed by increasing spend per customer, increasing number of foreign visitors to Japan, increasing trend in corporate entertainment spending, etc.

Source: Food Industry Research Institute, "Size of restaurant market." Institutional meals, bars, and night clubs are excluded.

Number of restaurants: 510 thousand outlets in 2014, peaked in 1986 at 650 thousand outlets

Sources: 1986 Business Census; 2014 Economic Census for Business Activity

● Competition between restaurants has intensified.

Japan's population has entered into a decreasing phase.

It is essential for restaurants not only to attract new customers, but also to develop repeat customers.



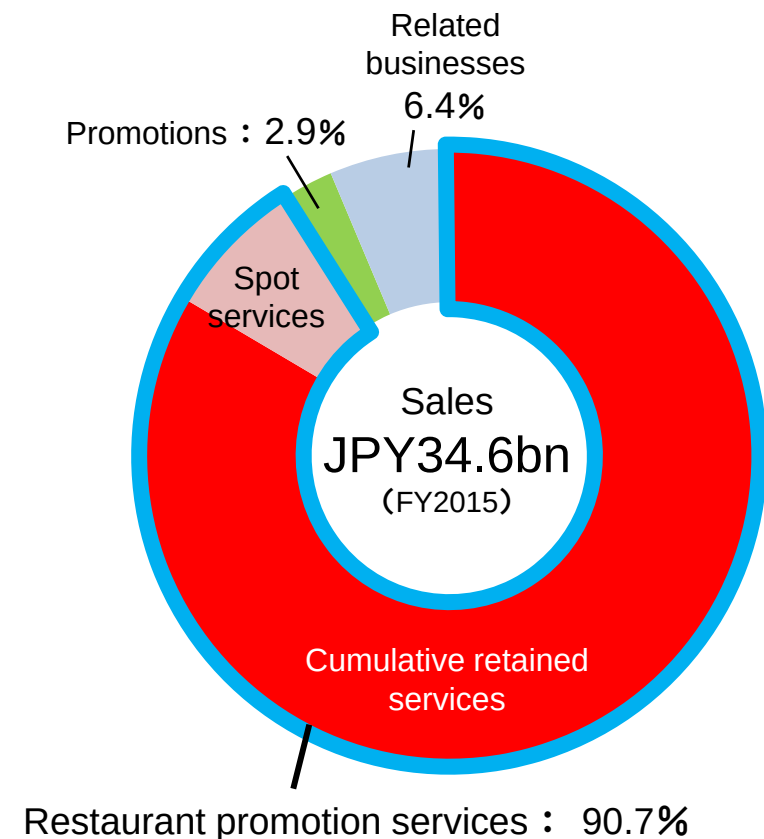
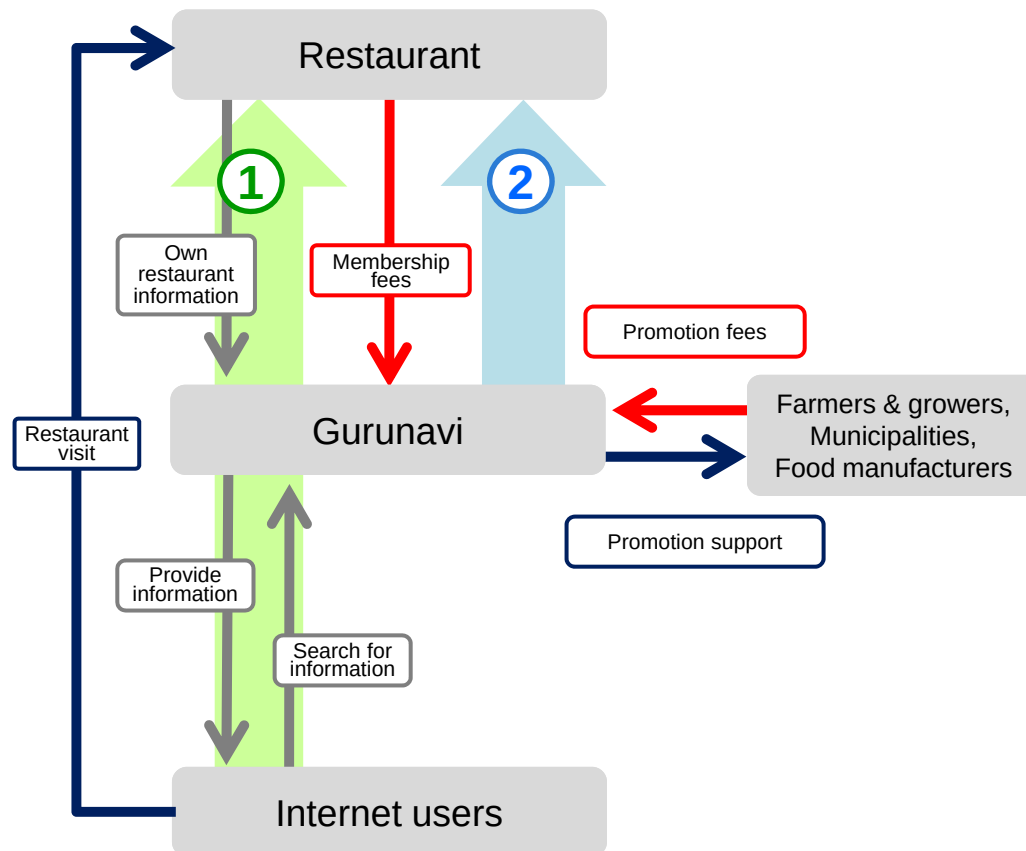
Restaurants who successfully increased sales even within this challenging environment are those who improved the quality and range of their food and beverages.

