Synchro Food Corporation FY2019 Financial Results

FY2019 Financial Results Briefing Materials

May 2020 Synchro Food Co., Ltd. <3963>

Content

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Company Data

Company Name:	Synchro Food Co., Ltd.
Representative:	Shinichi Fujishiro
Founded:	April 2003
Locations:	Head Office: EBIS SOUTH1, 1-7-8, Ebisu Minami, Shibuya-ku, Tokyo Osaka Branch Office: 8F, MAINICHI SHINBUN BUILDING, 3-4-5, Umeda, Kita-ku, Osaka-shi, Osaka Nagoya Branch Office: 3F, CHIKUBU BUILDING, 3-12-12, Meieki, Nakamura-ku, Nagoya-shi, Aichi
Capital:	510,517 thousand yen
Number of Employees:	106(Consolidated basis/permanent employees/as of Sep 30, 2019)
Business:	Management of a media platform for food and drink businesses
Subsidiaries:	Wit Co., Ltd. (M&A service business specializing in food and drink businesses) Synchro Career Co., Ltd. (Staffing business including temp-to-perm specializing in food and drink businesses and food service businesses)

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Executive Summary

Due to negative effects of COVID-19 in Q4,
which usually sees the largest revenue growth in a fiscal year,
revenue grew but profit fell for the full year

*Revised full-year forecast was announced on April 15, 2020

			Year on Year
Consolidated Financial Highlights (Q1-Q4 Total)	**Revenue:**	**2,014** million yen	+12.7%
	Operating Profit:	**557** million yen	(18.9)%
	Operating Profit Ratio:	**27.7** %	(10.8)pt

Main Topics (Second Half)

- ✓ The number of registered users of “Inshokuten.com” exceeded 170,000 (November)
- ✓ Synchro Food’s stock was selected as a margin trading stock (December)
- ✓ ”ReceiveOrders,” an order management system for ingredients, was released (March)

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FY2019 Summary (vs. Target Figures)

Both revenue and profit fell short of their targets before the revision

(Million yen)

	FY19 Full-year Results (Consolidated)	FY18 Full-year Results (Consolidated)	Year on Year	FY19 Full-year Target Figure (Consolidated) (**Before** revision)	FY19 Full-year Target Figure (Consolidated) (**After** revision)
Revenue	**2,014**	1,787	+12.7%	2,250	2,010
Gross Profit	**1,752**	1,581	+10.7%	-	-
SG & A	**1,194**	894	+33.5%	-	-
Operating Profit	**557**	687	(18.9)%	690	540
Operating Profit Ratio	**27.7%**	38.5%	(10.8)pt	30.7%	26.9%
Recurring Profit	**557**	687	(18.9)%	690	540
Net Income Attributable to Owners of Parent	**287**	438	(34.5)%	439	275

1. Due in particular to the stagnation of hiring activities of food and drink businesses in Q4, usage of recruitment advertising services slowed, and revenue failed to grow

2. Profit fell, as SG&A rose due to increases in personnel costs and hiring costs resulting from an expansion of personnel

3. After consulting with auditing firm, goodwill impairment (40 million yen) was recorded for consolidated subsidiary Synchro Career

*The revised full-year forecast was announced on April 15, 2020.

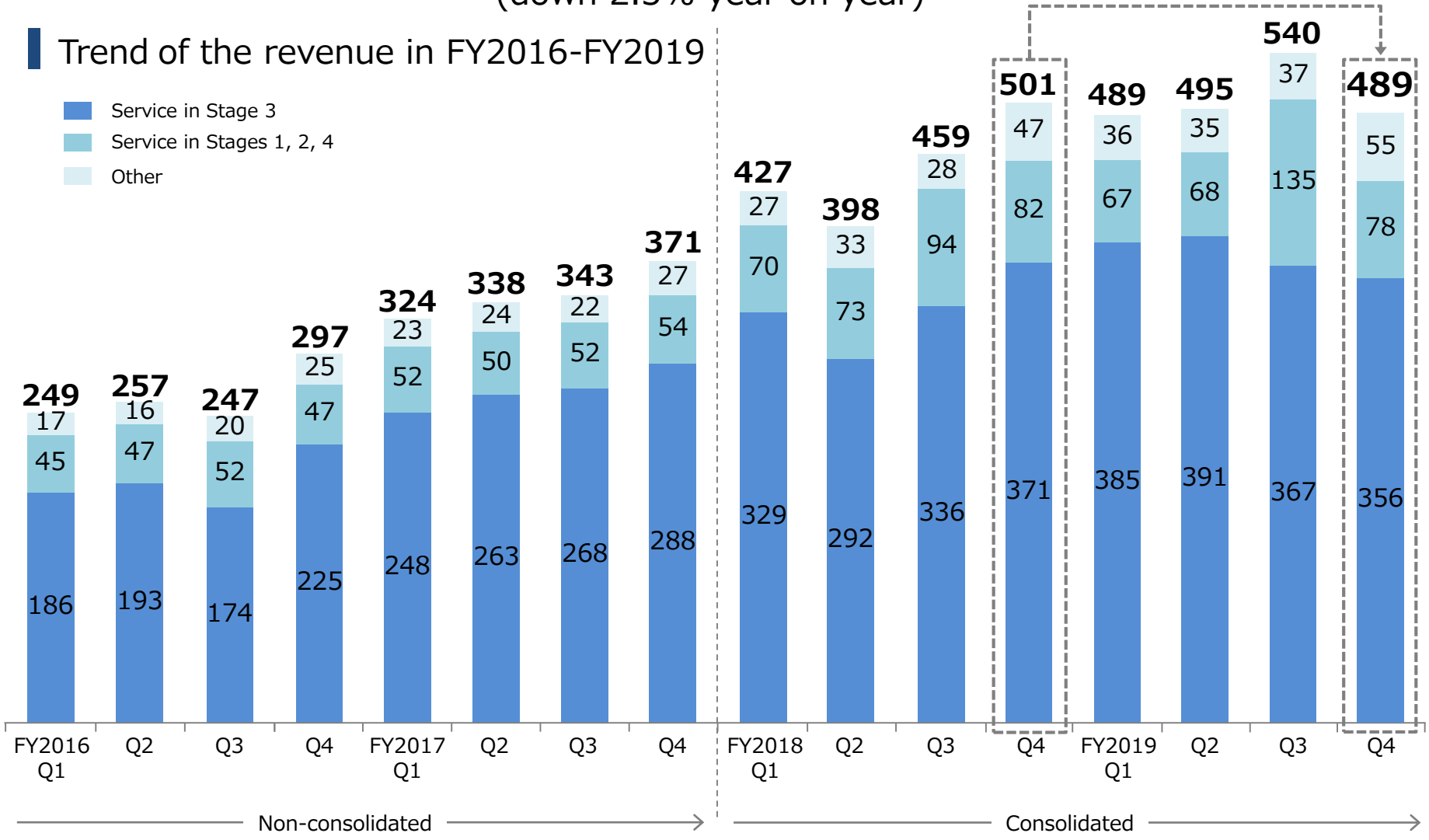
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Trend of the Revenue

Q4 revenue failed to grow because usage of recruitment advertising services slowed
(down 2.3% year on year)

(Million yen)

Trend of the revenue in FY2016-FY2019



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Supplementary Note: Revenue Classification

Revenue from each service is recorded based on the following classification.

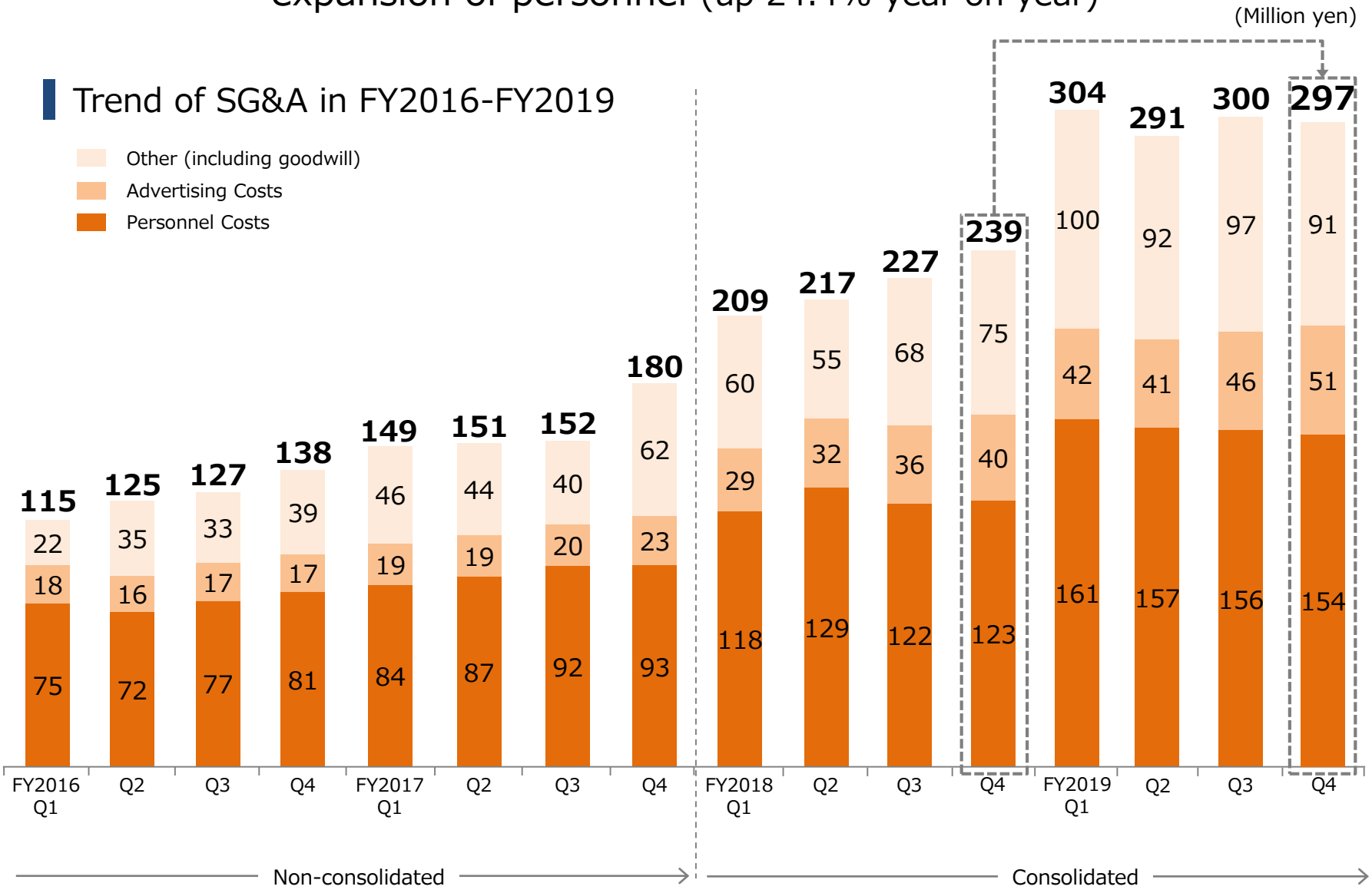
Revenue classification		Users	Related Business Operators
Service in Stage 3	Synchro Food	• Recruitment ads • Restaurant staff time cards*1 • Food Job Japan (started charging in September 2018) • PlaceOrders (started charging in January 2019)	• Searching for suppliers
	Synchro Career	• Staffing (restaurants)*2	
Service in Stages 1, 2, 4	Synchro Food	• Bukken premium (including location service) • Kitchen goods (EC)	• Store design • Real estate properties • A fully-furnished asset transfer
	Wit	• M&As	
Other	Synchro Food		• Restaurants research • Advertisement insertion and newsletters • Interior job seeking
	Synchro Career		• Staffing (food service)*2

*1 The service was terminated at the end of January 2020.
*2 Revenue is recorded at Synchro Career Co., Ltd. starting in FY2019.

