

Gurunavi, Inc.

(Stock Code: 2440)

INVESTOR PRESENTATION

Financial Results for the First Half of the Fiscal Year 2017



- Operating income was largely in line with the plan: 20% decrease by upfront investments
- Serious labor shortages deter restaurants from investing for growth, e.g. opening new stores, which also affected our business results
- We conducted reallocation of our resources in order to accelerate measures to remove restaurant industry bottlenecks
- Full-year profit forecasts revised downward

Net sales	JPY 17,560 million	(1.0%) YoY
Operating income	JPY 2,824 million	(20.6%) YoY
Operating income on net sales	16.1%	(4.0 percentage points) YoY
Net income attributable to owners of parent	JPY 1,928 million	(21.0%) YoY
Basic earnings per share (EPS)	JPY 41.23	(20.4%) YoY
Number of member restaurants (paid)	60,606 (At the end of September 2017)	+1.7% YoY
Number of unique users	61 million (In December 2016; 57 million users/month in December 2015)	
Number of Gurunavi members	15.36 million (As of October 1, 2017; 14.42 million members as of October 1, 2016)	

(JPY million)	1H FY2016 (Apr.-Sep.)	Ratio to sales	1H FY2017 (Apr.-Sep.)	Ratio to sales	YoY Increase
Net sales	17,732	100.0%	17,560	100.0%	(1.0%)
Cost of sales	4,123	23.3%	4,673	26.6%	13.3%
Gross profit	13,609	76.7%	12,886	73.4%	(5.3%)
SG&A expenses	10,049	56.7%	10,061	57.3%	0.1%
Operating income	3,559	20.1%	2,824	16.1%	(20.6%)
Ordinary income	3,572	20.1%	2,833	16.1%	(20.7%)
Net income before income taxes	3,572	20.1%	2,834	16.1%	(20.7%)
Net income attributable to owners of parent	2,441	13.8%	1,928	11.0%	(21.0%)

Consolidated sales breakdown

(JPY million)	1H FY2016 (Apr.-Sep.)	1H FY2017 (Apr.-Sep.)	YoY
Net sales	17,732	17,560	(1.0 %)
Restaurant promotion services	16,359	16,180	(1.1 %)
Cumulative retained services	15,275	14,865	(2.7 %)
Spot services	1,083	1,314	21.4%
Promotions	344	348	1.0 %
Related businesses	1,028	1,031	0.3 %

Restaurant promotion services

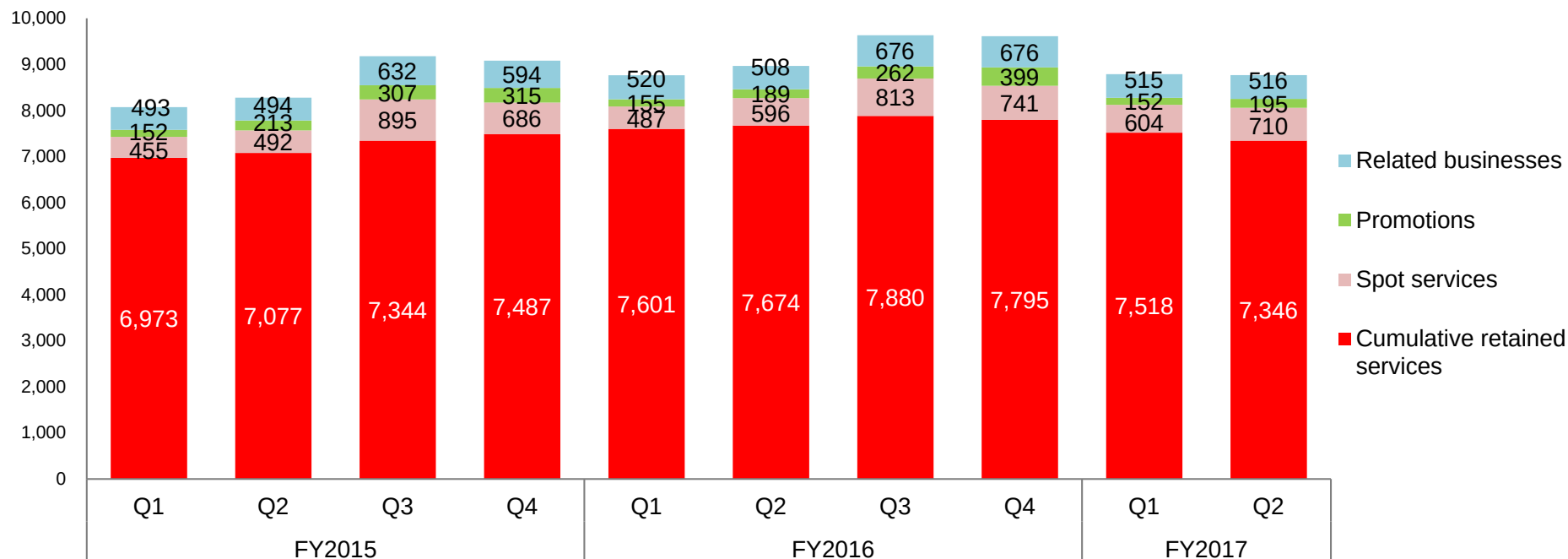
Cumulative retained services

- L Although decline in contract sizes slowed, the level remains high compared to last year
- L Weak orders due to our resource reallocation

Spot services

Increase in online reservation commission fees contributed

(JPY million)



1) Although decline in contract sizes slowed, the level remains high compared to last year

Background

- Serious labor shortages in the restaurant industry are creating a bottleneck that is deterring restaurants from investing for growth (reviewing of new stores opening plans due to labor shortages)

2) Weak orders due to restaurants' labor shortage and our resource reallocation

Background

- External factor : The background for contract size decreases mentioned above also affected orders
- Internal factor : Review member restaurant sales' strategic resource allocation and usage in order to accelerate a measure for remove restaurant industry bottlenecks

Previously : Allocated mainly to sales promotion products

After change : Allocated to business support services to contribute to the efficiency of restaurants' business, and to gathering information of overall restaurants' business for development products and services which restaurants need

Details of initiatives aimed at growing and expanding our restaurant promotion support business can be found from P.10

Consolidated cost breakdown

(JPY million)	1H FY2016 (Apr.-Sep.)	Ratio to sales	1H FY2017 (Apr.-Sep.)	Ratio to sales	Ratio change
Total cost	14,172	79.9%	14,735	83.9%	4.0 p
Cost of sales	4,123	23.3%	4,673	26.6%	3.3 p
SG&A	10,049	56.7%	10,061	57.3%	0.6 p
Personnel expenses	4,695	26.5%	5,139	29.3%	2.8 p
Rent expenses	770	4.3%	814	4.6%	0.3 p
Business consignment expenses	1,214	6.9%	1,093	6.2%	(0.7 p)
Advertising and promotion expenses	1,064	6.0%	935	5.3%	(0.7 p)
Other	2,304	13.0%	2,078	11.8%	(1.2 p)

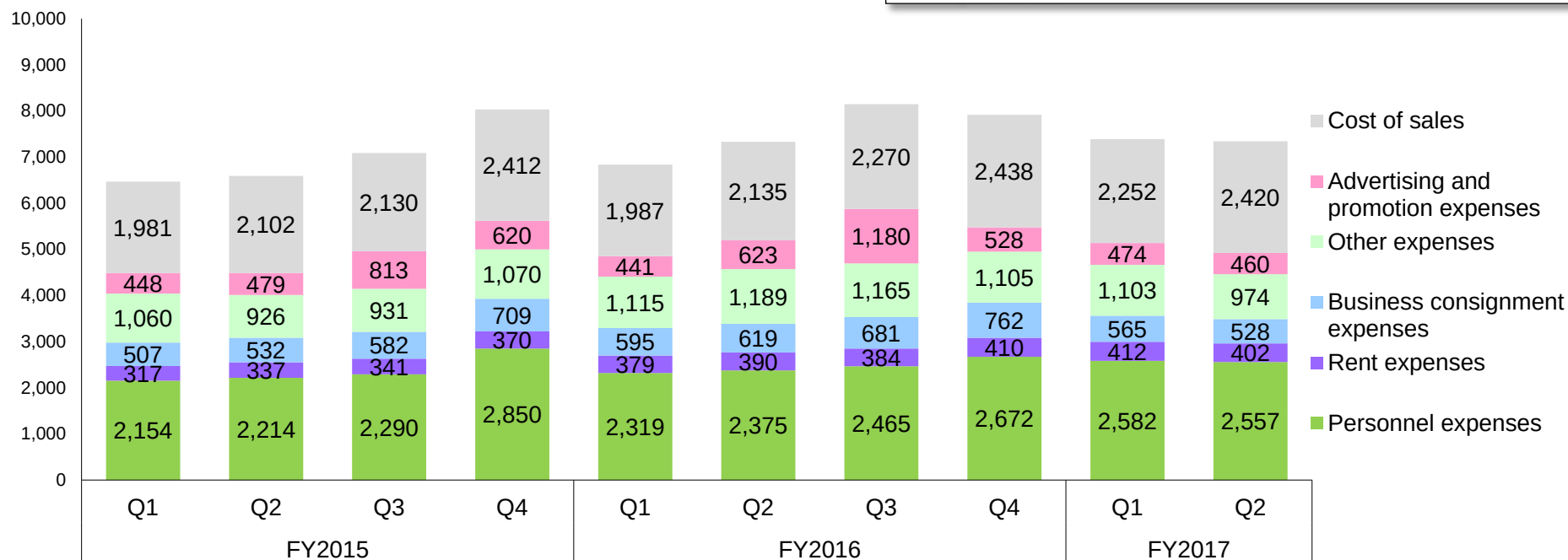
Cost of sales

- Depreciation costs increased due to investment in software for reservation system, e-commerce, etc. in the previous fiscal year as per the medium-term management plan
- Labor costs increase in system development staff and business consignment expenses incurred for development work increased with the creation of new businesses and services
- Provision of POS register-related services generated equipment procurement costs

SG&A

- Personnel expenses increased with the hiring of additional staff mainly in the planning departments as part of the expansion of business areas
- Additional streamlining and cost control measures were implemented

(JPY million)



Consolidated balance sheets

(JPY million)	As of Mar.31, 2017	As of Sep.30, 2017	Change	(JPY million)	As of Mar.31, 2017	As of Sep.30, 2017	Change
Total current assets	15,661	15,742	81	Total current liabilities	5,647	6,061	414
Cash and deposits	7,922	8,237	314	Accounts payable-other	2,241	2,537	296
Notes and accounts receivable-trade	4,663	4,493	(170)	Income taxes payable	714	1,019	304
Accounts receivable- other	1,893	1,727	(165)	Provision for bonuses	1,042	875	(167)
Allowance for doubtful accounts	(274)	(264)	9	Provision for point card certificates	148	190	41
Other	1,456	1,548	92	Other	1,500	1,439	(61)
Total non-current assets	8,255	9,504	1,248	Total non-current liabilities	231	232	1
Property, plant and equipment	1,090	1,144	53	Total liabilities	5,878	6,294	415
Intangible assets	4,822	5,699	876	Total net assets	18,038	18,952	914
Investments and other assets	2,342	2,660	318	Equity	18,013	18,930	916
Total assets	23,917	25,247	1,330	Total liabilities and net assets	23,917	25,247	1,330

Revision to FY2017 consolidated forecasts

■ Full-year profit forecasts revised downward

(JPY million)	FY2016 results	FY2017		Change from previous forecasts		YoY
		Forecast previously announced (A)	Revised Forecast (B)	Change (B-A)	Rate of change	
Net Sales	36,979	38,200	35,800	(2,400)	(6.3 %)	(3.2 %)
Operating income	6,740	6,900	4,500	(2,400)	(34.8 %)	(33.2 %)
Operating income on net sales	18.2%	18.1%	12.6%	(5.5) points	-	(5.6) points
Ordinary income	6,813	6,900	4,500	(2,400)	(34.8 %)	(34.0 %)
Profit attributable to owners of parent	4,799	4,700	3,000	(1,700)	(36.2 %)	(37.5 %)
Basic earnings per share (JPY)	102.25	100.53	64.15	(36.39)	(36.2 %)	(37.3 %)
Annual dividends (JPY)	42.00	44.00	44.00	-	-	+4.8%
ROE	25.1%					