Source: July 2016 survey of Gurunavi member restaurants

Gurunavi's unique business model

- Offer support through the establishment and integration of two solid business bases

- Restaurant support through IT-based business-support platform (online infrastructure)
- Restaurant support through 1,000-person support structure (offline infrastructure)



1,000-person support structure (offline infrastructure)



- Providing advice on advertising and promotion and other issues facing member restaurants

Member restaurant sales staff: 400



- Paying regular visits to member restaurants to answer questions and provide detailed support

Visiting staff: 300



- Providing advice to member restaurants in difficulty
- Call center staff have specific skills related to the restaurant industry

Call center: 150



- Holding more than 3,000 lectures annually for restaurant managers and executives, focusing on case studies of success

Gurunavi Academy: 50



- Monthly magazine for member restaurants sharing success stories
- Gurunavi Journal**

Growth drivers

Restaurant promotion business has become firmly established among restaurants and with the exception of FY2011, when the industry was impacted by the Great East Japan Earthquake, sales have grown consistently.

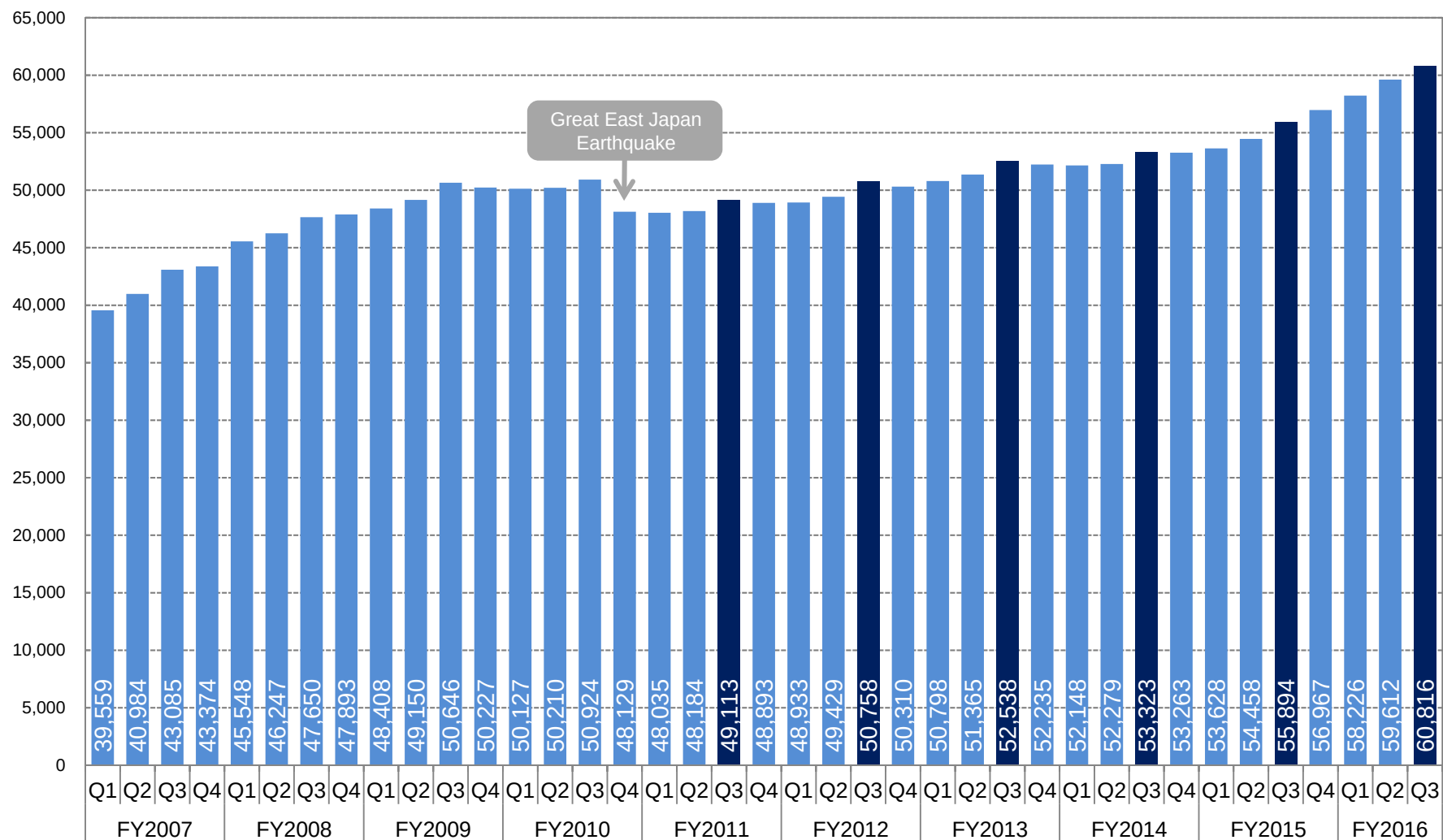
Foundation for future advances

By utilizing this 1,000-person support structure it will be possible to rapidly develop new businesses in areas other than promotion support.

Number of member restaurants

■ Number of member restaurants (paid) **60,816** at the end of December 2016
up by 4,922 from the end of December 2015

(Restaurants)



User reach

■ Unique users per month : **61 million**

In December 2016; 57 million users in December 2015

■ Number of Gurunavi members : **14.65 million**

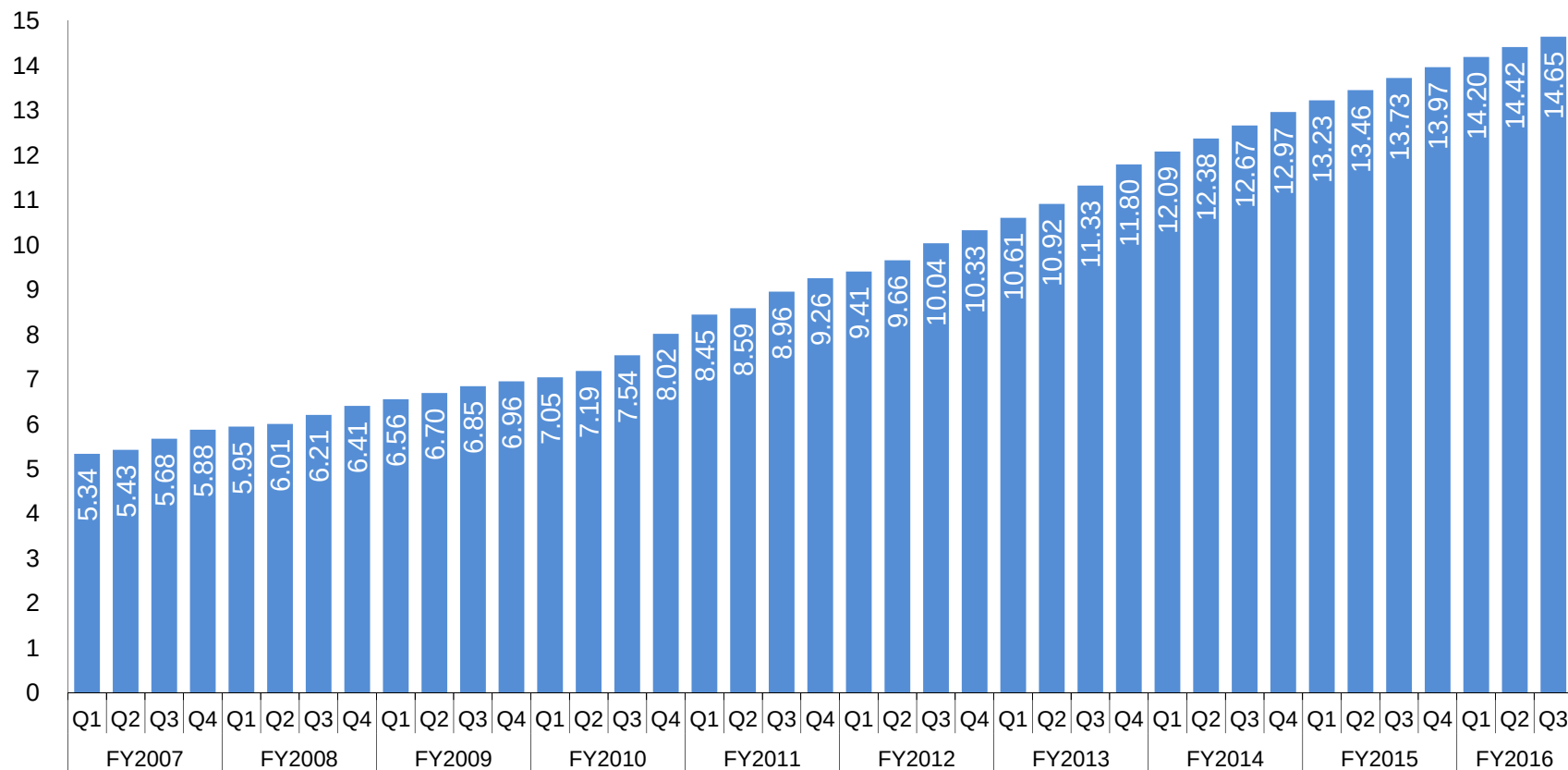
As of Jan. 1, 2017 ; 13.73million members as of Jan. 1, 2016