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Trend of SG&A

Increases in personnel costs and hiring costs resulting from an expansion of personnel (up 24.4% year on year)

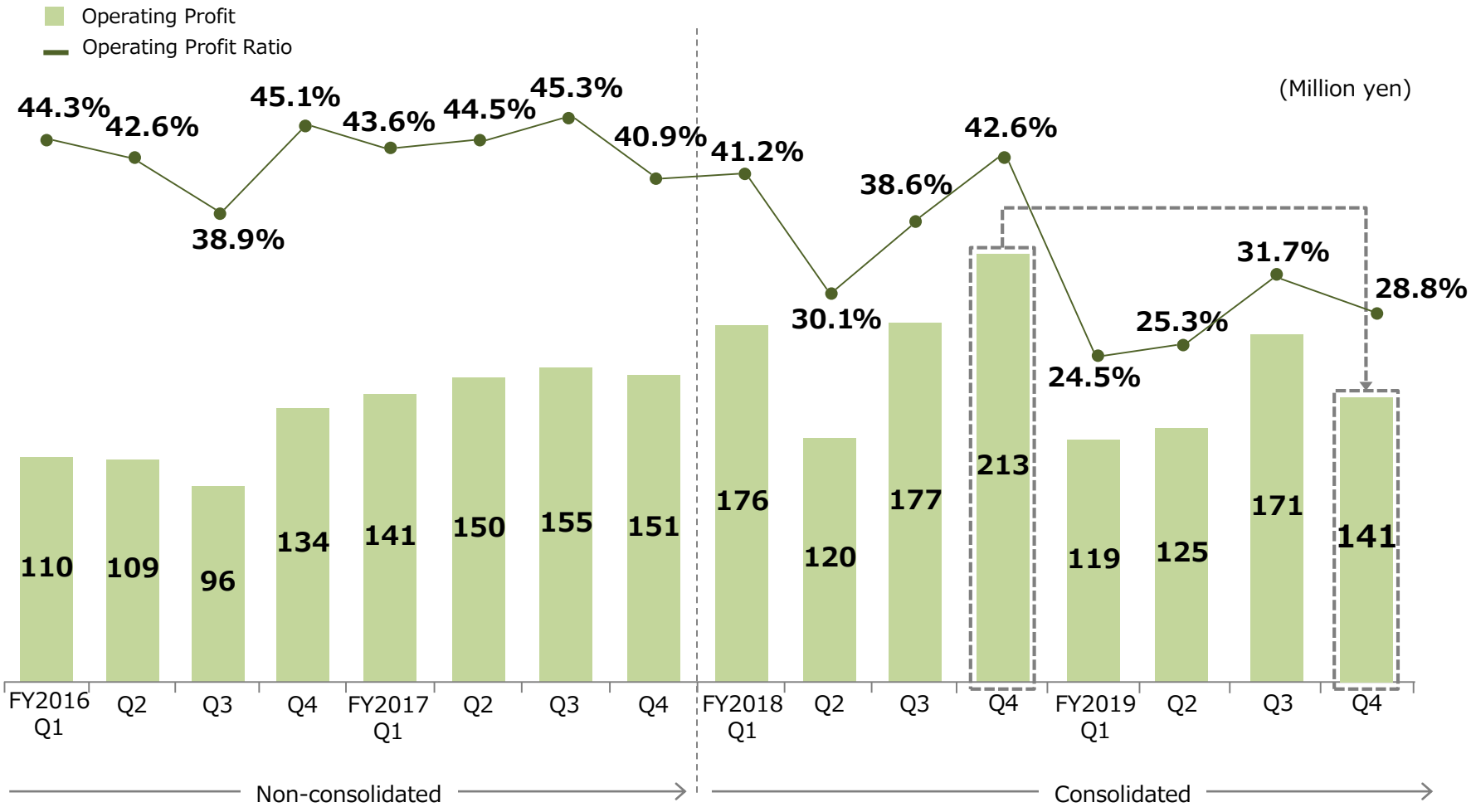


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Trend of the Operating Profit

Profit fell due to a decrease in Q4 revenue and an increase in SG&A (down 33.9% year on year)

Trend of the operating profit in FY2016-FY2019



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Consolidated Balance Sheet

Fixed assets decreased due to goodwill impairment in a consolidated subsidiary; net assets increased by 47million yen owing to increased retained earnings, etc. (compared to Dec. 31, 2019)

(Million yen)	**Mar. 31, 2020**	Q on Q	Dec. 31, 2019
Current Assets Total	**2,790**	+4.9%	2,657
Cash and Bank	**2,708**	+6.5%	2,543
Fixed Assets Total	**308**	(14.2)%	359
Assets Total	**3,098**	(2.6)%	3,017
Current Liabilities To	**364**	+9.4%	332
Fixed Liabilities Total	**22**	+11.9%	20
Net Assets Total	**2,711**	+1.7%	2,664

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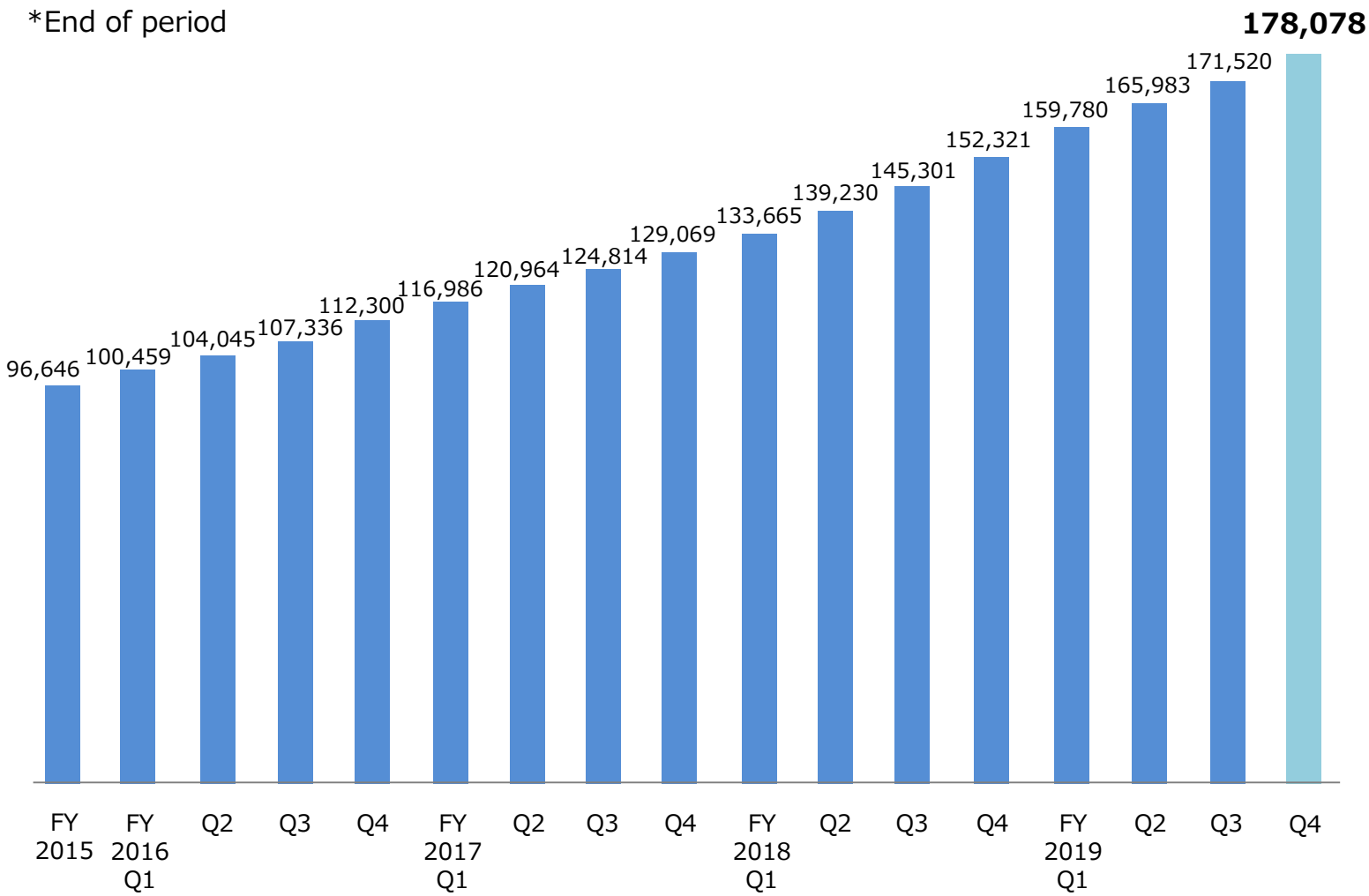
Trend of the Users

The number of registered users is increasing steadily
(up 16.9% year on year)

Trend of the Inshokuten.com registered users

(User accounts)

*End of period



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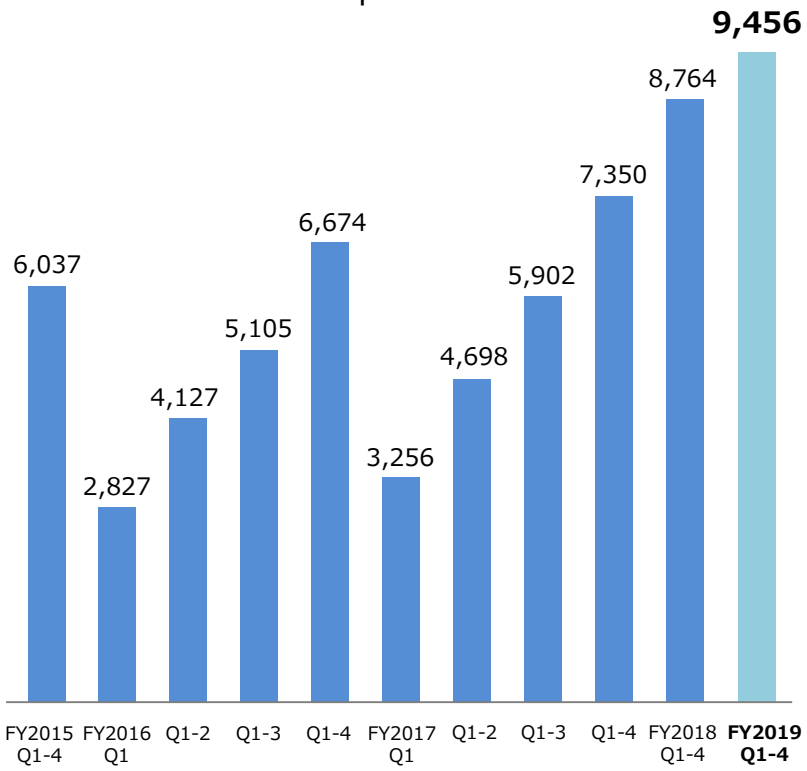
Trend of the Paid Users