Net sales

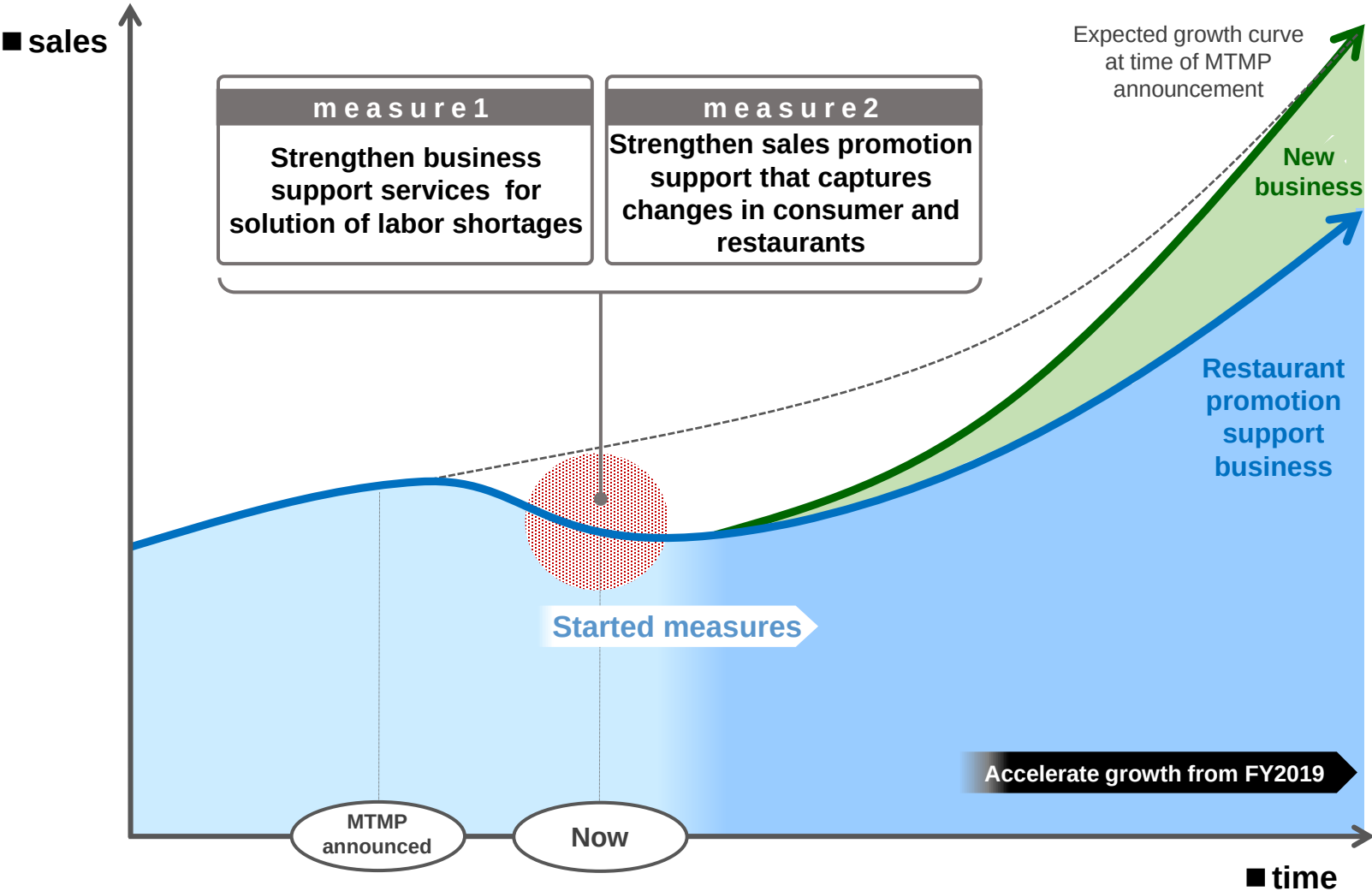
- There was a delay in accumulation of net sales due to higher level of decrease in contract size than expected and weak orders caused by serious labor shortages in the restaurant industry.
- We conducted a reallocation of our resources to enhancement of business support services for removing constraints like labor shortages on growth of the restaurant industry and to acceleration of establishment of new sales promotional services contributing to restaurants' diverse promotional activities brought by ICT, taking into consideration that it will contribute to the development of the restaurant industry in the medium to long term

Expenses

- Adding costs for business support services and promotion of online reservations which reduce restaurants' opportunity losses will be absorbed by cost controls being implemented in existing businesses

Current status and issues, and future direction

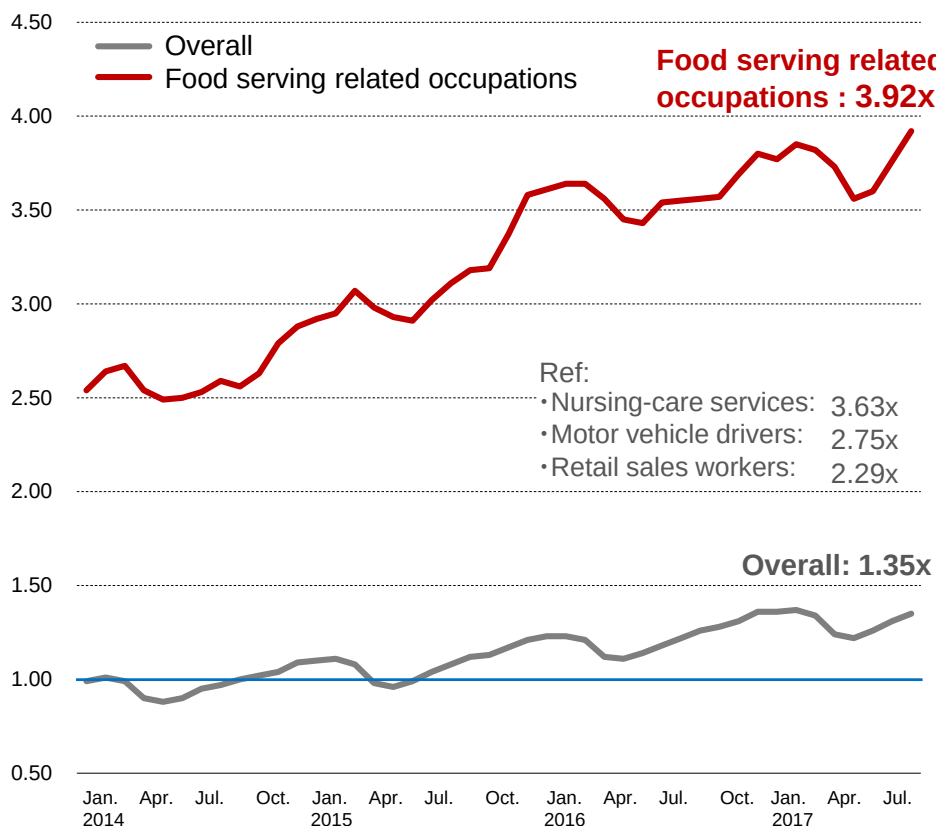
Complete measures for accelerating growth of restaurant support business this and next fiscal year to achieve Medium Term Management Plan



Strengthen business support services for solution of labor shortages

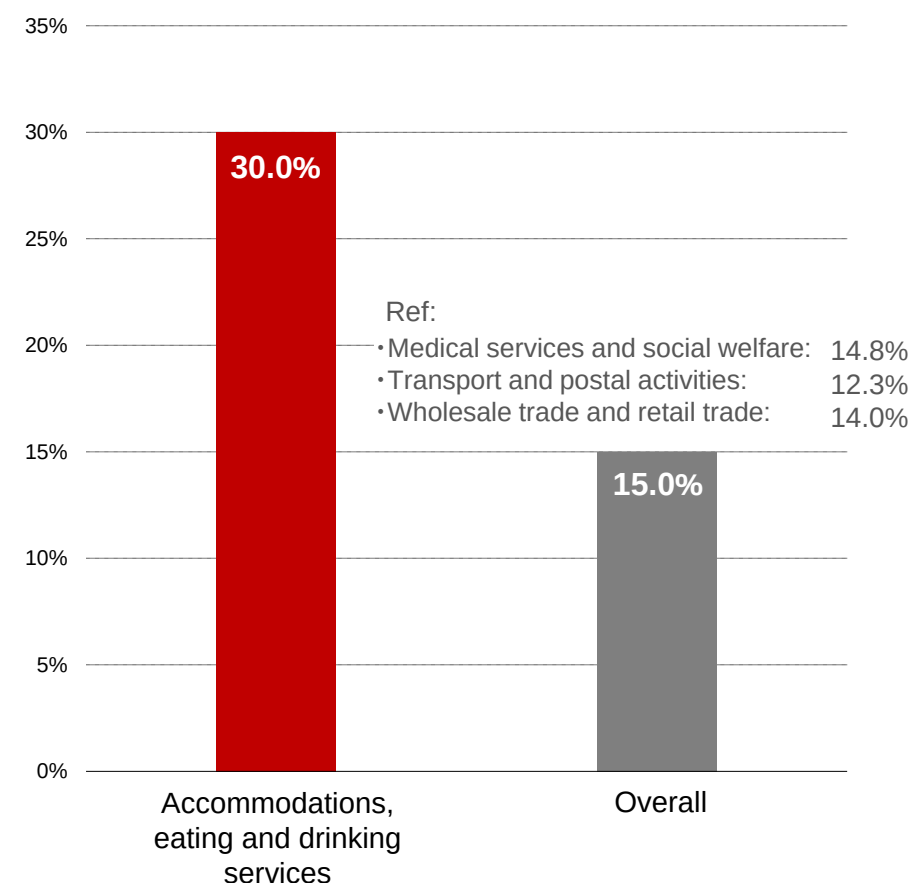
The needs for strengthen of the service to contribute to a substitute of the work force and the improvement of the employee retention rate

Job-to-applicants ratio



Source: Table 11-1 (Jobs-to-applicants ratio) (Regular employment including part-time) from the Ministry of Health, Labor, and Welfare's "General Employment Placement Situation"

Turnover rate



Source: Survey on Employment Trends (2016) from the Ministry of Health, Labor, and Welfare

Strong growth to date brought by sales promotion support primarily through our proprietary media (first promotion sphere)

■ Changes of Society in general

1996 onwards

- Spread and increased use of the internet
- Restaurant market declines following 1997 peak

2013 onwards

- Spread of smart devices
- Cloud services appear
- Growth in inbound demand

Going forward

- Fourth industrial revolution
- Labor shortages and shrinking domestic demand
- Additional food demand created through working-style reform etc.