*Unique users per month: Based on browser count

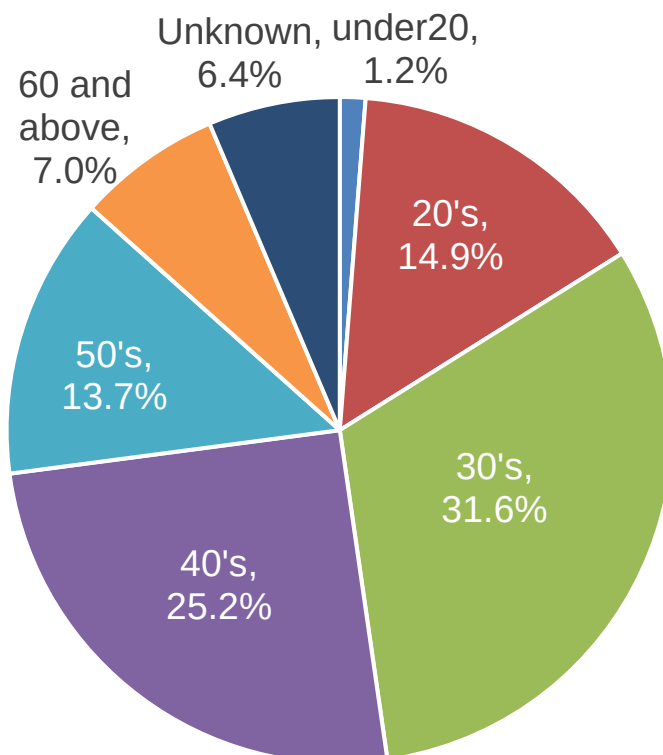
*Gurunavi member: An individual who has registered for membership at Gurunavi

Gurunavi members

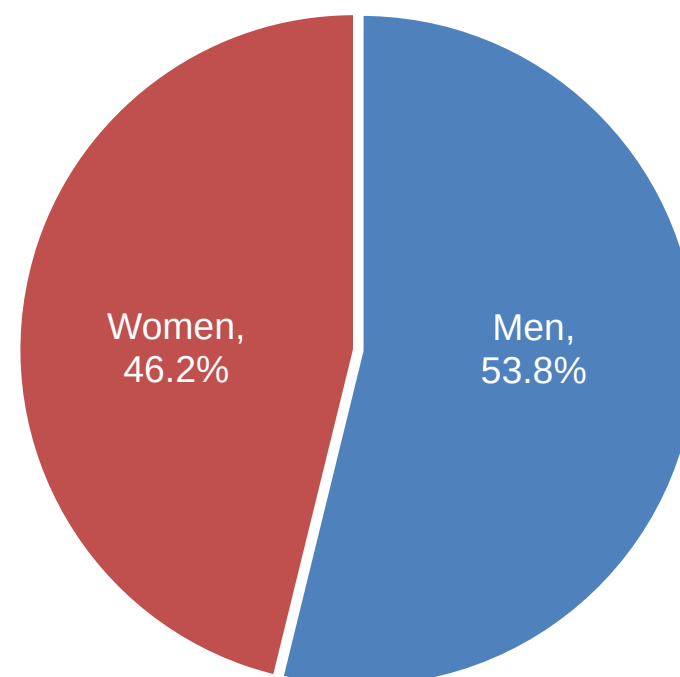
(million people)