The number of the paid users increased (up 7.9% year on year)
Average customer spend slightly increased (up 1.4% year on year)

Trend of the number of paid users

* Cumulative in the period

(User accounts)

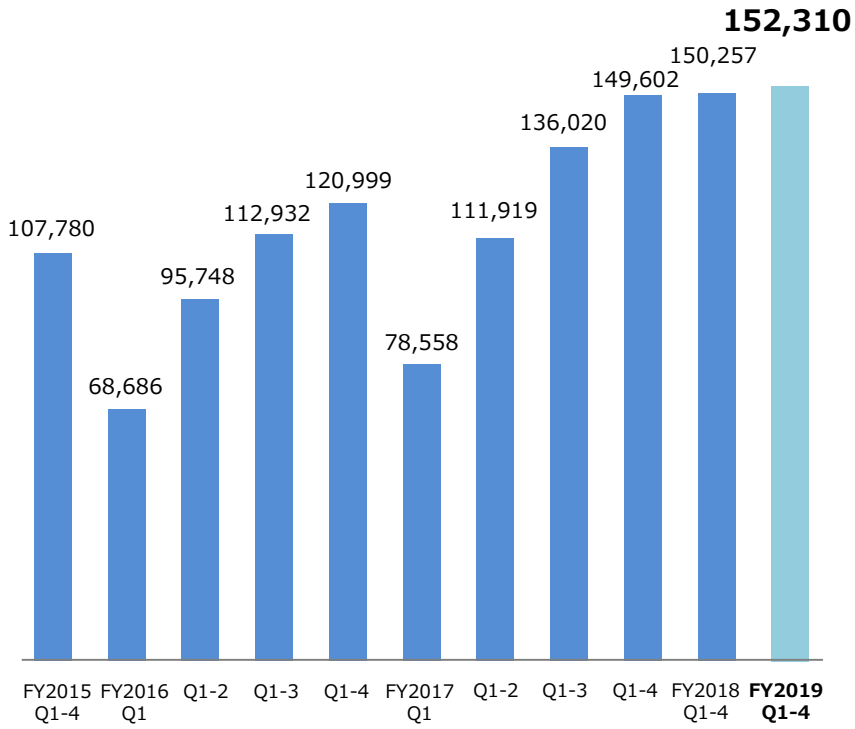


* The number of the unique users who used the paid services of Kyujin@inshokuten.com, store property search, kitchen goods purchase, Food Job Japan (started charging in September 2018) and PlaceOrders (started charging in January 2019)

Trend of the average customer spend

* Cumulative in the period

(Yen)



* Total spend by the paid users

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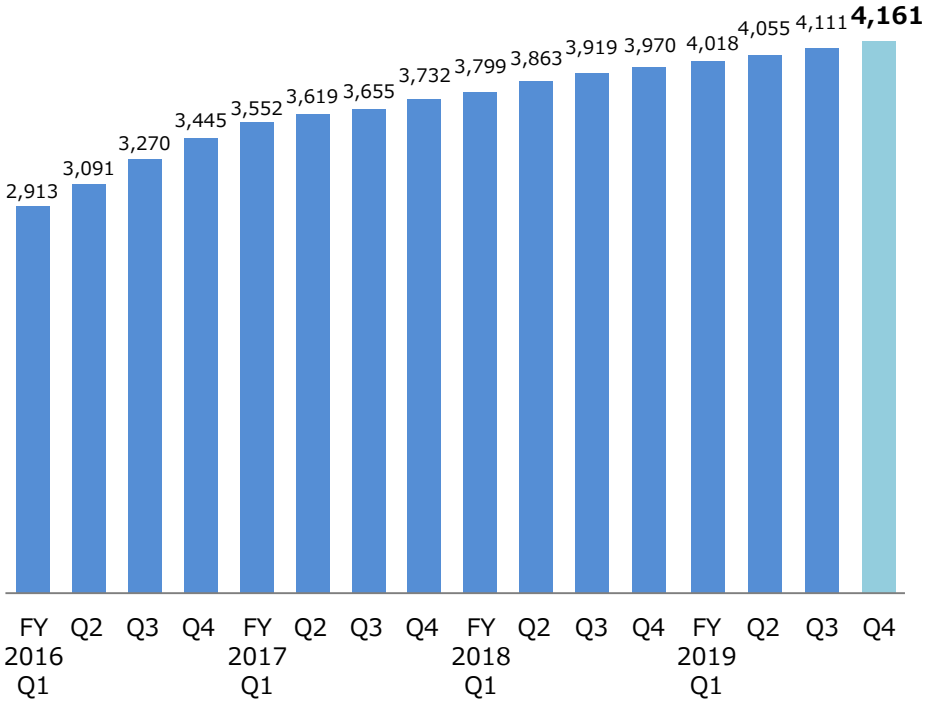
Trend of the Operators and Job Seekers

The number of operators and job seekers increased steadily
(Operators: up 4.8% year on year; Job seekers: up 25.6% year on year)

Trend of the operators

* End of period

(User operators)

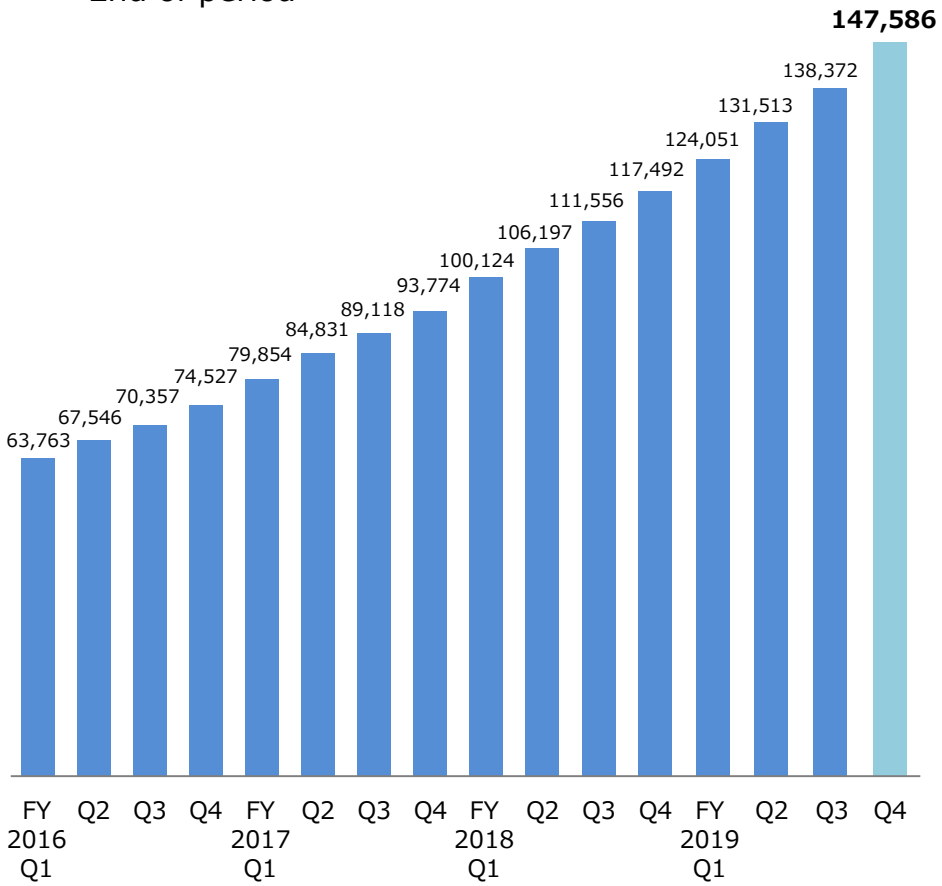


* Total of real estate companies, design companies and foodstuff purchasing companies registered as of the end of month

Trend of the job seekers

* End of period

(User accounts)



* Number of users registered with Kyujin@inshokuten as job seekers (excluding temporary member registration and withdrawal)

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Results of FY2019 Objectives

Completed establishment of organization and structures, but timing of productivity improvement has been significantly delayed

FY2019 Objectives*	Plan	Results	Results
"Complete hiring" ● Hire people earlier than initially planned and secure staff quickly to develop structures that enable achievement of 3.0 billion yen in revenue and 1.1 billion yen in operating profit in FY2020.	Net increase of over 30 people on consolida-ted basis	Net increase of 21 people on consolida-ted basis	● Used various methods since start of FY to strengthen hiring activities, but did not reach target as some employees resigned ✓ However, considering COVID-19's impact, hiring was completely halted in March as part of our cost control measures ✓ Did not reach target, but hired new graduates and experienced mid-career employees, resulting in construction of a brawny structure
"Reform structures" ● Review existing service systems and sales operation structures to survive further organizational and structural expansion.	Complete transfer of customers by Q2	Complete transfer of customers at the end of Q3	● Reorganized recruitment ads' sales organization by company scale, but changes to sales representatives for existing customers took a longer time ✓ Timing of productivity improvement delayed to Q4
	Temp-to-perm business was mainstay	Delay in structural change to staffing business	● Began changing business structure in Q2, but hiring and training of advisors were delayed ✓ Established operations in Q4, completed preparations for business expansion
"Increase services" ● Accelerate development of new services to increase LTV of the users and expand cross-selling.	Release multiple new services within the FY	Released order system for ingredients in March	● Pressed forward with planning and development in restaurant operations area since start of FY, but only released order system for ingredients at end of FY ✓ Nonetheless, planning and development for SaaS management support tool are progressing steadily

*Source: FY2018 Financial Results Briefing Materials (announced May 15, 2019)