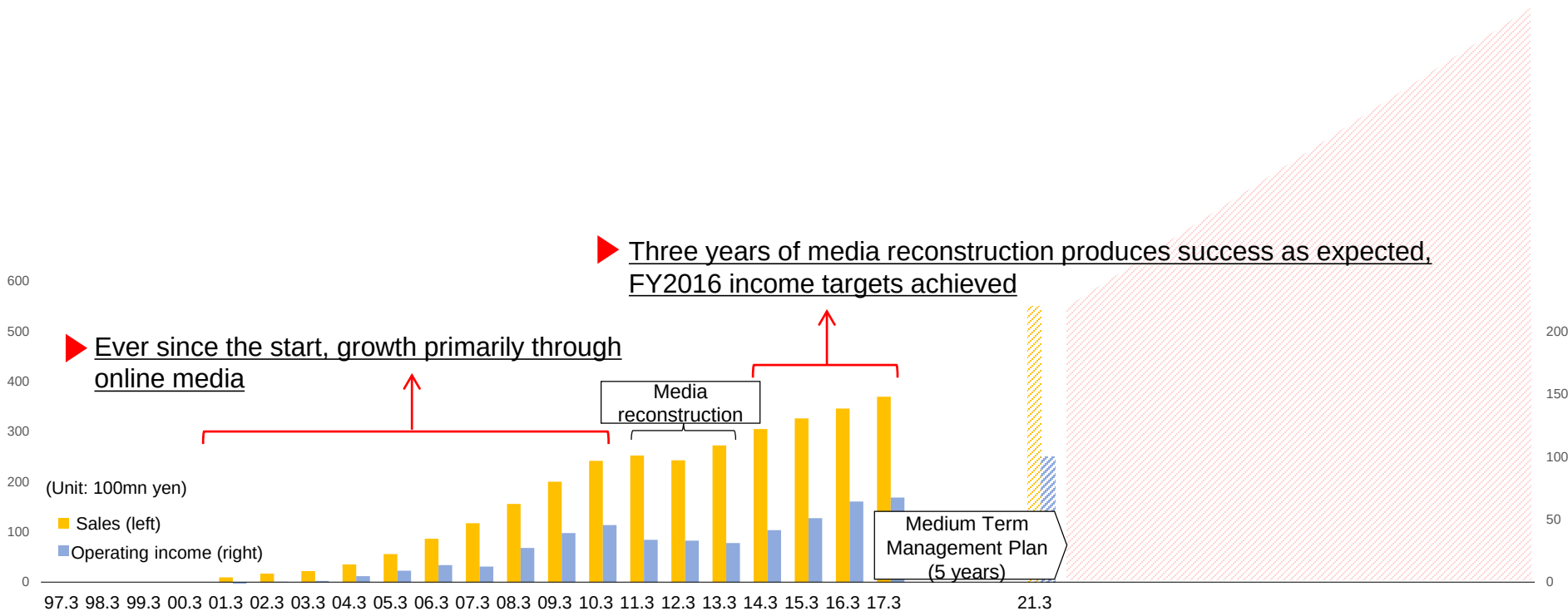
■ Growth stage of Gurunavi

Growth stage to date: Create dedicated restaurant media

New growth stage: Total restaurant support

First promotion sphere

sales promotion support primarily through Gurunavi proprietary media



Correspondent to consumer behavior changes and restaurant diverse promotional activities

■ Changes of Society in general

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2013 onwards

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- Cloud services appear
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- Additional food demand created through working-style reform etc.

■ Growth stage of Gurunavi

Growth stage to date: Create dedicated restaurant media

New growth stage: Total restaurant support

First promotion sphere

sales promotion support primarily using Gurunavi proprietary media

Strengthen

Sales promotion that captures changes in customer trends

Second promotion sphere

Sales promotion support that restaurants should work on

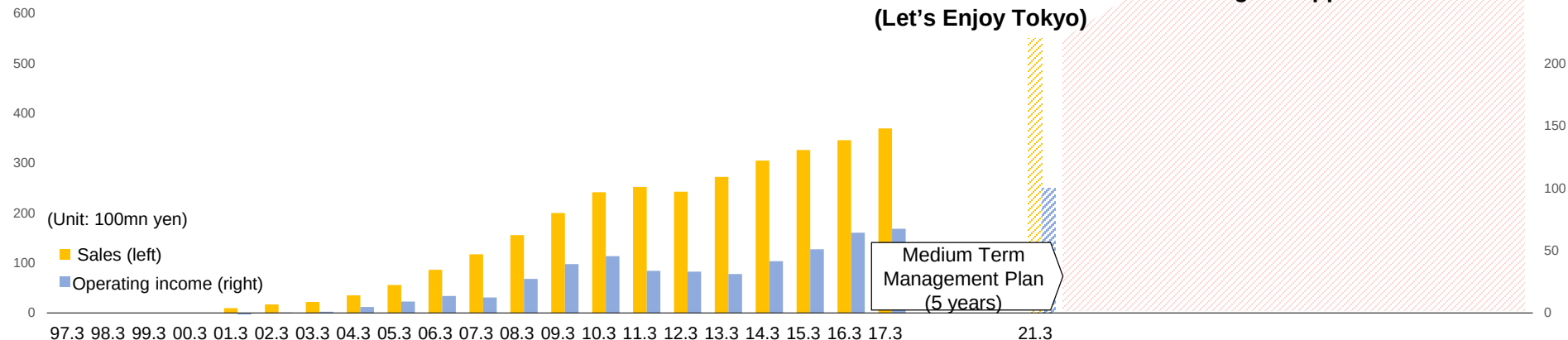
Tasks in the new growth stage

- **Support that meets restaurant sales promotion needs**
 - Help restaurants' diverse promotional activities
 - Strengthen support for cultivating repeat customers

- **Service evolution based on changing consumer trends**
 - Strengthen of online reservation

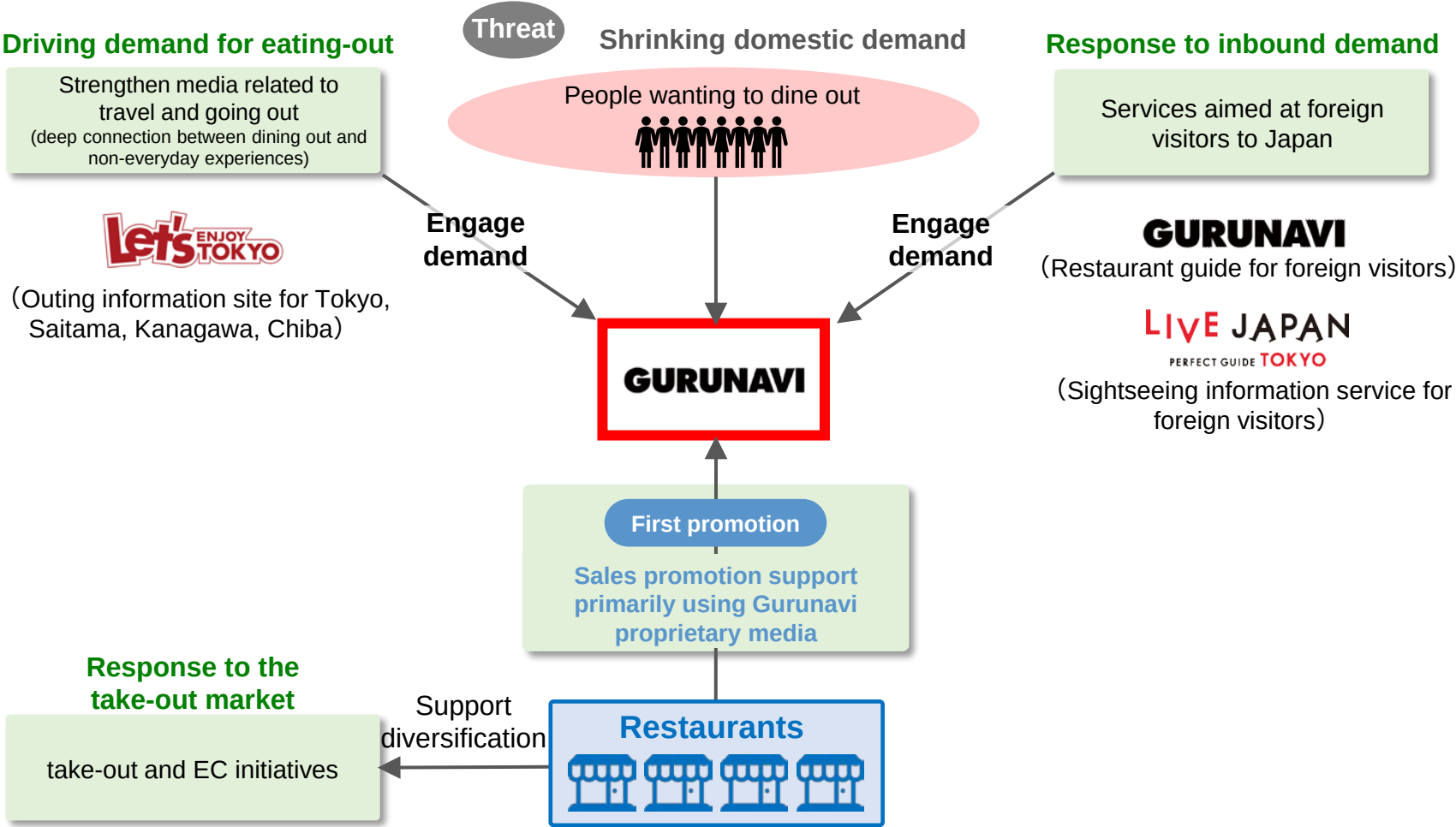
Initiatives to stay ahead of the times

- **Respond to inbound demand**
- **Support restaurant diversification (delivery/e-commerce)**
- **Stimulate media to cultivate dining-out opportunities (Let's Enjoy Tokyo)**



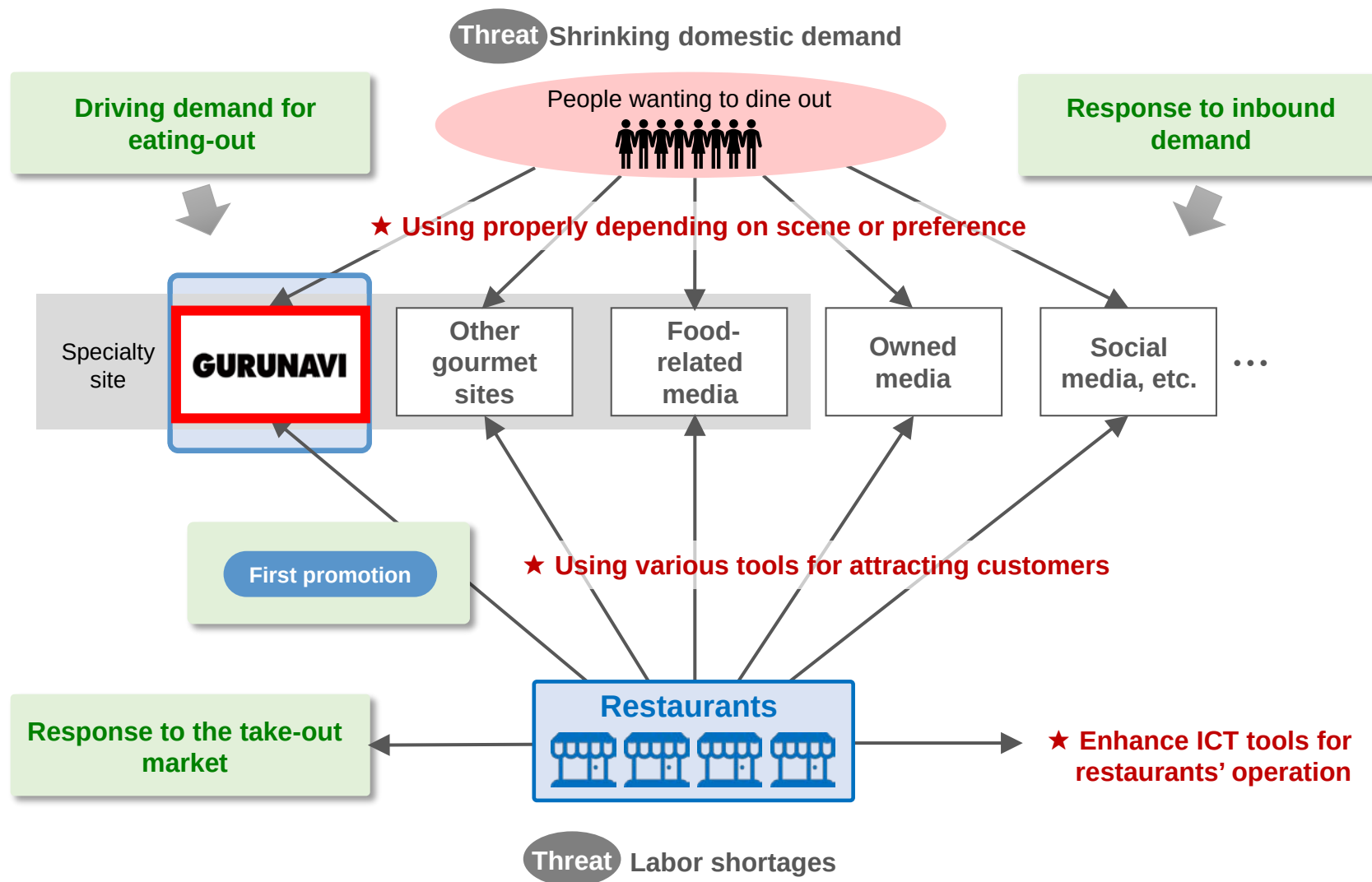
Initiatives focused on the future of the restaurant industry