User demographics by age



User demographics by sex



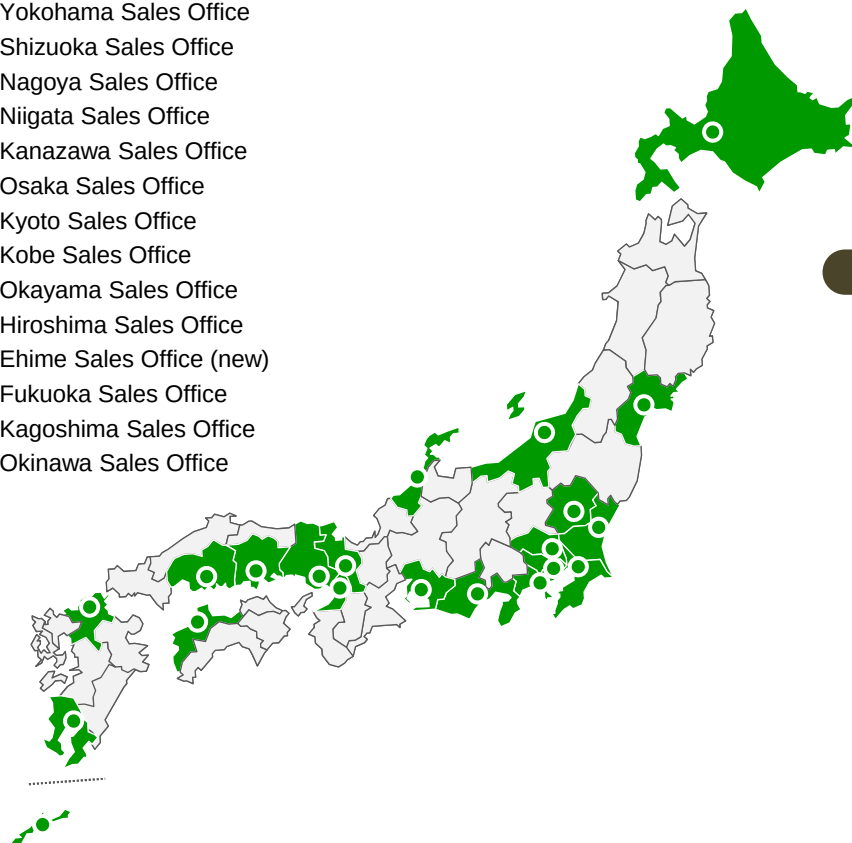
Source: Gurunavi member data (In Dec. 2016)

There is little gap between men and women among Gurunavi users, and the site is used by persons from a broad range of age groups. In addition, the results from a survey conducted by the company show that our users tend to select restaurants based on the menu and atmosphere, showing a high grade of customers who are not searching for discounts.

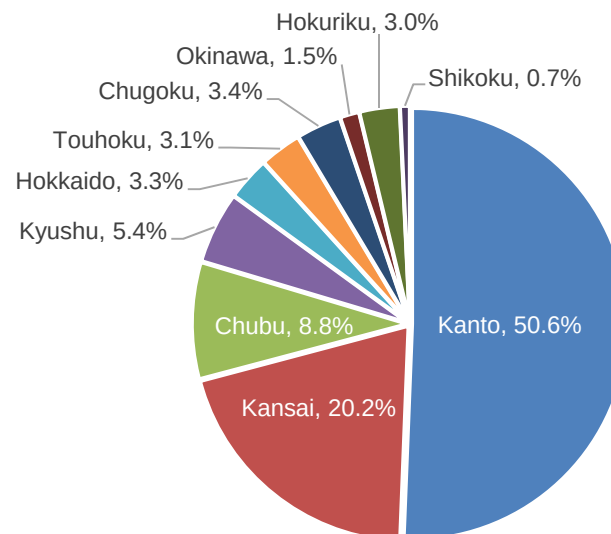
Regional expansion and member restaurants

21 sales offices that provide services to local businesses across the country

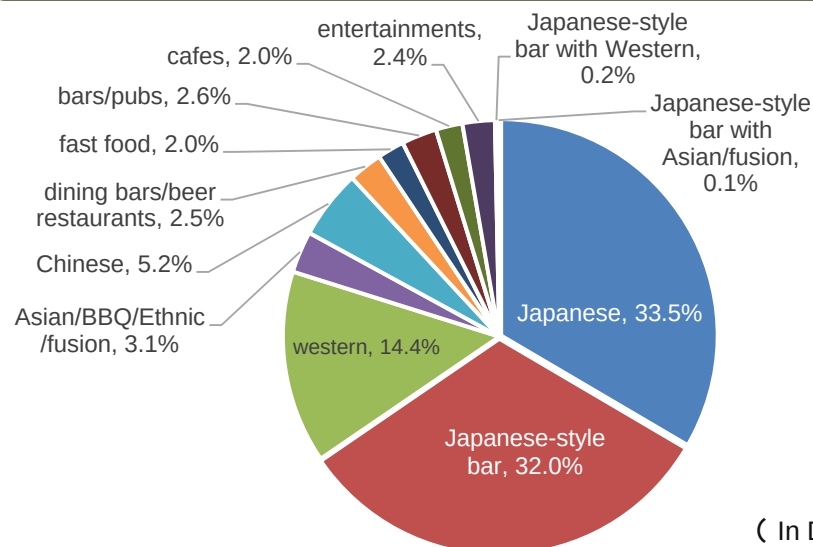
Head Office
Hokkaido Sales Office
Sendai Sales Office
Ibaraki Sales Office
Tochigi Sales Office (new)
Saitama Sales Office
Chiba Sales Office
Yokohama Sales Office
Shizuoka Sales Office
Nagoya Sales Office
Niigata Sales Office
Kanazawa Sales Office
Osaka Sales Office
Kyoto Sales Office
Kobe Sales Office
Okayama Sales Office
Hiroshima Sales Office
Ehime Sales Office (new)
Fukuoka Sales Office
Kagoshima Sales Office
Okinawa Sales Office