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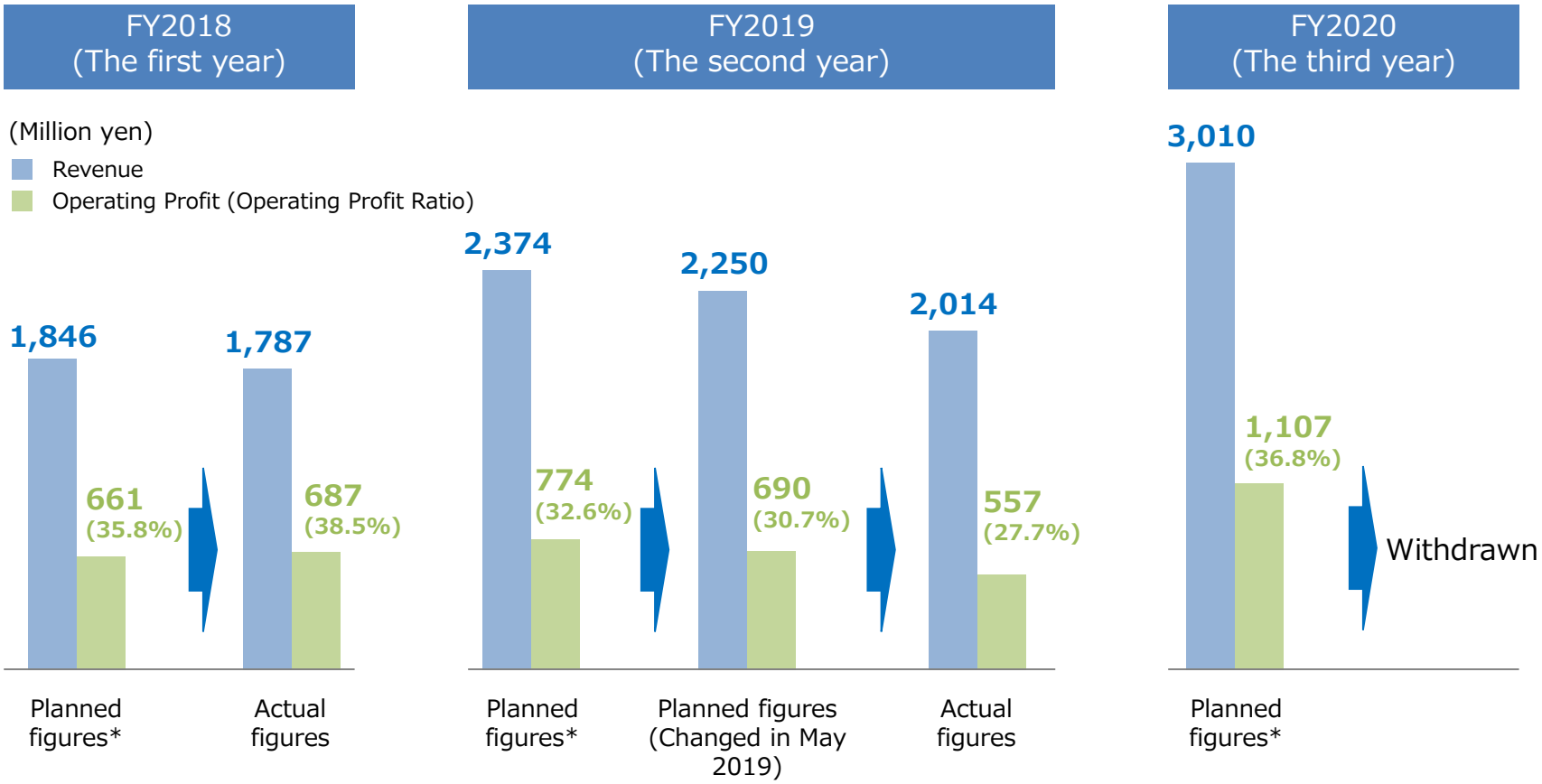
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Withdrawal of Medium-term Management Plan (FY2020)

Due to negative effects of COVID-19 in Q4, when improvement in productivity was expected, plans for FY2020 (third year of the medium-term management plan) have been withdrawn.

*Withdrawal of planned figures for the third year of the medium-term management plan was announced on April 15, 2020



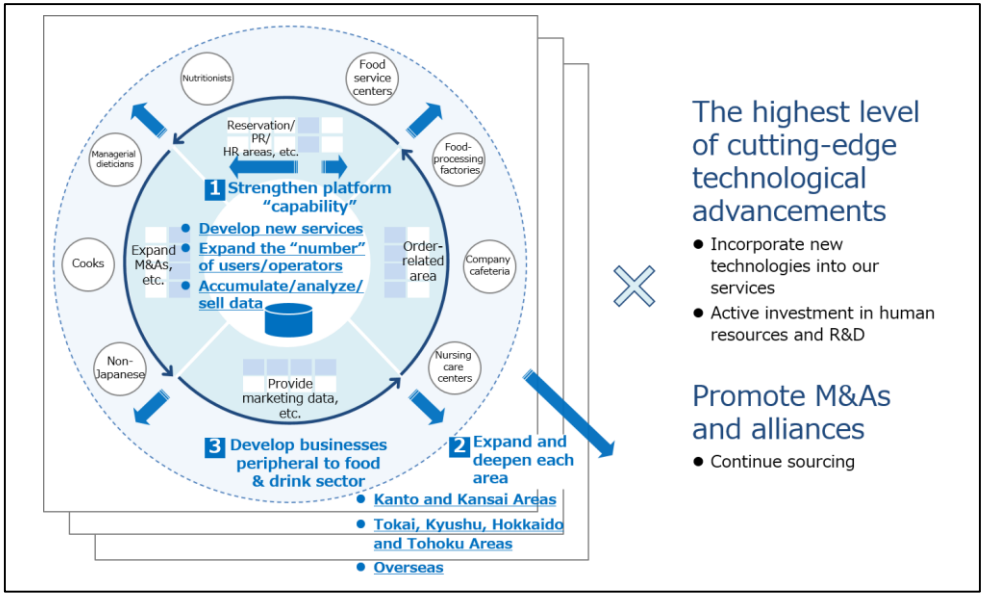
*Planned figures in the medium-term management plan announced on May 10, 2018

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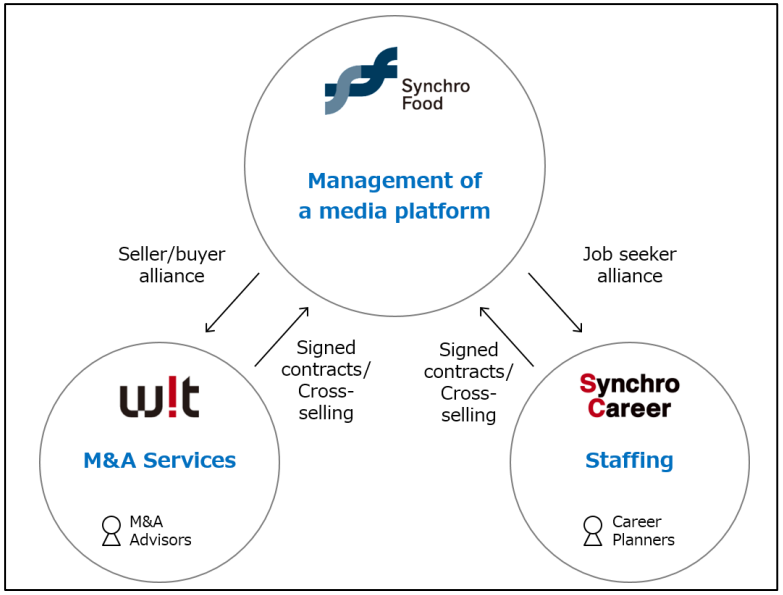
Future Direction

The fundamental strategies are basically unchanged, but considering the effects of COVID-19, we will advance our business with these in mind: (1) Risk hedging (2) Preparation for when the economy recovers

Growth Strategy



Organizational Approach



*Source: FY2018 Financial Results Briefing Materials (announced May 15, 2019)

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Measures taken to combat COVID-19

The following measures were implemented to prioritize the safety of all employees and to prevent COVID-19 infections both within and outside the company.

Measures concerning users and business partners

- Postponement or cancellation of seminars organized by the Group (February)
- Switched to having business discussions and meetings online or through the phone (late March)
- Continuously publishing support information such as subsidies and grants for restaurants on our owned media “Foodist Media” (April)

Measures taken within the company

- Promotion of staggered working hours (February)
- In principle, all employees of the Group switched from working on-site to working from home (from March 26)
- Continued having employees work from home (April)

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FY2020 Objectives

Under these uncertain circumstances, we will defend ourselves while preparing for playing offense

Risk hedging	Thorough cost control	● Limit investments to designated areas for the near future, control costs for the entire Group ✓ Control advertising costs, outsourcing costs ✓ Stop all mid-career hiring in general
	Initiatives in auxiliary areas of food and drink	● Acquire new corporate customers of recruitment ads and staffing services other than restaurants ✓ Hospitals, nursing facilities, food service centers, etc.
Preparation for when the economy recovers (COVID-19 crisis ends)	Further strengthening of sales capabilities	● Classify sales costs as variable costs and build extensive sales network ✓ Partnerships, agents
	Promotion of continuous billing model	● Develop services in business operation areas, increase recurring income through continuous billing model ✓ Order system for ingredients ✓ SaaS management support tool for designated members (→Next page)

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SaaS Management Support Tool

Released “Inshokuten.com Premium” today May 14 2020, a monthly subscription service with services such as property search, recruitment ads, revenue management



Inshokuten.com Premium

- Concept
  - ✓ Support smart and efficient restaurant management
- Services available
  - ✓ Property search, recruitment ads, revenue management, staff management, discounts for kitchen equipment, order placement, management consultation

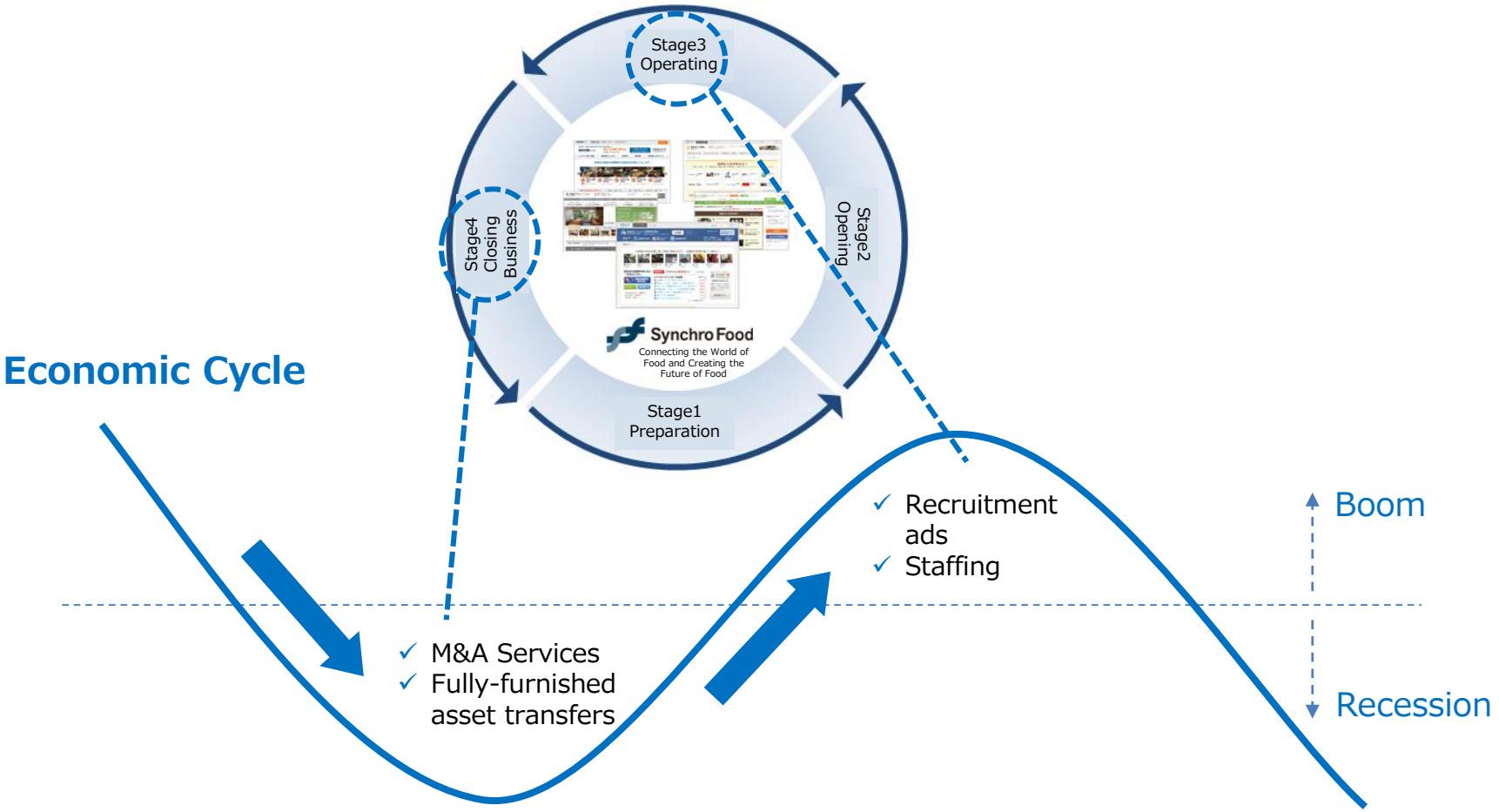
※ Revenue management and staff management tool released as beta version