Construction of the media for restaurant industry and promotion of measures focused on reducing domestic demand



Our action

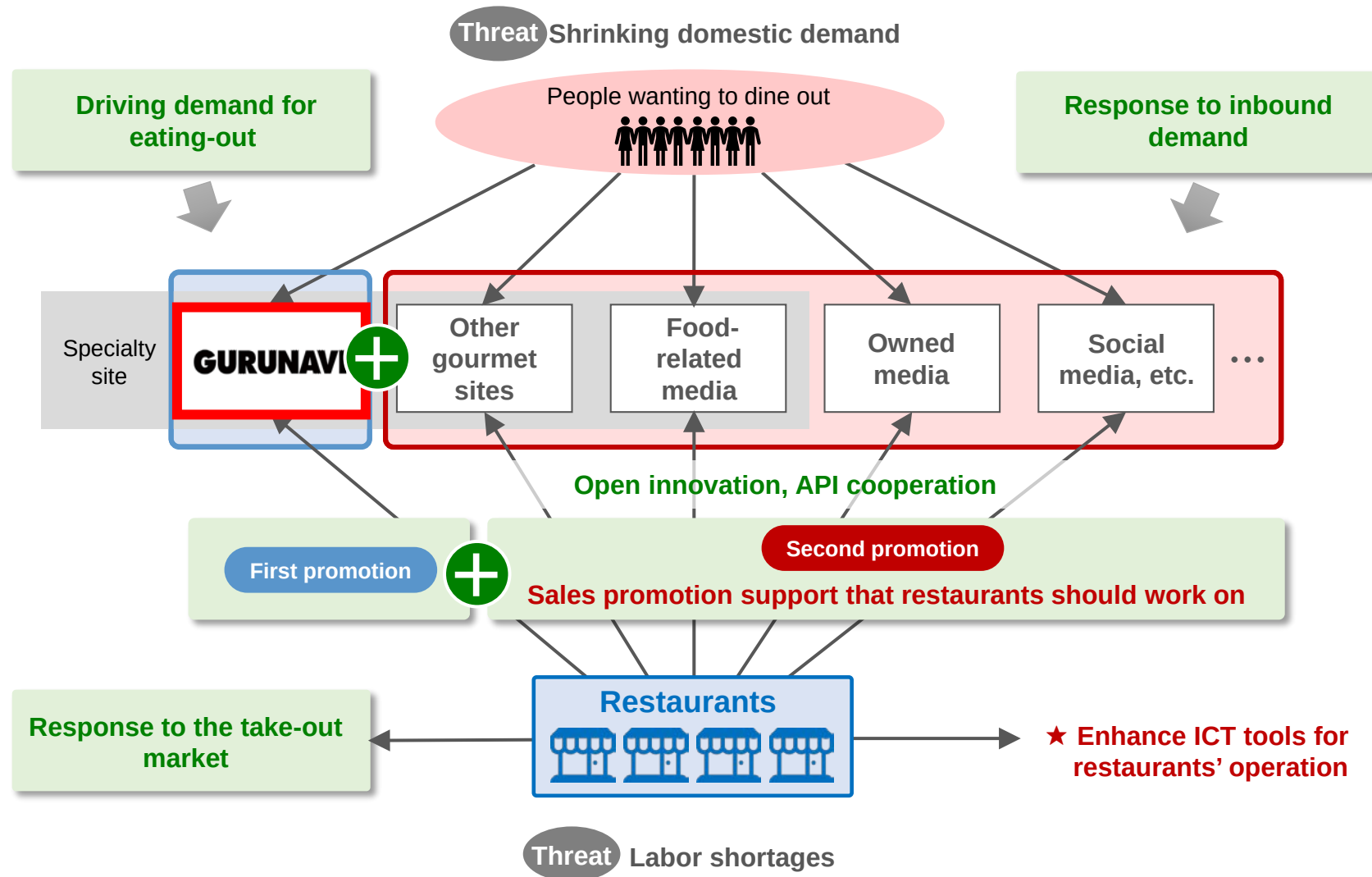
Restaurant industry expanding utilization of ICT with technological innovation



Our action

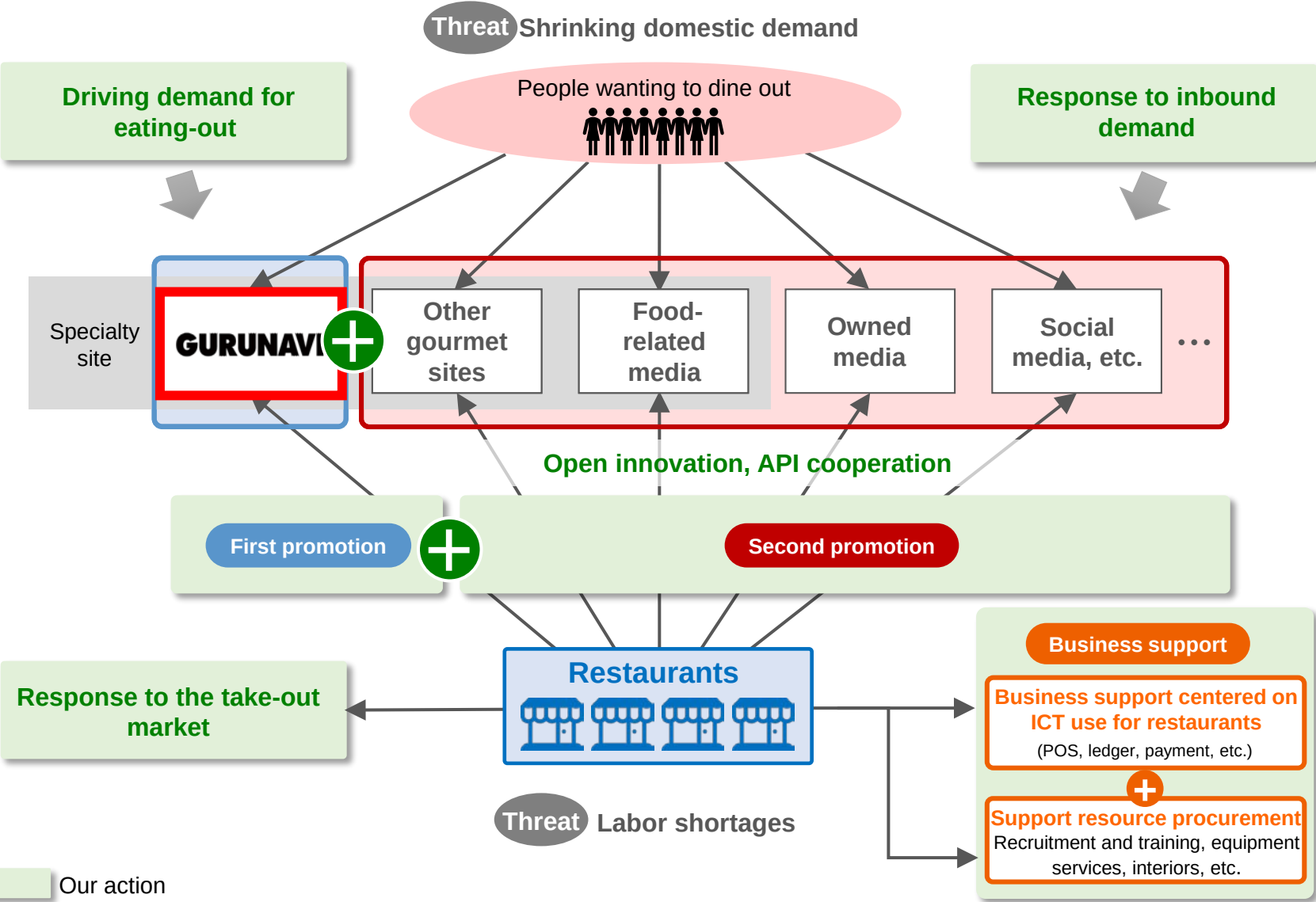
Initiatives focused on the future of the restaurant industry

Cooperate with other service providers, utilizing our systems and information etc.
to reach more consumers



Initiatives focused on the future of the restaurant industry

Expand business fields of restaurant support business as stipulated in the Medium Term Management Plan and realize total restaurant support



measure 1

**Strengthen business support services
for solution of labor shortages**

measure 2

**Strengthen sales promotion support
that captures changes in consumer
and restaurants**

**Countermeasures for both of these are
already underway**

Future direction

Resource reallocation aiming earlier establishment of the new growth stage

- ▶ **Strengthen business support services helping restaurants invest for growth**
- ▶ **Establish Second promotion to achieve Medium Term Management Plan targets and realize long-term growth**

Although it would be possible to quickly recover earnings through concentrating investment in the first promotion sphere, resource allocation aimed at mitigating problems that restaurants are facing and at strengthening sales promotion support that captures changes in consumer and restaurants will lead to long-term income growth and increase in company value

Business support centered on ICT use for restaurants



Toreta, Inc.

Business contents

Development / sale of reservations for restaurants / customer ledger services

**“TORETA” to be used as Gurunavi’s ledger system;
launch in October**

Support for recruitment & human resource development



MS & Consulting Co., Ltd.

Business contents

Business research and consulting focusing on restaurant, retail shops and service sector



AIM, Inc.

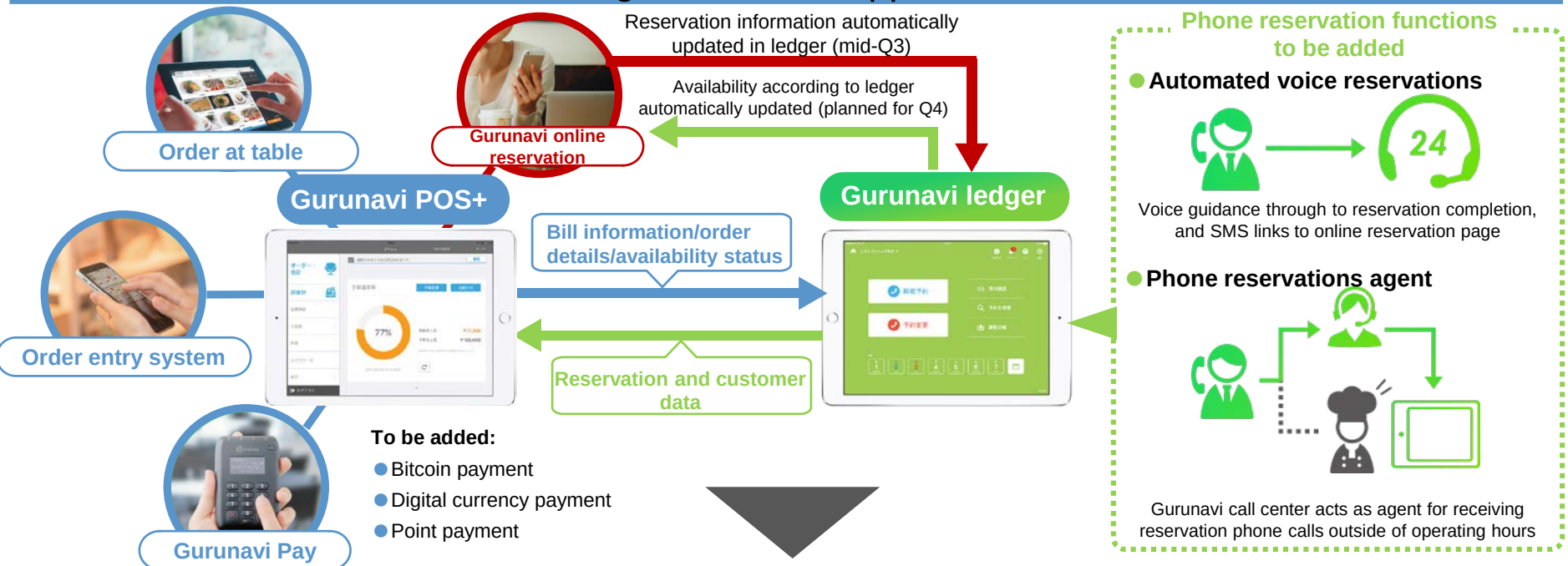
Business contents

Operating recruitment site for foreigner “YOLO JAPAN”
Providing various jobs such as not only full-time jobs but also part-time jobs