Percentage of member restaurants by region



Percentage of member restaurants by restaurant type

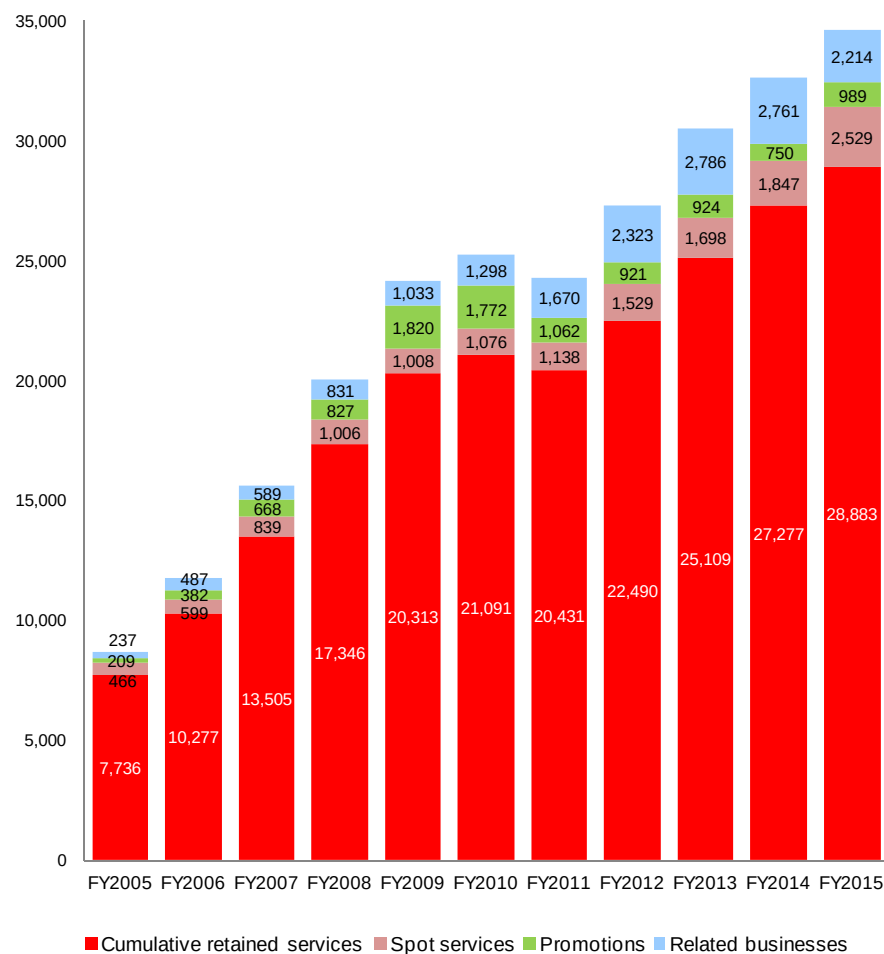


(In Dec. 2016)