- Price
  - ✓ Subscription-based: ¥10,000 per month

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Relationship between the Economic Cycle and Our Services

When the economy is booming, service in stage 3 centering around recruitment ads and staffing grow, while service in stage 4 is active when the economy is in recession

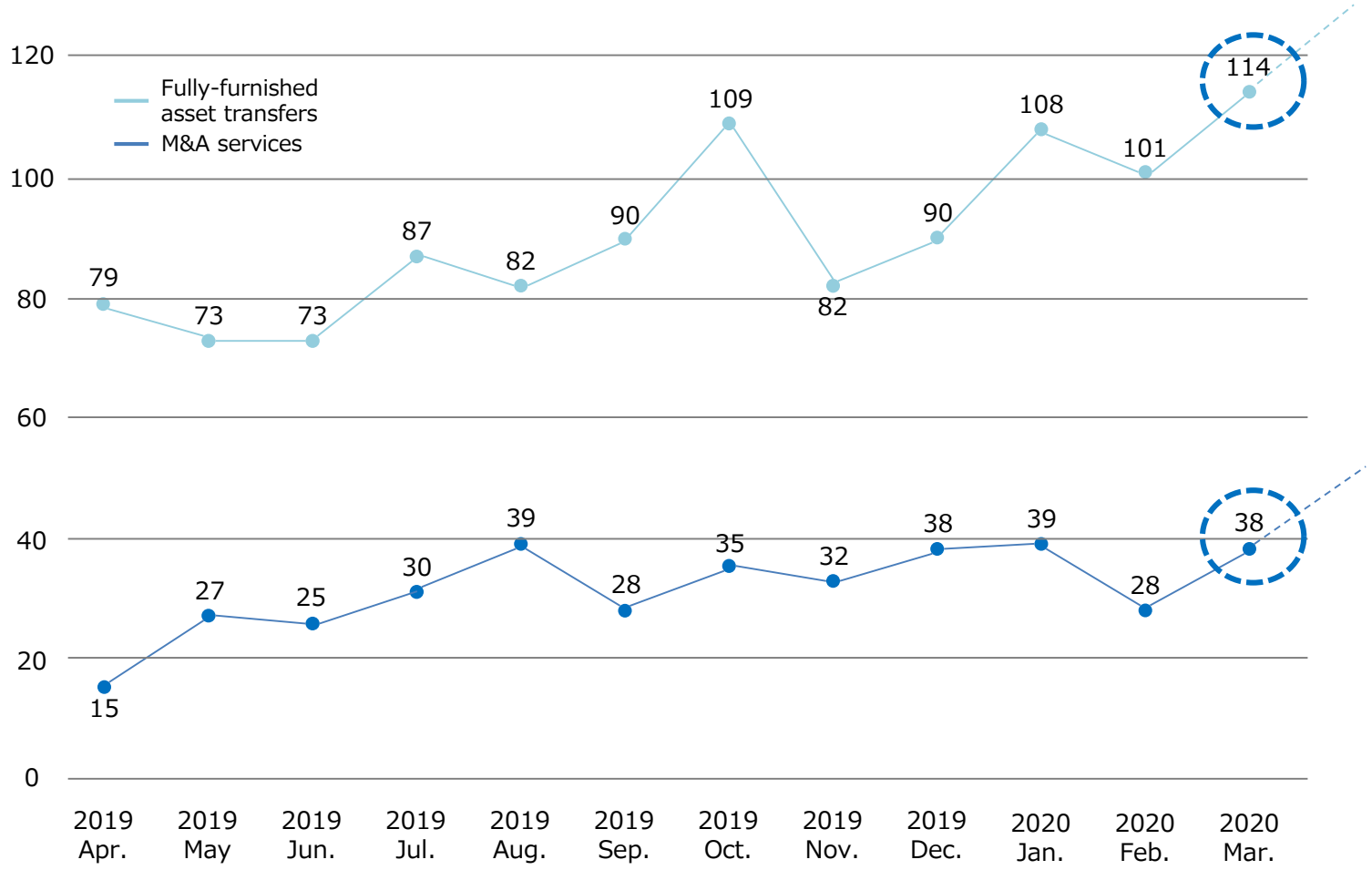


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Supplementary Note: Indicators of Service in Stage 4

Inquiries on assets sale increased in March 2020 for both M&A services and fully-furnished asset transfers;
expected to continue increasing in April and beyond

Inquiries on Assets Sale



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Regarding the FY2020 Full-year Forecast

Since February 2020, the negative effects of COVID-19 on the food and drink industry have become more and more serious, with no end in sight.

As Synchro Food and the Group operates media platforms for food and drink businesses, the COVID-19 crisis could have a significant negative impact on our business results. However, at this moment, it is difficult to make any reasonable calculations, including the scale of the impact. Therefore, we have left the full-year forecast undetermined.

When there is a clear estimate of when the COVID-19 crisis ends and we can make a reasonable calculation of the full-year forecast, we will promptly disclose it thereafter.

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Mission and Vision

Redefine Mission and Vision
Become an innovative platform in the World of Food

Mission

Connecting the World of Food and Creating the Future of Food

- In ”Connecting the World of Food,” we have made a certain contribution to the creation of a new framework since our establishment. Taking this move a step further and with the mindset of ”Creating Future for the World of Food,” we are determined to promote businesses.

Vision

Becoming an Innovative "Food Platform"

- Constantly incorporating new technologies and ideas, we aim to become an indispensable platform for the food and drink industry and in the world of food by continuing to provide innovative services and functions that improve the productivity of the industry as a whole.

Our 3 Core Values to achieve Mission and Vision

Integrity and Fairness　　Value Creation　　Grit

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Directors & Auditors

President and CEO and Chief of Operating for the Business Department

Shinichi Fujishiro

Mar.1997 Bachelor of Science and Technology
Tokyo University of Science, Tokyo, Japan
Mar.1999 Master of Interdisciplinary Graduate School of Science and Engineering
Tokyo Institute of Technology, Tokyo, Japan
Jun.1999 Joined Andersen Consulting
(currently Accenture Japan Ltd)
Apr.2003 Established Synchro food Co., Ltd.(current office)

Director & Chief of Operating for the Administrative Department

Masaki Morita

May.1999 Joined Andersen Consulting(currently Accenture Japan Ltd)
Apr.2003 Outside Director of Synchro Food Co., Ltd.
Apr.2015 Director of Synchro Food Co., Ltd.(current office)

Director & Chief of the Development Department

Shun Ohkubo

Apr.2005 Joined Mizkan Holdings Co., Ltd.
Apr.2008 Joined Synchro Food Co., Ltd.
Apr.2015 Chief of the Development Department of Synchro Food Co., Ltd.
Jun.2018 Director of Synchro Food Co., Ltd.(current office)

Director

Tsuguhiro Nakagawa

Apr.1984 Joined Recruit Co., Ltd.
(currently Recruit Holdings Co., Ltd.)
Oct.1998 President of Tokai Car Sensor Co., Ltd.
(currently Recruit Tokai Car Sensor Co., Ltd.)
Jun.1999 President of Kyushu Car Sensor Co., Ltd.
(currently Recruit Nishinihon Car Sensor Co., Ltd.)
Apr.2003 President of HR Marketing Kansai Co., Ltd.
(currently Recruit Jobs Co., Ltd.)
Apr.2006 Operating Officer of Recruit Co., Ltd.
(currently Recruit Holdings Co., Ltd.)
Managing Executive Officer of Recruit Staffing Co., Ltd.
Oct.2012 Operating Officer of Recruit Marketing Partners Co., Ltd.
Jun.2013 Director of JCM Co., Ltd.
Oct.2014 President of Recruit Car Sensor Co., Ltd.
Apr.2016 Advisor of Recruit Marketing Partners Co., Ltd.
Jun.2017 Director of Synchro Food Co., Ltd.(current office)
Director of Premium Group Co., Ltd.(current office)

Outside director

Ryota Matsuzaki

Apr.1991 Joined The Industrial Bank of Japan, Ltd
(currently Mizuho Financial Group, Inc.)
Feb.2000 Joined Rakuten, Inc.
Feb.2011 Established Thirdgear.Ltd.(current office)
Nov.2011 Member of the Board, Cloud Works Ltd.
Feb.2013 Established Kibidango, Inc. (current office)
Jan.2016 Director of Synchro Food Co., Ltd.(current office)
Sep.2019 Director of User Local, Inc.(current office)

Audit & Supervisory Board Member

Noboru Nishioka

Outside Audit & Supervisory Board Member

Yasutomo Inoue

Outside Audit & Supervisory Board Member

Toshihide Nakayama

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History

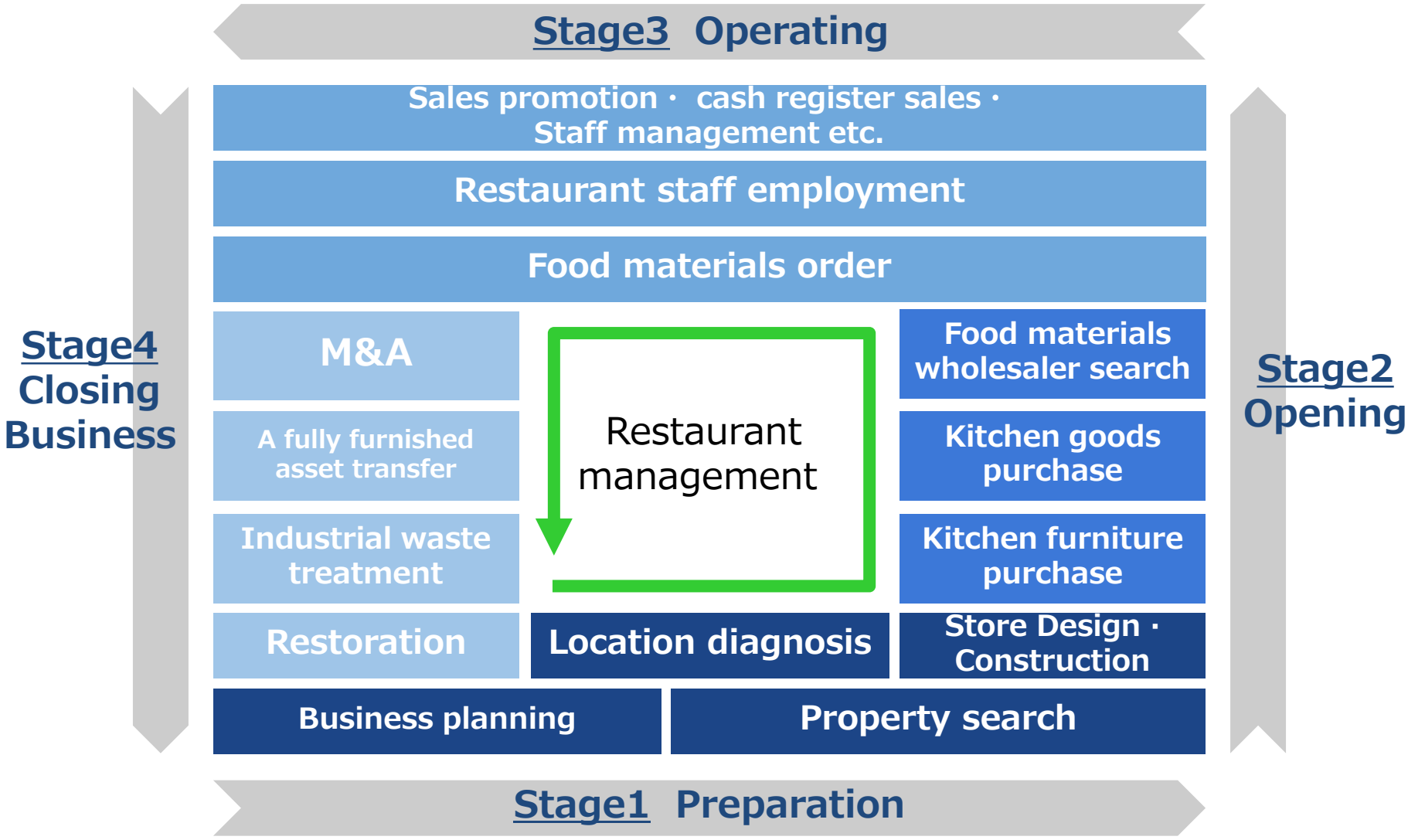
Since our establishment, we have developed multiple media services.