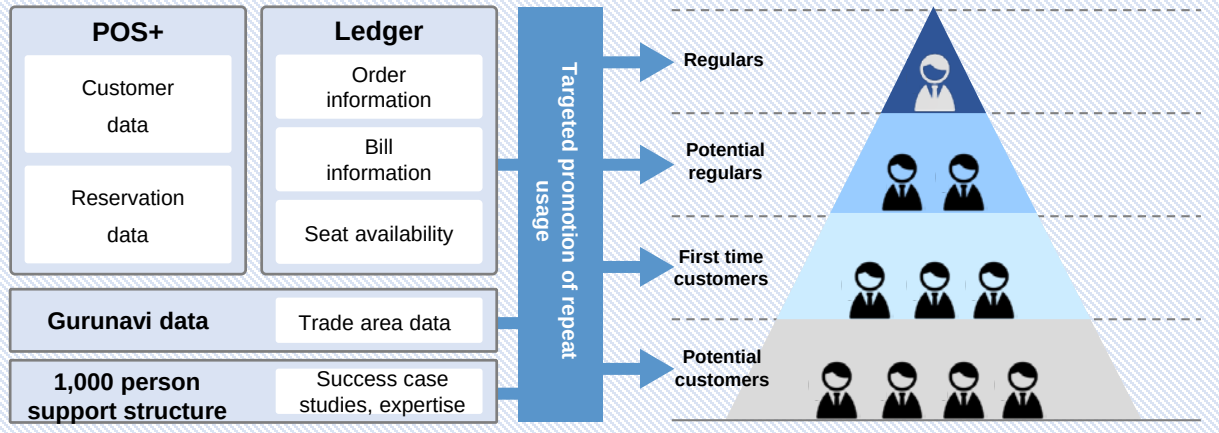
Considering details of collaboration

Efforts for new growth stage

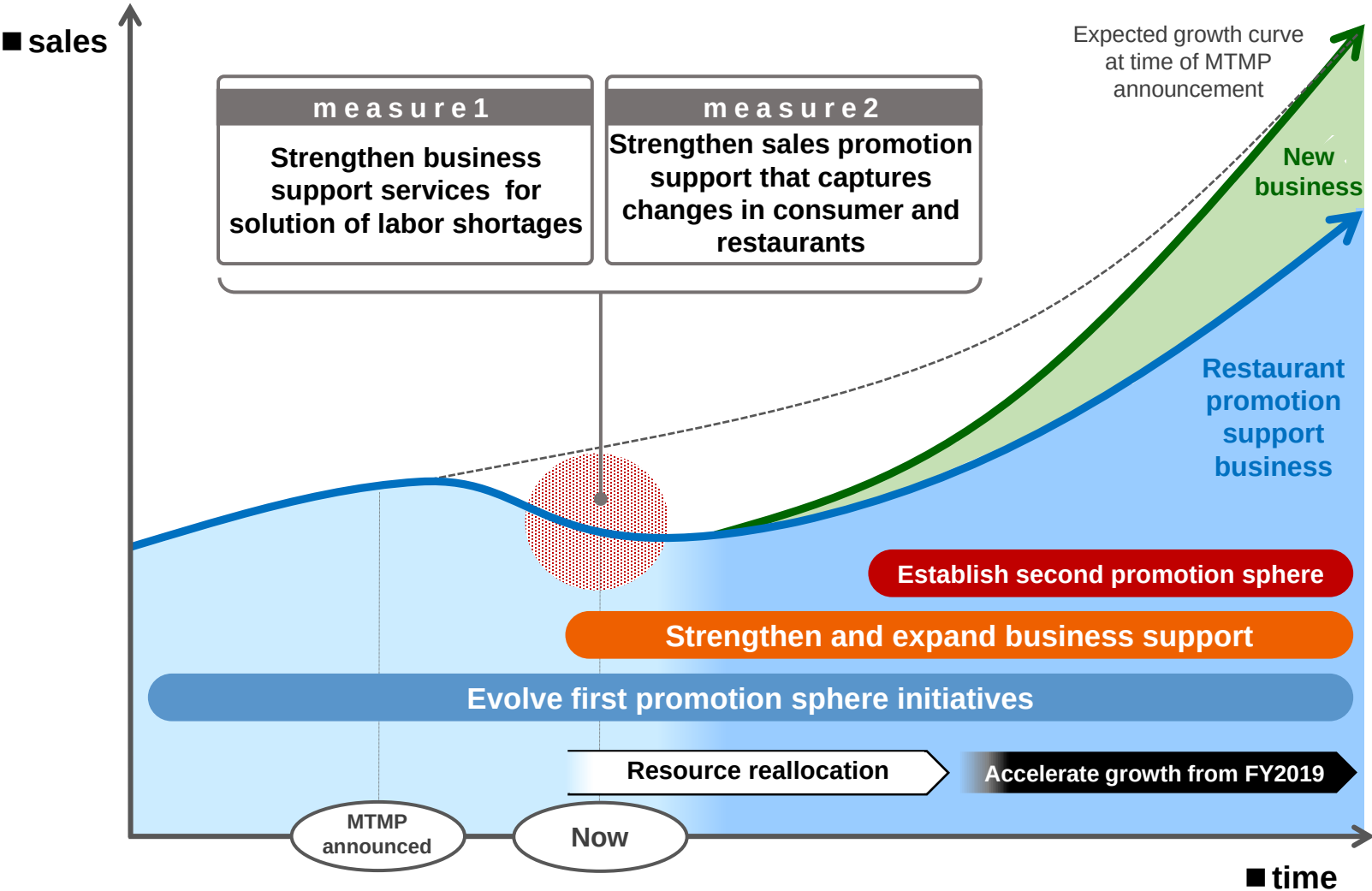
High-accurate sales promotion supports using information collected through business support tools



Combining POS data, customer data, and original data from Gurunavi to provide high-precision support for cultivating repeat customers



Complete measures for accelerating growth of restaurant support business this and next fiscal year to achieve Medium Term Management Plan

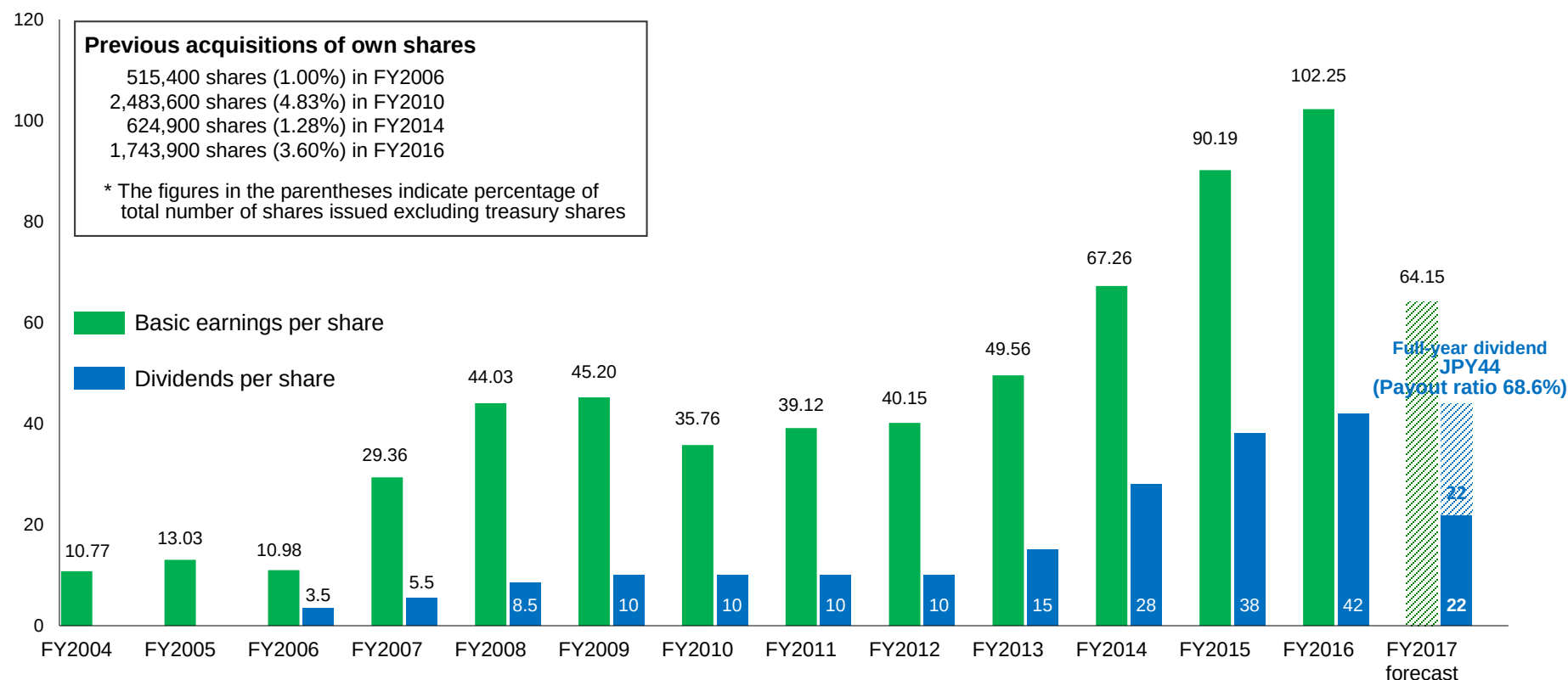


We expect the profit increase continue over the medium term,
and maintain the plan of dividend increase

FY2017 Dividend per share

Interim	Year-end (forecast)	Full-year (forecast)	Payout ratio
JPY22	JPY22	JPY44	68.6%

(JPY)



*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.

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 2016, peaked in 1997 at JPY17 trillion

Five 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." In-flight meals, hotel meals, 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.