Sales and costs & expenses

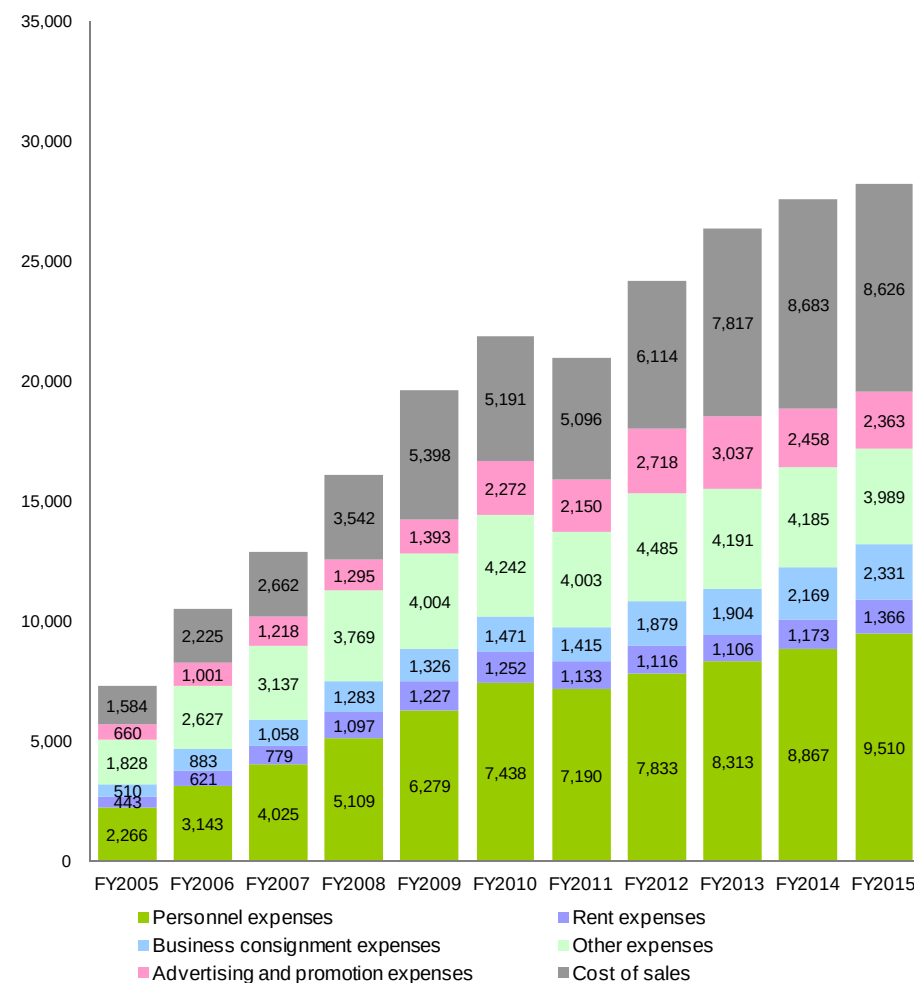
Sales

(JPY million)



Costs & Expenses

(JPY million)



Quarterly sales data (consolidated)

Net sales (Unit: million yen)		Q1 FY2013	Q2 FY2013	Q3 FY2013	Q4 FY2013	Q1 FY2014	Q2 FY2014	Q3 FY2014	Q4 FY2014	Q1 FY2015	Q2 FY2015	Q3 FY2015	Q4 FY2015	Q1 FY2016	Q2 FY2016	Q3 FY2016
Cumulative retained services	a	5,990	6,155	6,428	6,534	6,674	6,728	6,964	6,909	6,973	7,077	7,344	7,487	7,601	7,674	7,880
Spot services	b	347	372	595	383	278	312	682	573	455	492	895	686	487	596	813
Restaurant promotion services	c= a+b	6,338	6,528	7,024	6,917	6,953	7,041	7,647	7,482	7,429	7,569	8,240	8,173	8,088	8,271	8,693
Promotions	d	101	177	201	444	128	161	177	282	152	213	307	315	155	189	262
Core businesses total	e= c+d	6,439	6,705	7,226	7,361	7,082	7,203	7,824	7,765	7,582	7,783	8,547	8,489	8,243	8,460	8,956
Related businesses	f	633	625	824	703	566	744	829	620	493	494	632	594	520	508	676
Total	g= e+f	7,072	7,330	8,050	8,064	7,649	7,947	8,653	8,386	8,075	8,278	9,179	9,083	8,763	8,968	9,633

(Unit: yen)		Q1 FY2013	Q2 FY2013	Q3 FY2013	Q4 FY2013	Q1 FY2014	Q2 FY2014	Q3 FY2014	Q4 FY2014	Q1 FY2015	Q2 FY2015	Q3 FY2015	Q4 FY2015	Q1 FY2016	Q2 FY2016	Q3 FY2016
Cumulative retained services revenue per restaurant(ARPU)	h *1	39,499	40,169	41,250	41,577	42,630	42,955	43,970	43,216	43,493	43,654	44,368	44,230	43,990	43,420	43,625
Restaurant promotion services revenue per restaurant(ARPU)	i *2	41,792	42,599	45,069	44,014	44,411	44,951	48,276	46,804	46,335	46,690	49,780	48,283	46,811	46,793	48,126

*1) Cumulative retained services revenue per restaurant (ARPU): $h=2/3*a/(j_{i+1}+j_i)$

*2) Restaurant promotion services revenue per restaurant (ARPU): $i=2/3*c/(j_{i+1}+j_i)$

Number of member restaurants (Unit: restaurants)		Q1 FY2013	Q2 FY2013	Q3 FY2013	Q4 FY2013	Q1 FY2014	Q2 FY2014	Q3 FY2014	Q4 FY2014	Q1 FY2015	Q2 FY2015	Q3 FY2015	Q4 FY2015	Q1 FY2016	Q2 FY2016	Q3 FY2016
Basic paying member restaurants	j	50,798	51,365	52,538	52,235	52,148	52,279	53,323	53,263	53,628	54,458	55,894	56,967	58,226	59,612	60,816
Non-paying member restaurants	k	71,364	70,458	71,317	74,076	73,795	74,438	75,531	77,039	76,834	77,287	77,098	81,826	81,529	83,182	82,466

Historical data (consolidated)