Apr	2003	Established Synchro Food Co., Ltd.
Sept	2003	Started running a restaurant operations support site "Inshokuten.com”.
Mar	2005	Created a recruiting site for interior decoration companies "Tenpodesign.com”.
Nov	2005	Developed a recruitment information site for interior industry "Kyujin@interiordesing”.
Oct	2006	Launched a recruitment information site for food and drink industry "Kyujin@inshokuten.com”.
Sept	2007	Launched a commercial real estate purchase price assessment site "Inukijyouhou.com”.
May	2011	Launched a recruitment information site specialized in KANSAI area "Kyujin@inshokuten.com”.
Sept	2013	Added an ingredients supplier locator section to Inshokuten.com site "Shokuzaishiiresakisagashi".
May	2015	Launched WEB magazine "Foodist Media".
Oct	2015	Launched a property information site specialized in KANSAI area “Inshokuten.com tenpobukensagashi".
Mar	2016	Released food material order system "PlaceOrders".
Dec	2016	Launched a restaurant M&A support service “Inshoku M&A”.
		Launched a recruitment information site specialized in TOKAI area "Kyujin@inshokuten.com”.
May	2017	Launched a questionnaire survey system “Restaurants Research”.
Jun	2017	Launched a property information site specialized in TOKAI area “Inshokuten.com tenpobukensagashi".
Sept	2017	Launched a recruitment information site specialized in KYUSHU area "Kyujin@inshokuten.com”.
Dec	2017	Launched a recruitment information site specialized in HOKKAIDO and TOHOKU area "Kyujin@inshokuten.com”.
Apr	2018	Launched a recruitment information site for foreigners specialized food and drink industry “Food Job Japan”.
Jun	2018	Launch of facial recognition attendance management "Restaurant Staff Time Cards" smartphone app.
Sept	2018	Launched a property information site specialized in KYUSHU area “Inshokuten.com tenpobukensagashi".
Jan	2019	Released renewal version of food material order system "PlaceOrders“ and started charging
Mar	2020	Released an order management system for ingredients ”ReceiveOrders”.

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Stage of restaurant management

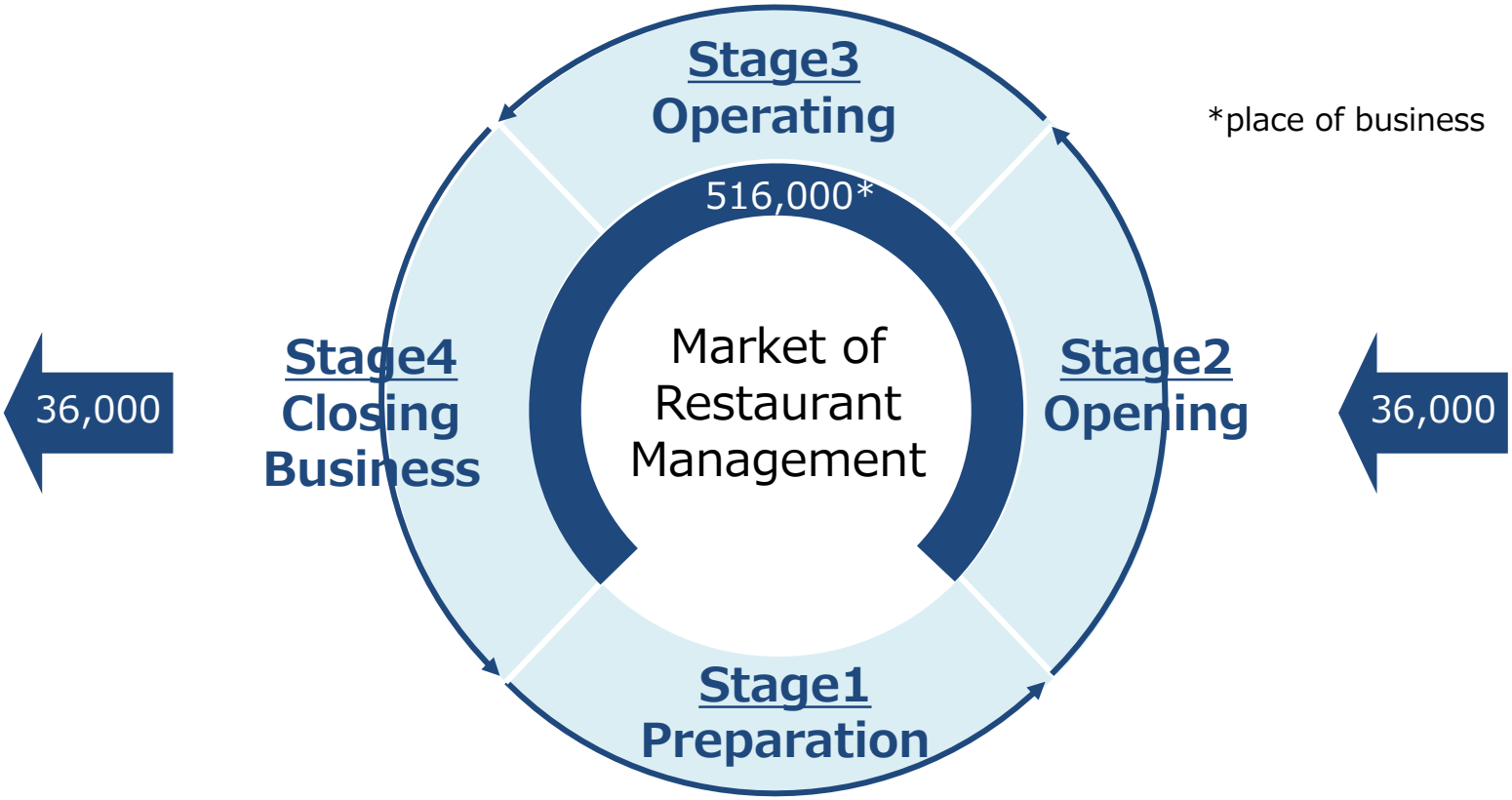
There are 4 Stages of restaurant management.



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Market Recognition

There are 516,000 restaurants(retailers/chains) in Japan.
36,000 restaurants change location each year.



*place of business

*Source: Ministry of Internal Affairs and Communications “economic research“2014.

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Our Internet Media Business (1/3)

INSHOKUTEN.COM

INSHOKUTEN.COM provides a one-stop service used for restaurant preparation, opening and operation. Some examples include providing information on store properties, kitchen fixtures, food suppliers, and the recruitment of management, etc.



KYUJIN@INSHOKUTEN.COM

KYUJIN@INSHOKUTEN.COM provides specialized job offering services to accommodate the recruitment needs of restaurants. It focuses mainly in the Kanto and Kansai areas, with full time employees specialized in food and drink, as well as a part-time job recruiting information site.



INSHOKUTEN.COM SHOKUZAISHIRESAKISAGASHI

INSHOKUTEN.COM offers food suppliers who are looking to sell food and drink, with food buyers who are in the market to purchase commercial food ingredients and alcohol.



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Our Internet Media Business (2/3)

PlaceOrders

PlaceOrders is a web-ordering service dedicated to restaurants and provided by INSHOKUTEN.COM



TENPODESIGN.COM

TENPODESIGN.COM is a service providing information on interior service providers that design and construct stores, to users who are planning to open or refurbish stores.



Foodist Media

Foodist Media distributes media distributing important food and drink trends and information to various people involved in the food industry.



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Our Internet Media Business (3/3)

Restaurant M&A Service by Inshokuten.com

Restaurant M&A Service by Inshokuten.com offers a platform for restaurant M&As and business transfers.



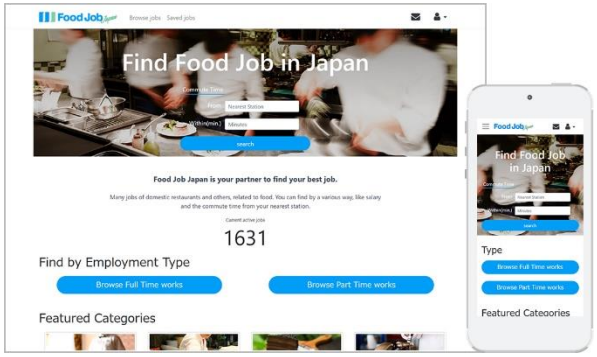
Restaurants Research

Restaurants Research conducts various questionnaire surveys to the users on restaurant management and discloses their results and related reports. Users can view the disclosed information to utilize as a tip for their store management.



Food Job Japan

Food Job Japan is a website that posts job recruitments for restaurants for foreigners living in japan. We provide a system that allows foreigners to find work smoothly.