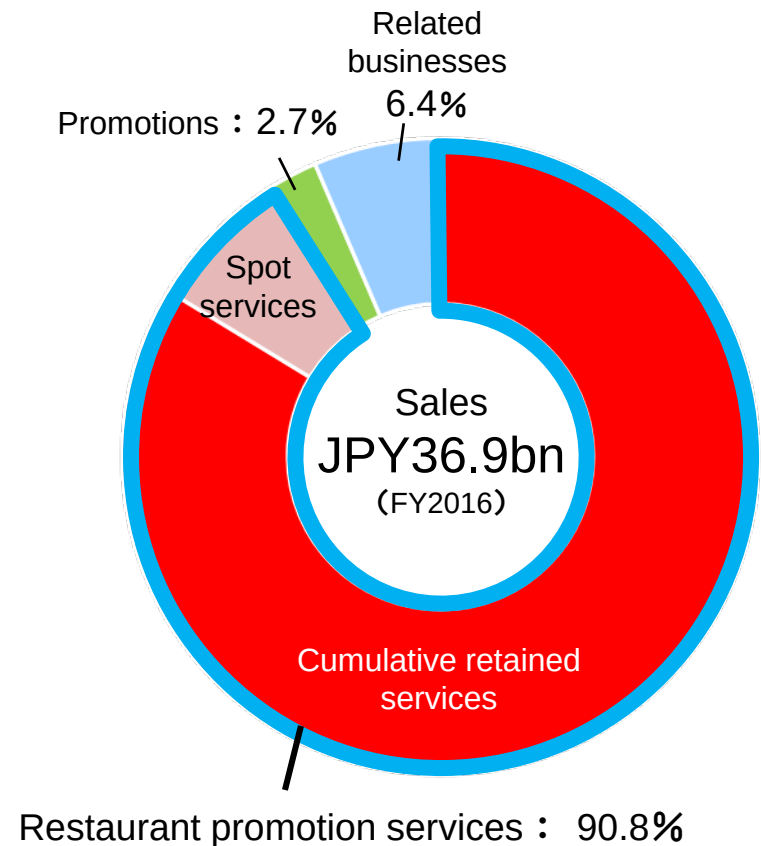
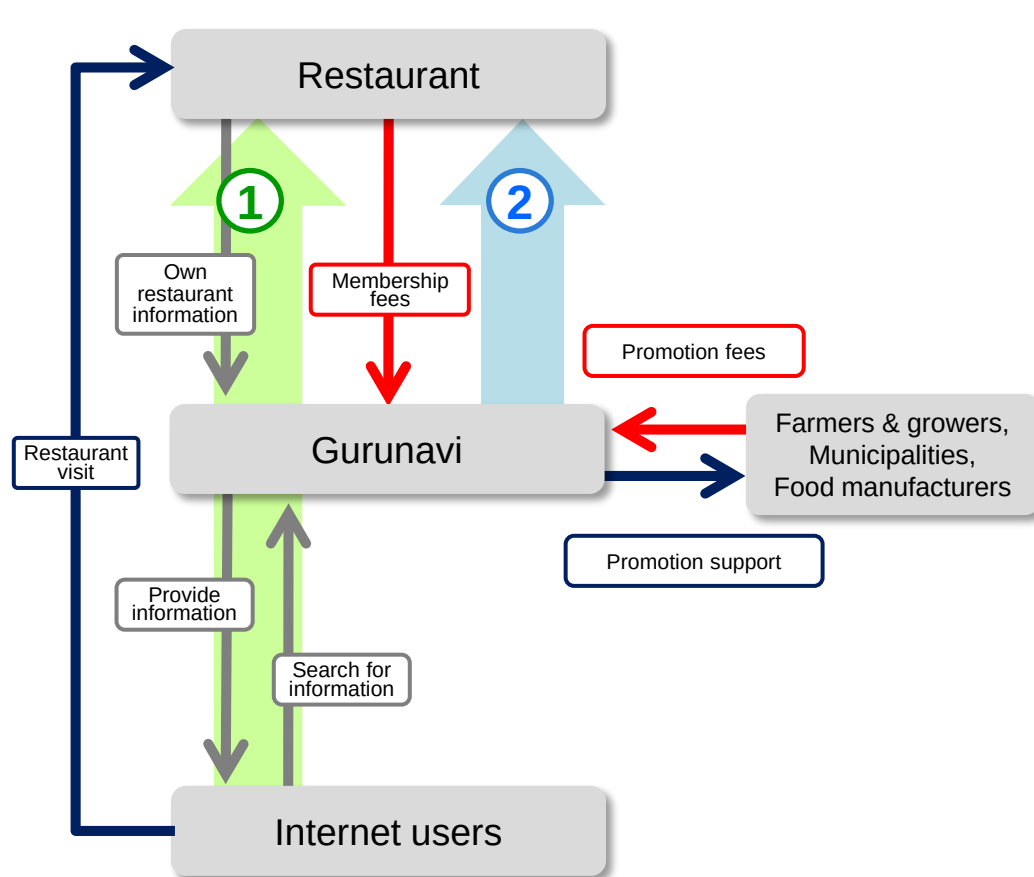


Restaurants who successfully increased sales even within this challenging environment are those who improved the quality and range of their food and beverages.

Source: July 2017 survey of Gurunavi member restaurants

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

- ① Restaurant support through IT-based business-support platform (online infrastructure)
- ② Restaurant support through 1,000-person support structure (offline infrastructure)



Approach up to 10,000 stores a day

Built close relations with restaurants by multifaced supports



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

Member restaurant sales staff: 500



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

Visiting staff: 300



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



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

Call center: 150

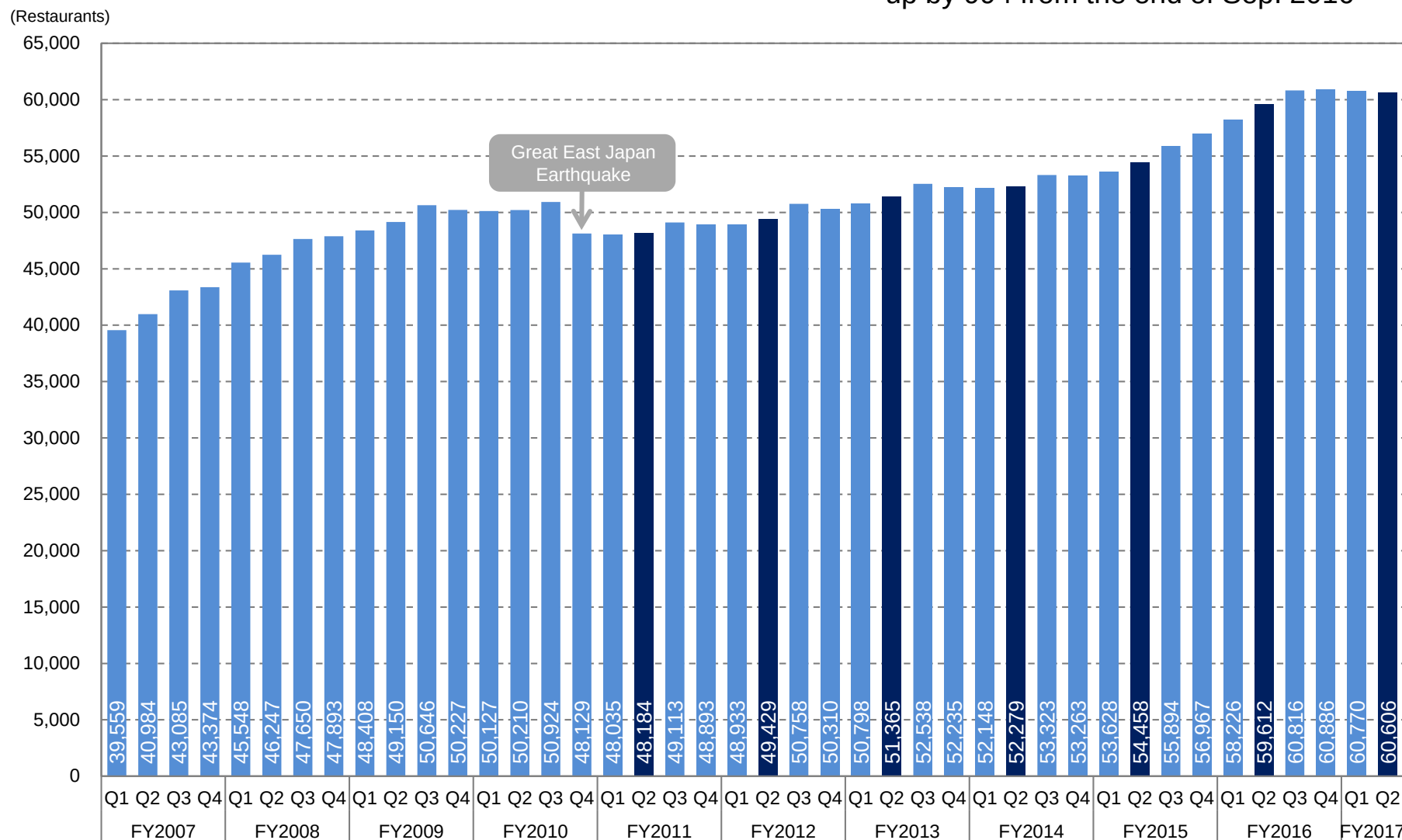


- Holding more than 3,000 lectures annually for restaurant managers and executives, focusing on case studies of success

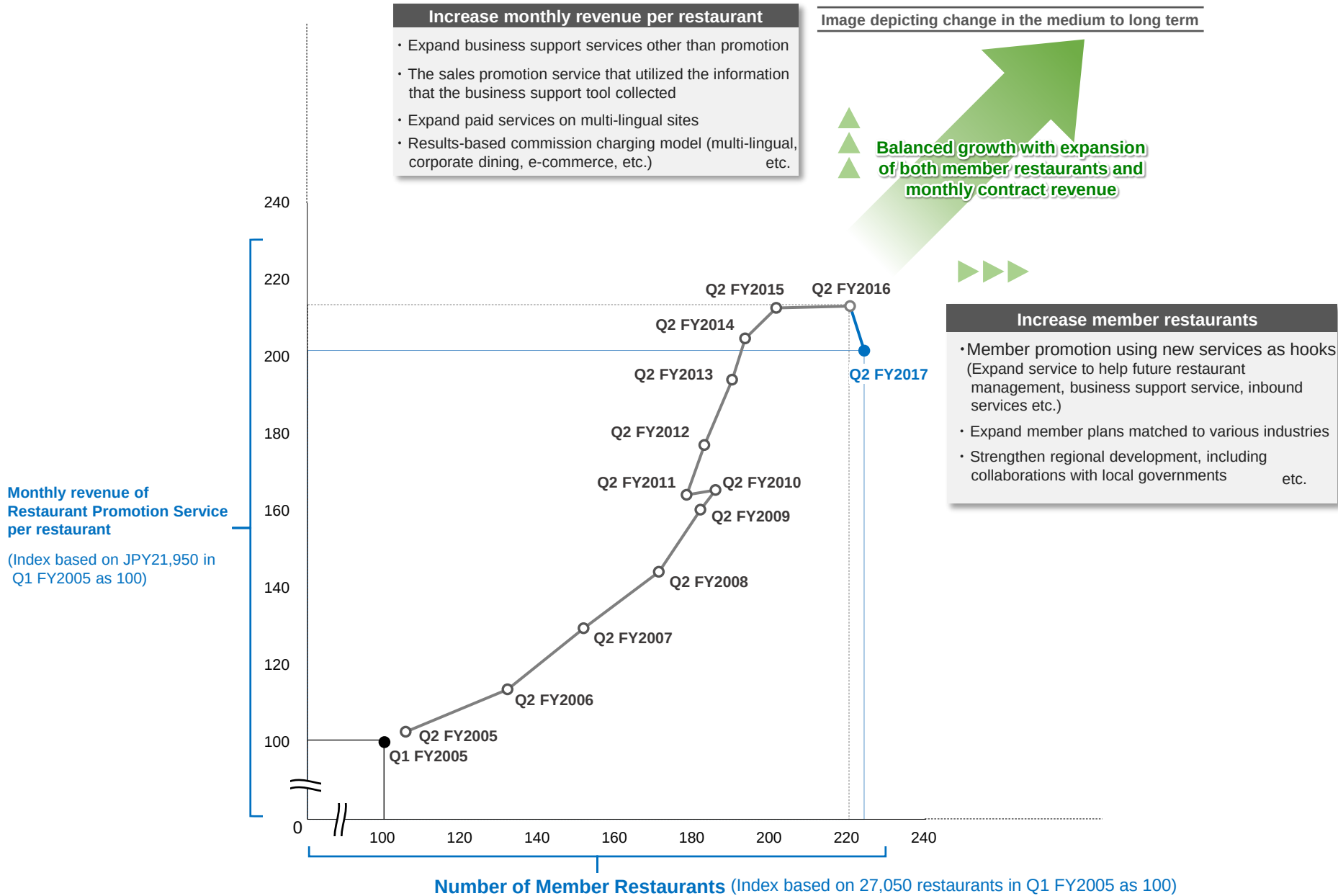
Gurunavi Academy: 50

Number of member restaurants

■ Number of member restaurants(paid) **60,606** at the end of Sep. 2017
up by 994 from the end of Sep. 2016