(Unit: million yen)	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2004 – FY2015 Compound Average Growth Rate (CAGR)
Consolidated business results													
Net sales	5,597	8,649	11,746	15,602	20,011	24,175	25,238	24,302	27,265	30,518	32,636	34,617	18.0%
Operating income	913	1,354	1,243	2,720	3,913	4,545	3,369	3,312	3,116	4,147	5,099	6,429	19.4%
Ordinary income	890	1,321	1,240	2,742	3,984	4,578	3,406	3,375	3,153	4,167	5,127	6,492	19.8%
Net income	497	665	565	1,505	2,259	2,323	1,813	1,909	1,959	2,420	3,279	4,367	21.8%
Assets • Liabilities • Net assets													
Total assets	2,735	7,920	8,037	10,709	12,929	15,309	19,653	16,951	19,103	22,071	23,665	27,322	-
Cash and deposits	912	4,397	3,010	4,371	4,711	5,531	10,398	7,548	7,399	9,448	10,492	13,131	-
Liabilities	1,091	1,522	1,483	2,906	3,191	3,895	8,519	4,381	5,005	5,926	6,201	7,026	-
Interest-bearing debt	-	-	-	-	-	-	4,500	-	-	-	-	-	-
Net assets	1,643	6,397	6,553	7,802	9,738	11,413	11,133	12,569	14,098	16,145	17,464	20,296	-
Equity	1,643	6,397	6,479	7,791	9,729	11,413	11,133	12,555	14,042	16,099	17,427	20,266	-
Per share data													
Earnings per share ^{*1}	10.77	13.03	10.98	29.36	44.03	45.20	35.76	39.12	40.15	49.56	67.26	90.19	21.3%
Dividends per share(JPY) ^{*1}	-	-	3.5	5.5	8.5	10	10	10	10	15	28	38	30.3%
Other													
Operating margin(%)	16.3	15.7	10.6	17.4	19.6	18.8	13.4	13.6	11.4	13.6	15.6	18.6	-
Return on equity(%)	35.7	16.6	8.8	21.1	25.8	22.0	16.1	16.1	14.7	16.1	19.6	23.2	-
Operating income to total assets(%)	21.6	12.5	7.1	16.1	17.9	16.5	10.4	10.4	10.9	11.8	14.3	17.1	-
Payout ratio(%)	-	-	31.9	18.7	19.3	22.1	28.0	25.6	24.9	30.3	41.6	42.1	-
Shareholders' equity ratio(%)	60.1	80.8	80.6	72.8	75.2	74.6	56.7	74.1	73.5	72.9	73.6	74.2	-
Number of shares of treasury stock	-	-	2,577	2,779	2,779	2,779	15,854	1,585,400	1,585,400	1,503,649	266,059	216,459	-
Number of member restaurants (paid)	30,714	31,941	38,168	43,374	47,893	50,227	48,129	48,893	50,310	52,235	53,263	56,967	5.8%

^{*1} : Gurunavi implemented a 5-to-1 share split on August 19, 2005, a 100-to-1 split on April 1, 2011 and a 2-to-1 split on April 1, 2014.

Calculated on the assumption that these share split were conducted at the beginning of FY2004 (April 1, 2004).

^{*2} : Results shown for FY2004 are unconsolidated and results shown from FY2005 onward are consolidated.

Company profile as of the end of December 2016

Name	Gurunavi, Inc. (stock code: 2440)
Establishment	October 2, 1989 (incorporated) February 29, 2000 (Gurunavi, Inc. established)
Head office	1-2-2, Yurakucho, Chiyoda-ku, Tokyo
Capital	2,334 million yen (Number of shares issued: 48,675,100 shares)
Business description	Provision of internet-based advertising, marketing support and other support services to restaurants
Directors	Representative director & Chairman: Hisao Taki Representative director & President: Seiichiro Kubo Directors: Hisao Iizuka, Masahiro Watanabe, Miho Saito, Kiyoshi Suzuki, Akihisa Fujita, Midori Kakiuchi, Teruhisa Yamada, Koichi Tsukihara, Yoichi Minami
Top 10 shareholders (as of September 30, 2016)	Hisao Taki 26.68%, Japan Traffic Culture Association 3.83%, The Master Trust Bank of Japan, Ltd. (trust account) 3.40%, State Street Bank and Trust Company 3.31%, Japan Trustee Services Bank, Ltd. (trust account) 3.13%, Odakyu Electric Railway Co, Ltd. 2.32%, Tokyo Metro Co., Ltd. 2.00%, Mizuho Trust & Banking Co., Ltd. retirement benefit trust (Keihin Electric Express Railway account) re-trust trustees, Trust & Custody Services Bank, Ltd. 1.85%, Japan Trustee Services Bank, Ltd. (trust account 9) 1.74%, MSCO CUSTOMER SECURITIES 1.74% *Treasury shares 4.00%
Total Number of shareholders (as of September 30, 2016)	6,888
Number of total personnel	Non-consolidated: 1,817 Consolidated: 2,100
Consolidated subsidiaries	Gurunavi Promotion Community, Inc. (100%), Gurunavi Shanghai, Inc. (100%) Gurunavi Research Institute, Inc. (100%), Gurunavi Support Associe, Inc. (100%)



Gurunavi, Inc.

<http://www.gnavi.co.jp/>

Gurunavi IR contact information

<https://ssl.gnavi.co.jp/company/english/contact/>

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