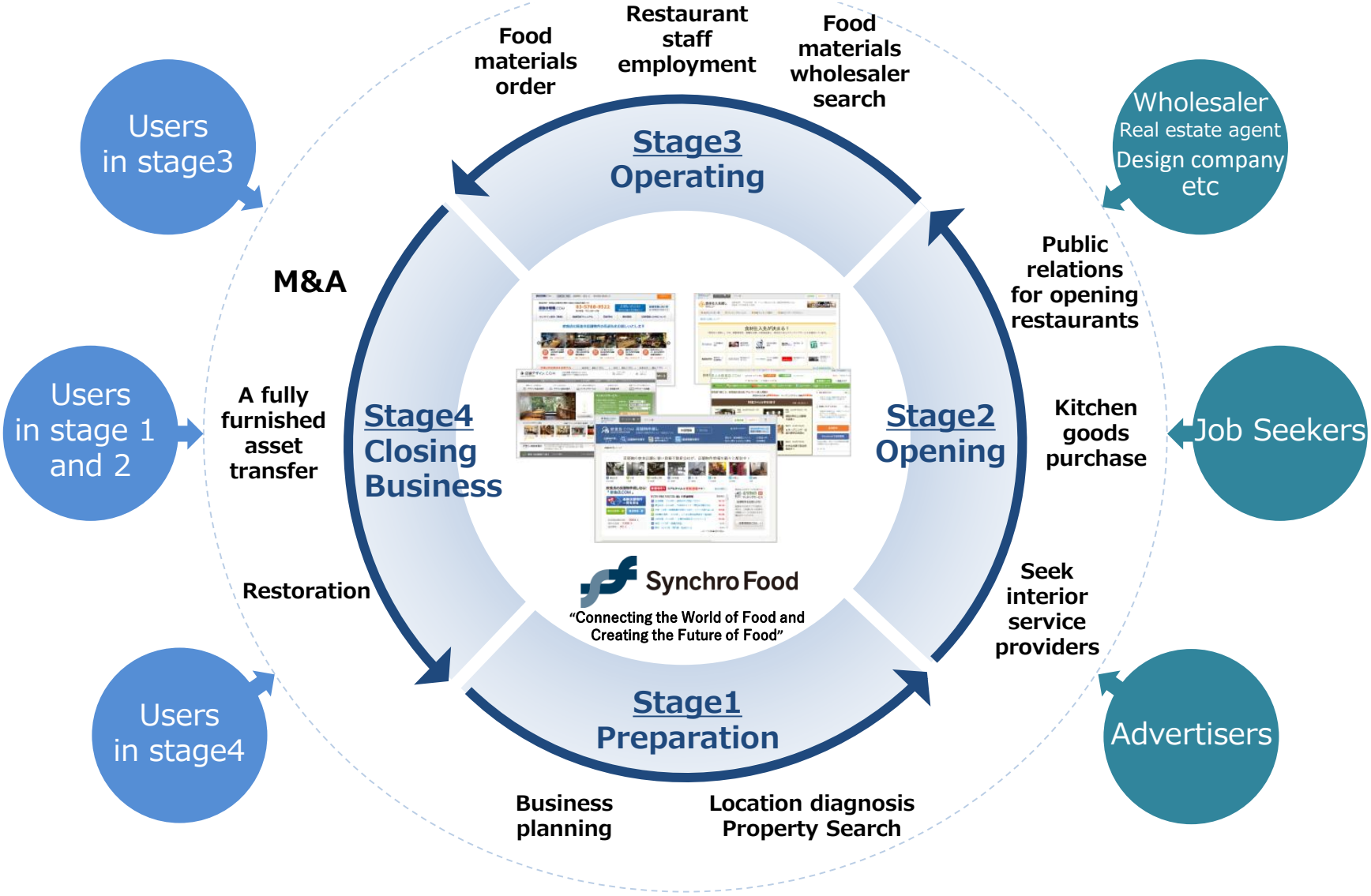


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Business Model

We provide “end-to-end” restaurant management services.

B2B Platform for restaurant management



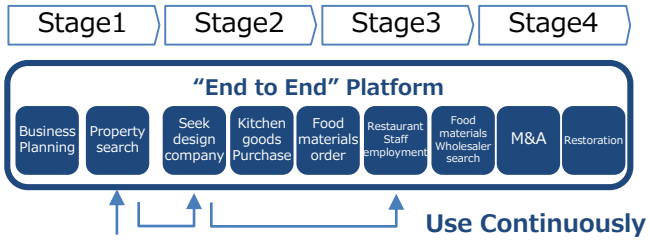
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Our Strengths

Our advantages include Uniqueness · Profitability · Stability.

1 Uniqueness

- A proprietary and consistent platform for the management cycle of restaurants
- Migration effect due to total service



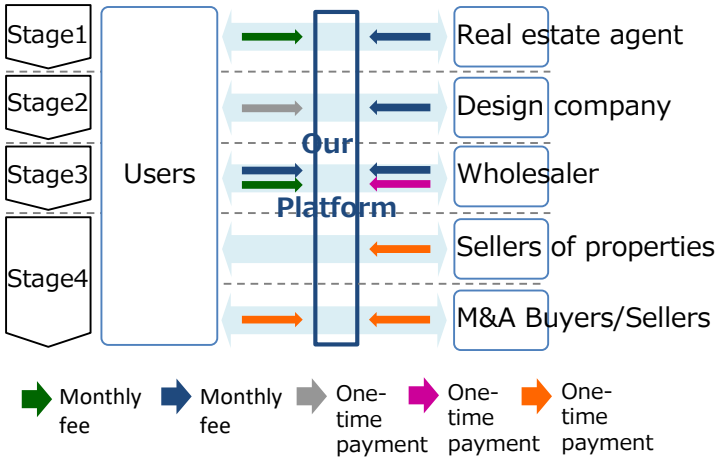
2 Profitability

- Users can be obtained from various channels, thus user acquisition cost is low
- Combined with our monthly billing model, we achieve a high profit margin



3 Stability

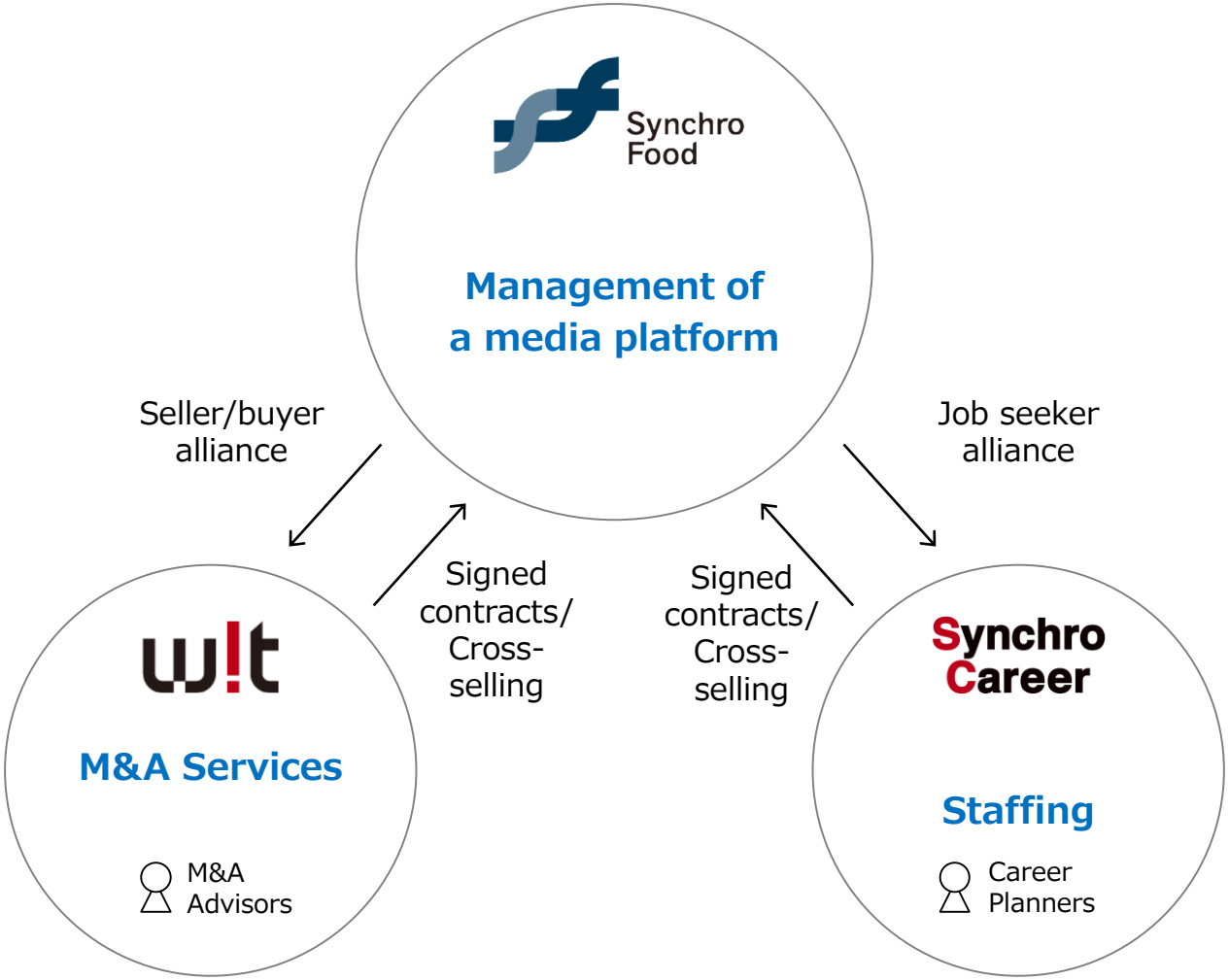
- Multi-point-monetization earns revenue from both users / business owners
- Multiple monetization channels are available even when the economy is stagnant (deliver a fully furnished asset, M&A)



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Organizational Approach

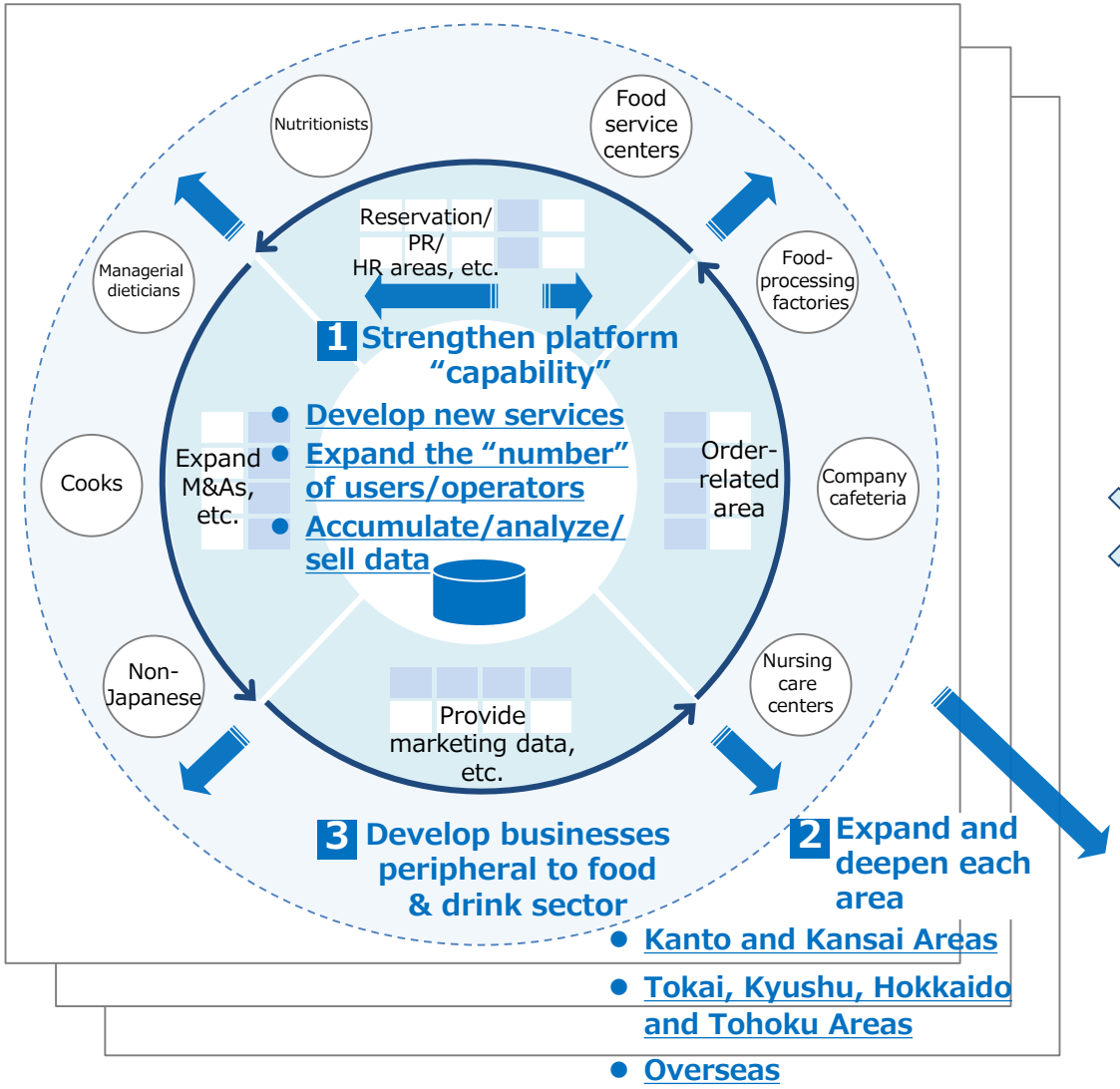
Maximize group synergy through close collaboration among Synchro Food, Wit, and Synchro Career (newly established on April 1, 2019).