Changes in number of member restaurants and monthly revenue per restaurant



- Unique users per month

: 61 million

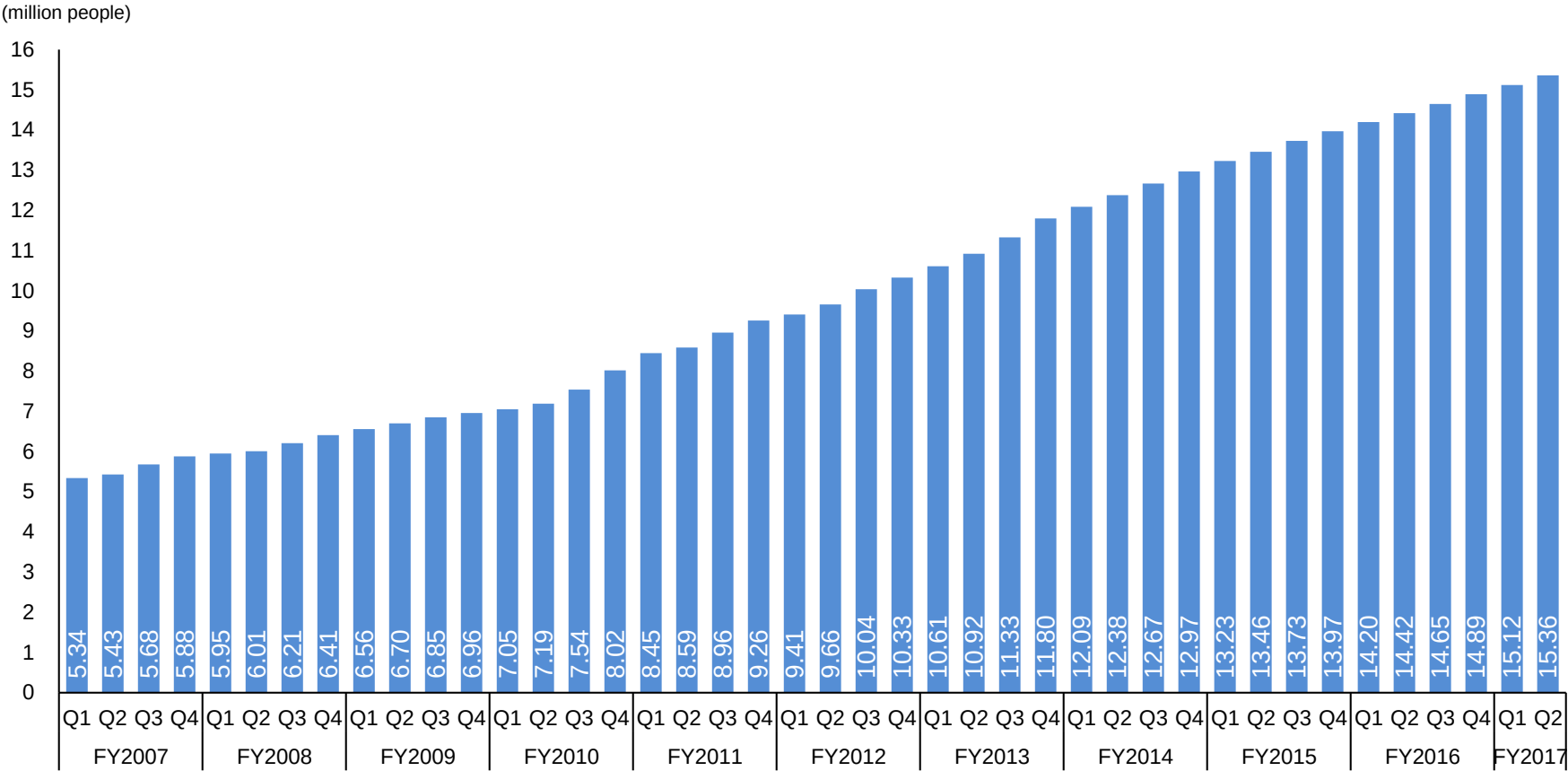
In December 2016; 57 million users in December 2015
- Number of Gurunavi members

: 15.36 million

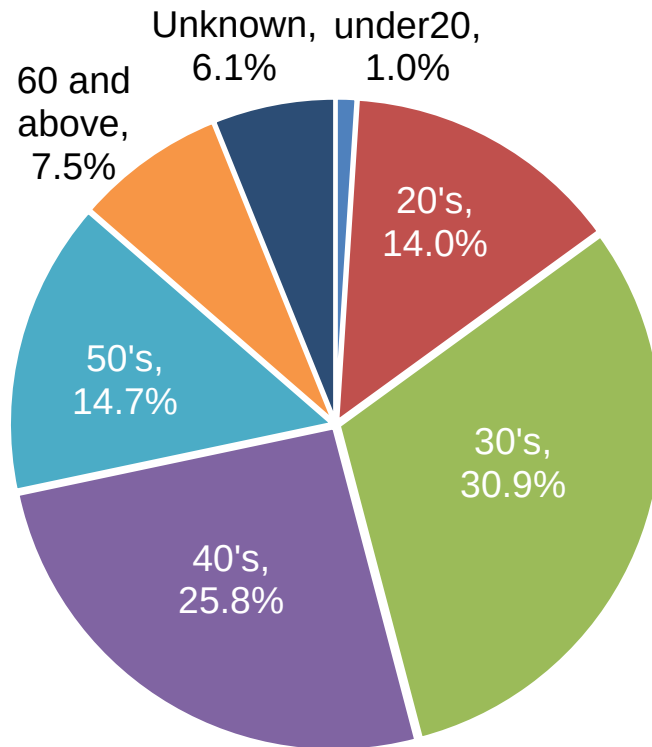
As of Oct.1, 2017 ; 14.42 million members as of Oct.1, 2016

*Unique users per month: Based on browser count
*Gurunavi member: An individual who has registered for membership at Gurunavi

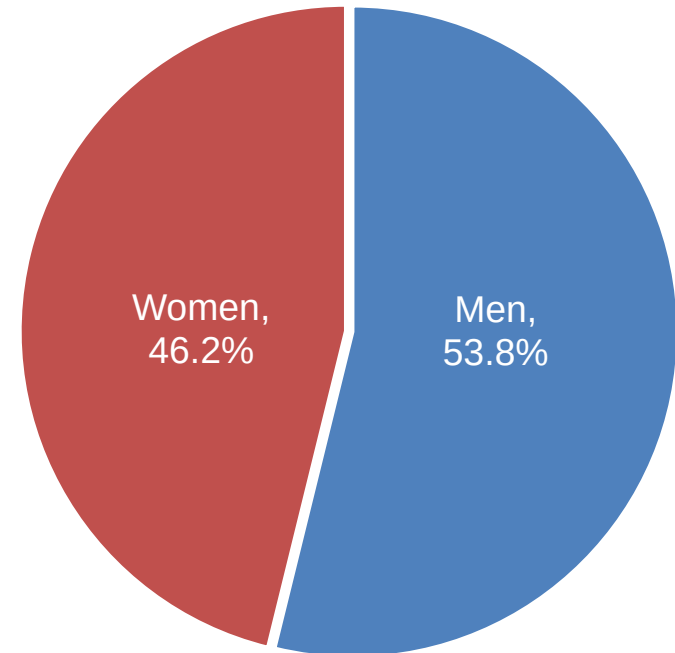
Gurunavi members



User demographics by age



User demographics by sex

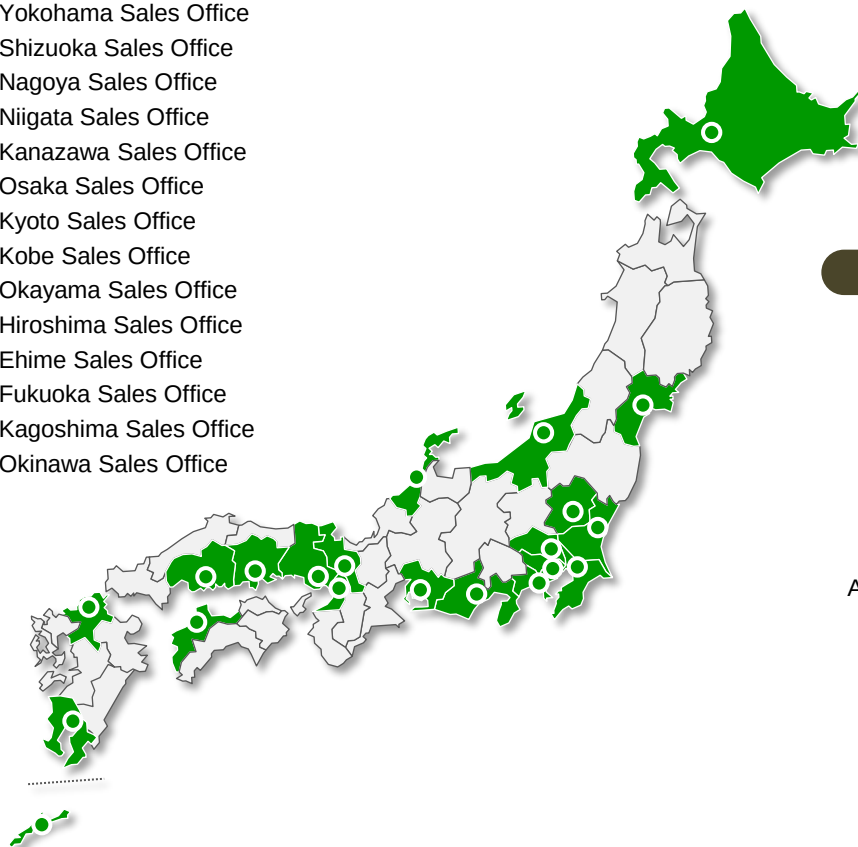


Source: Gurunavi member data (In Sep. 2017)

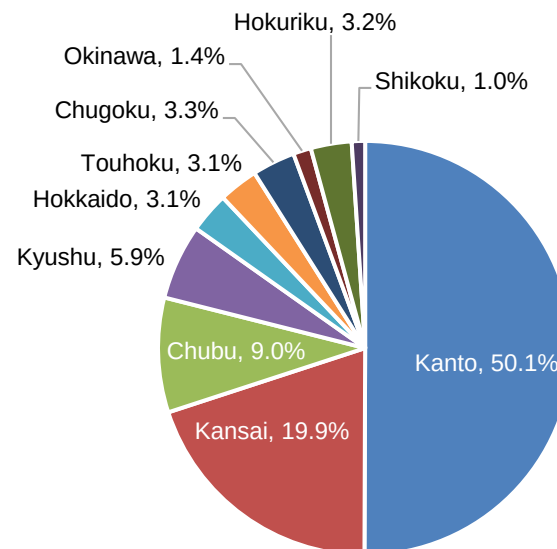
There is little gap between men and women among Gurunavi users, and the site is used by persons from a broad range of age groups. In addition, the results from a survey conducted by the company show that our users tend to select restaurants based on the menu and atmosphere, showing a high grade of customers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

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

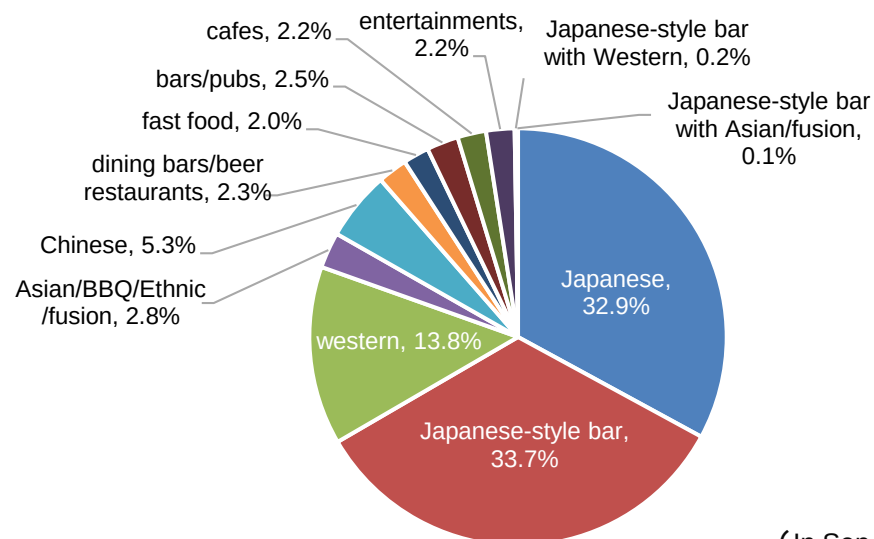
Head Office
Hokkaido Sales Office
Sendai Sales Office
Ibaraki Sales Office
Tochigi Sales Office
Saitama Sales Office
Chiba Sales Office
Yokohama Sales Office
Shizuoka Sales Office
Nagoya Sales Office
Niigata Sales Office
Kanazawa Sales Office
Osaka Sales Office
Kyoto Sales Office
Kobe Sales Office
Okayama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