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Growth Strategy

Promote the media platform business in 3 directions.
No change in the strategy in the medium-term management plan.



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The highest level of cutting-edge technological advancements

- Incorporate new technologies into our services
- Active investment in human resources and R&D

Promote M&As and alliances

- Continue sourcing

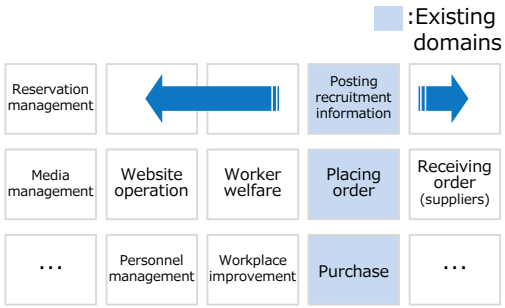
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Growth Strategy (1) Strengthen Platform “Capability”

Synchro Food

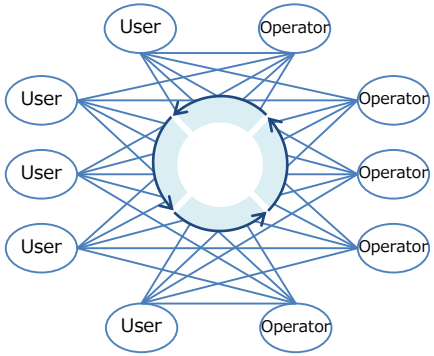
Further strengthen “capability” as a platform,
aiming to hold a irreplaceable position to users and business operators

Develop new services



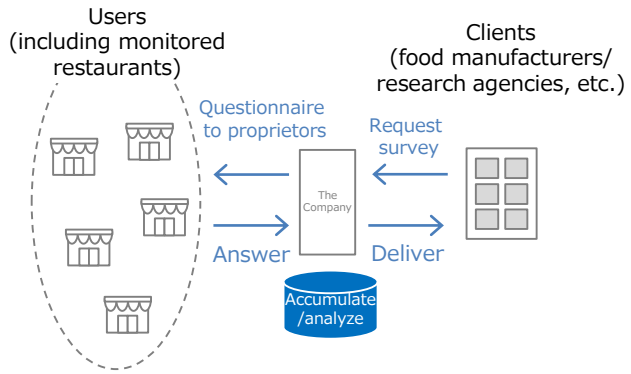
- Plan and develop new services across entire business functions
  - ✓ Priority issues for restaurant management (domains related to recruitment, training and attracting customers)
  - ✓ Domain of order management for raising operational efficiency, etc.
- Promote M&As and alliances as a measure to complement our services

Expand the “number” of users/operators



- Promote initiatives to increase both users and operators to maximize the networking effect
  - ✓ Strengthen sales systems targeted at operators
  - ✓ Inject advertising costs, enhance the contents of owned media, and continue initiatives to pull in new users

Accumulate/analyze/ sell data



- Data analysis and provision to operators (restaurants research, etc.)
  - ✓ Market research
  - ✓ Test marketing
- Combining internally accumulated properties/ recruitment data with statistics purchased from external sources, offer analysis results to users (search and comparison of candidate sites for new store opening, etc.)

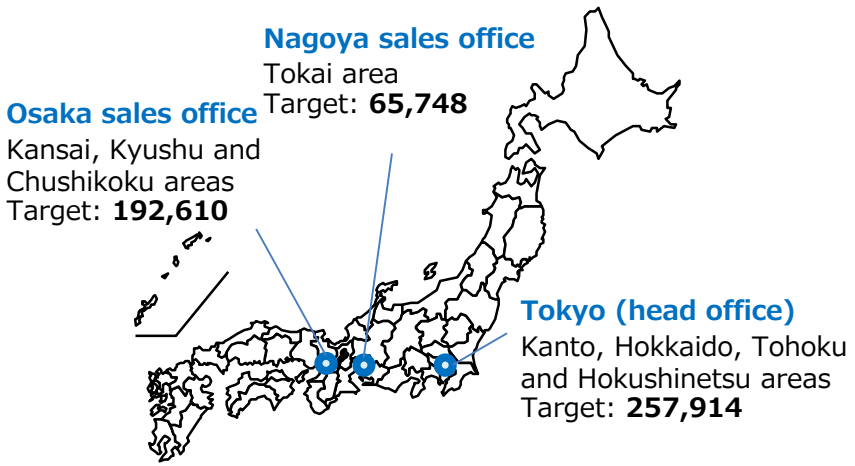
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Growth Strategy (2) Expand and Deepen Each Area

Further deepen the newly-developed areas, in addition to the existing areas
Overseas, initiate market research and develop services with an eye on localization

Japan

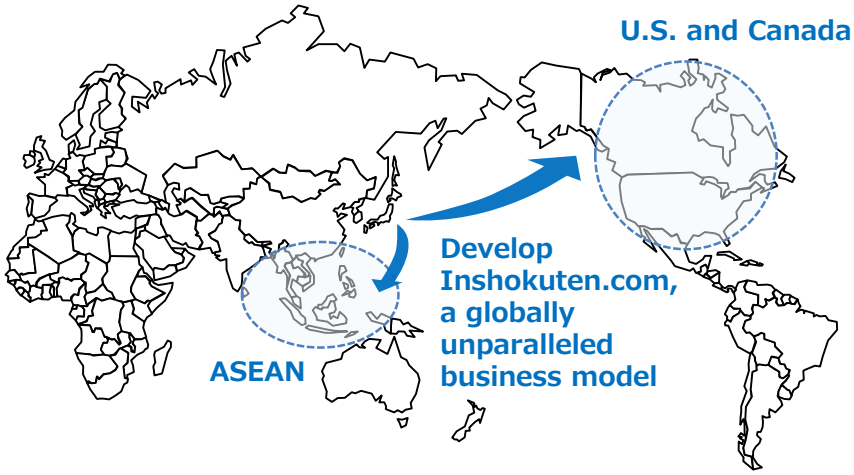
Restaurants (nationwide):
516,272 offices*



- Cover the whole country with 3 business bases (Tokyo head office, Osaka sales office and Nagoya sales office)
  - ✓ Enhancing sales efficiency, gradually strengthen sales structure both for users and operators, while raising the market share in each area
- Consider M&As and alliances with other companies as necessary, as a means of improving sales efficiency and coverage rate

*Source: Ministry of Internal Affairs and Communications "economic research"2014. (excluding night restaurants and entertainment restaurants)

Overseas



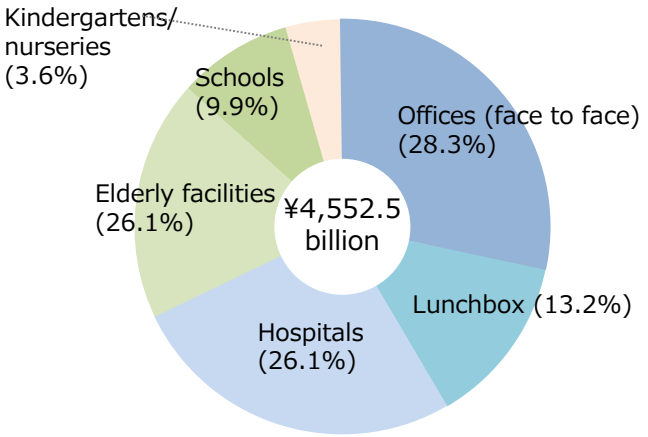
- Careful market research and restaurants investigation service
- Partially localize and deliver the services of Inshokuten.com in Asia and North America
  - ✓ Collaboration with partner companies and local enterprises
  - ✓ Management support service to help Japanese users expand overseas and operate Japanese restaurants

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Growth Strategy (3) Develop Businesses Peripheral to Food & Drink Sector

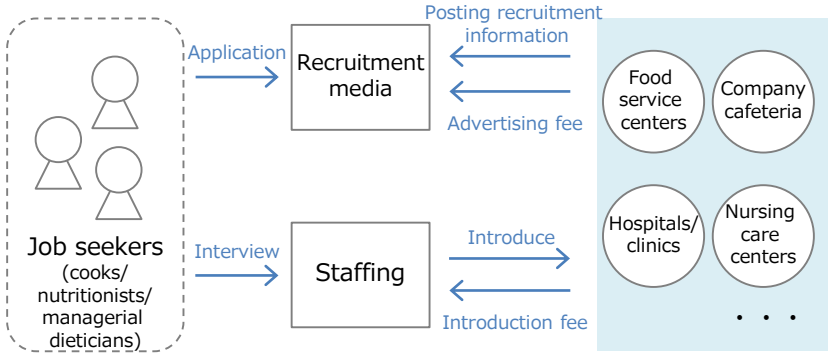
Move into peripheral businesses of food & drink sector
Effectively promote businesses leveraging the Inshokuten.com platform

Scale of food service market in Japan*1



- Food service market in Japan is gradually expanding, grown to the scale of ¥4.5 trillion*1 in FY2015
  - ✓ Given the aging society, food service for elderly facilities and food delivery service are strong, while food services for offices (face to face) and schools show a slight increase
- Number of nutritionists and managerial dieticians required at offices is 1.2 million*2 (based on the number of licenses issued)

Offer personnel service (by Synchro Career)



- Demand for human resources is strong at food service offices/facilities, where cooks, nutritionists and managerial dieticians are needed
  - ✓ Merge database of job seekers at Inshokuten.com and that of registered users in the media for nutritionists/managerial dieticians to enhance effective matching
  - ✓ Strengthen sales system for food service offices/facilities to increase the number of registered offices

*1 Source: Yano Research Institute “Outlook and strategies for food service market 2016”
*2 Source: THE JAPANESE SOCIETY OF NUTRITION AND DIETETICS
“Social trends surrounding managerial dieticians and nutritionists”

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Important Notice

The information provided in this document is based on assumptions with current expectations, forecasts ,and risks based on macroeconomic trends, the market environment, and related industry trends of the Company.

Other Internal and external factors may vary.

Therefore, the results may differ from the description of future prospects described in this material.

When there is new information, events etc. in the future we will not update this document.
We are not obliged to update or modify the information provided.

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