Percentage of member restaurants by region



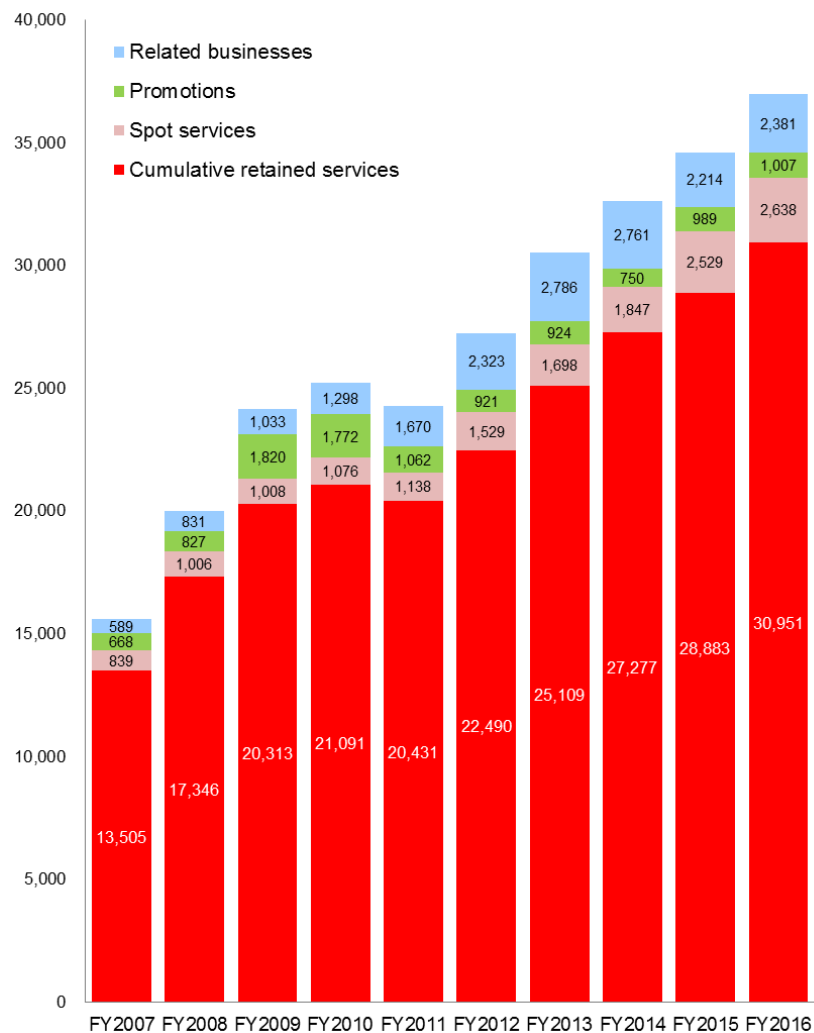
Percentage of member restaurants by restaurant type



(In Sep. 2017)

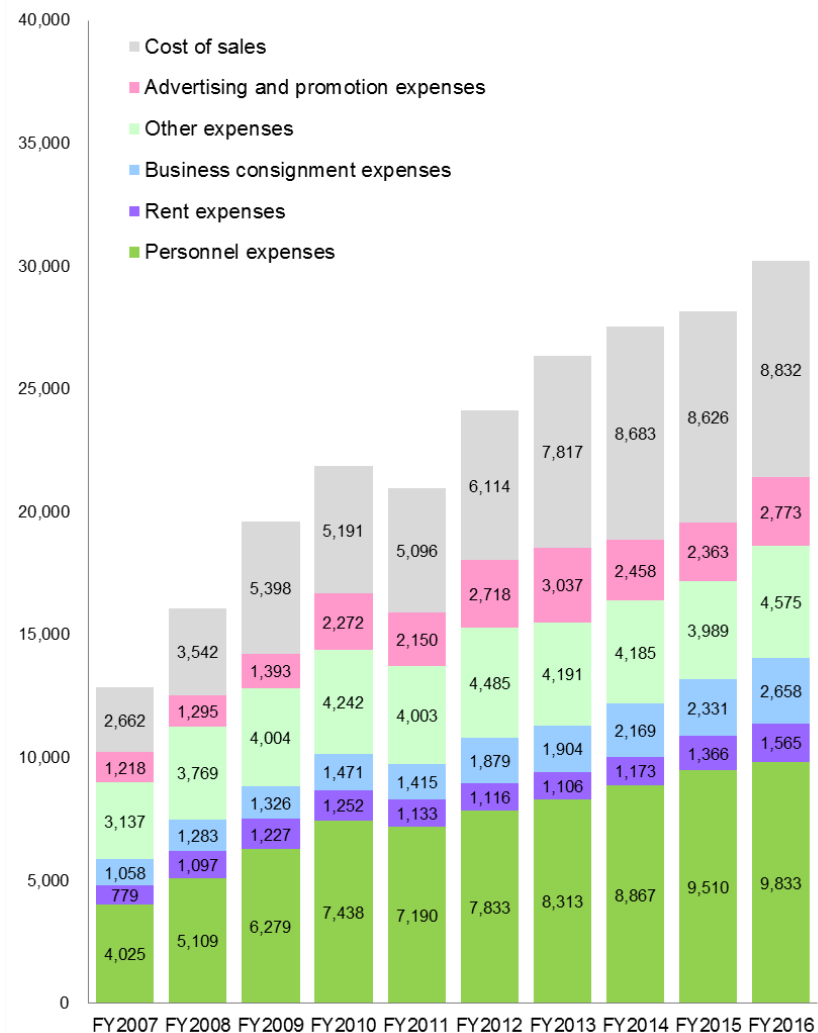
Sales

(JPY million)



Costs & Expenses

(JPY million)



Quarterly sales data (consolidated)

Net sales (Unit: million yen)		Q1 FY2014	Q2 FY2014	Q3 FY2014	Q4 FY2014	Q1 FY2015	Q2 FY2015	Q3 FY2015	Q4 FY2015	Q1 FY2016	Q2 FY2016	Q3 FY2016	Q4 FY2016	Q1 FY2017	Q2 FY2017
Cumulative retained services	a	6,674	6,728	6,964	6,909	6,973	7,077	7,344	7,487	7,601	7,674	7,880	7,795	7,518	7,346
Spot services	b	278	312	682	573	455	492	895	686	487	596	813	741	604	710
Restaurant promotion services	c= a+b	6,953	7,041	7,647	7,482	7,429	7,569	8,240	8,173	8,088	8,271	8,693	8,536	8,123	8,056
Promotions	d	128	161	177	282	152	213	307	315	155	189	262	399	152	195
Core businesses total	e= c+d	7,082	7,203	7,824	7,765	7,582	7,783	8,547	8,489	8,243	8,460	8,956	8,936	8,276	8,252
Related businesses	f	566	744	829	620	493	494	632	594	520	508	676	676	515	516
Total	g= e+f	7,649	7,947	8,653	8,386	8,075	8,278	9,179	9,083	8,763	8,968	9,633	9,613	8,791	8,769

(Unit: yen)		Q1 FY2014	Q2 FY2014	Q3 FY2014	Q4 FY2014	Q1 FY2015	Q2 FY2015	Q3 FY2015	Q4 FY2015	Q1 FY2016	Q2 FY2016	Q3 FY2016	Q4 FY2016	Q1 FY2017	Q2 FY2017
Cumulative retained services revenue per restaurant(ARPU)	h *1	42,630	42,955	43,970	43,216	43,493	43,654	44,368	44,230	43,990	43,420	43,625	42,700	41,202	40,352
Restaurant promotion services revenue per restaurant(ARPU)	i *2	44,411	44,951	48,276	46,804	46,335	46,690	49,780	48,283	46,811	46,793	48,126	46,763	44,515	44,253

*1) Cumulative retained services revenue per restaurant (ARPU): $h=2/3*a/(jt-1+jt)$

*2) Restaurant promotion services revenue per restaurant (ARPU): $i=2/3*c/(jt-1+jt)$

Number of member restaurants (Unit: restaurants)		Q1 FY2014	Q2 FY2014	Q3 FY2014	Q4 FY2014	Q1 FY2015	Q2 FY2015	Q3 FY2015	Q4 FY2015	Q1 FY2016	Q2 FY2016	Q3 FY2016	Q4 FY2016	Q1 FY2017	Q2 FY2017
Basic paying member restaurants	j	52,148	52,279	53,323	53,263	53,628	54,458	55,894	56,967	58,226	59,612	60,816	60,886	60,770	60,606
Non-paying member restaurants	k	73,795	74,438	75,531	77,039	76,834	77,287	77,098	81,826	81,529	83,182	82,466	87,019	86,536	86,679

Historical data (consolidated)

(Unit: million yen)	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Consolidated business results										
Net sales	15,602	20,011	24,175	25,238	24,302	27,265	30,518	32,636	34,617	36,979
Operating income	2,720	3,913	4,545	3,369	3,312	3,116	4,147	5,099	6,429	6,740
Ordinary income	2,742	3,984	4,578	3,406	3,375	3,153	4,167	5,127	6,492	6,813
Net income	1,505	2,259	2,323	1,813	1,909	1,959	2,420	3,279	4,367	4,799
Assets・Liabilities・Net assets										
Total assets	10,709	12,929	15,309	19,653	16,951	19,103	22,071	23,665	27,322	23,917
Cash and deposits	4,371	4,711	5,531	10,398	7,548	7,399	9,448	10,492	13,131	7,922
Liabilities	2,906	3,191	3,895	8,519	4,381	5,005	5,926	6,201	7,026	5,878
Net assets	7,802	9,738	11,413	11,133	12,569	14,098	16,145	17,464	20,296	18,038
Equity	7,791	9,729	11,413	11,133	12,555	14,042	16,099	17,427	20,266	18,013
Per share data										
Earnings per share *1	29.36	44.03	45.20	35.76	39.12	40.15	49.56	67.26	90.19	102.25
Dividends per share(JPY) *1	5.5	8.5	10	10	10	10	15	28	38	42
Other										
Operating margin(%)	17.4	19.6	18.8	13.4	13.6	11.4	13.6	15.6	18.6	18.2
Return on equity(%)	21.1	25.8	22.0	16.1	16.1	14.7	16.1	19.6	23.2	25.1
Operating income to total assets(%)	16.1	17.9	16.5	10.4	10.4	10.9	11.8	14.3	17.1	18.7
Payout ratio(%)	18.7	19.3	22.1	28.0	25.6	24.9	30.3	41.6	42.1	41.1
Shareholders' equity ratio(%)	72.8	75.2	74.6	56.7	74.1	73.5	72.9	73.6	74.2	75.3
Number of shares of treasury stock	2,779	2,779	2,779	15,854	1,585,400	1,585,400	1,503,649	266,059	216,459	1,924,559
Number of member restaurants (paid)	43,374	47,893	50,227	48,129	48,893	50,310	52,235	53,263	56,967	60,886

*1:Gurunavi implemented a 5-to-1 share 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 FY2007(April 1, 2007).

Company profile as of the end of September 2017

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, Miho Saito, Teruhisa Yamada, Midori Kakiuchi, Kei Nakamori, Naoki Koshikawa, Megumi Usui, Koichi Tsukihara, Yoichi Minami
Top 10 shareholders	Hisao Taki 26.68%, Japan Trustee Services Bank, Ltd. (trust account) 4.74%, Japan Traffic Culture Association 3.83%, The Master Trust Bank of Japan, Ltd. (trust account) 2.80%, Odakyu Electric Railway Co, Ltd. 2.32%, Tokyo Metro Co., Ltd. 2.00%, State Street Bank and Trust Company 1.90%, Mizuho Trust & Banking Co., Ltd. retirement benefit trust (Keikyu Corporation account) re-trust trustees, Trust & Custody Services Bank, Ltd. 1.85%, Hiroko Taki 1.74%, The Master Trust Bank of Japan, Ltd. retirement benefit trust (TOKYU CORPORATION account) 1.44% *Treasury shares 3.92%
Total Number of shareholders	13,718
Number of total personnel	Non-consolidated: 1,905 Consolidated: 2,198
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/contact/?page=ir>

Disclaimer:

This document is not intended for offering investments in the securities issued by the Company, but for providing information on the results in the second quarter of the fiscal year ending March 31, 2018. The document has been prepared based on data available at the end of September 2017.

The views and forecasts included in the document reflect judgments of the Company when the document was prepared.

The Company will not guarantee or ensure the accuracy and completeness of the information, which may be changed without prior notice.

