

Synchro Food Corporation

FY2018 Second Quarter Financial Results

FY2018 Second Quarter Financial Results Briefing Materials

Nov 2018 Synchro Food Co., Ltd. <3963>

A decorative graphic of a grey chain with interlocking links, starting from the bottom left and extending diagonally towards the top right, partially overlapping the text.

1 FY2018 Q2 Summary

2 Growth Strategy and Future Directions

3 Appendix

1 FY2018 Q2 Summary

2 Growth Strategy and Future Directions

3 Appendix

Company Name	Synchro Food Co., Ltd.
Representative	President and CEO Shinichi Fujishiro
Established	April 24, 2003
Head office	7F, SouthOne Bldg. 1-7-8, Ebisu Minami, Shibuya-ku, Tokyo, 150-0022, Japan
Osaka sales office	5F, Osaka Ekimae Daiichi Bldg. 1-3-1, Umeda, Kita-ku, Osaka
Nagoya sales office	3F, Chikubu Bldg. 3-12-12, Meieki, Nakamura-ku, Nagoya
No. of employees (consolidated)	77 (as of the end-September 2018)
Business	Producing and running a media platform for restaurant owners and related businesses
Associated Company	Wit Ltd.

Consolidated Q2 results progressed roughly within the target, despite an impact of unseasonable weather on the food and drink industry

Consolidated
Financial
Highlights
(Q1-Q2 total)

Revenue: **826** million yen

Operating Profit: **296** million yen

Operating Profit Ratio: **35.9** %

Main Topics
(First half)

- ✓ Launch of "Food Job Japan" recruitment website for foreigners (April)
- ✓ Selected as a Noteworthy IT Strategy Company under "Competitive IT Strategy Companies 2018" (May)
- ✓ Launch of facial recognition attendance management "Restaurant Staff Time Cards" smartphone app (June)
- ✓ Invested in Spacee Inc. (August)
- ✓ Launch of property service in the Kyushu Area (September)

※ We adopted consolidated accounting from full-year FY2017 and therefore year on year comparison with FY2017 Q2 on a consolidated basis is not presented.

Both revenue and profits **increased**

Continue investments mainly in strengthening operation of the subsidiary's media

(Million yen)	FY18 Q1-Q2 Total Actual (Consolidated)	FY18 Full-year Target Figure (Consolidated)	Progress Rate	<Reference> FY17 Q1-Q2 Total Actual (Non-consolidated)
Revenue	826	1,846	44.8%	662
Gross Profit	723	—	—	593
SG & A	427	—	—	301
Operating Profit	296	661	44.9%	291
Operating Profit Ratio	35.9%	35.8%	—	44.0%
Recurring Profit	296	661	44.9%	266
Net Income	186	444	41.9%	168

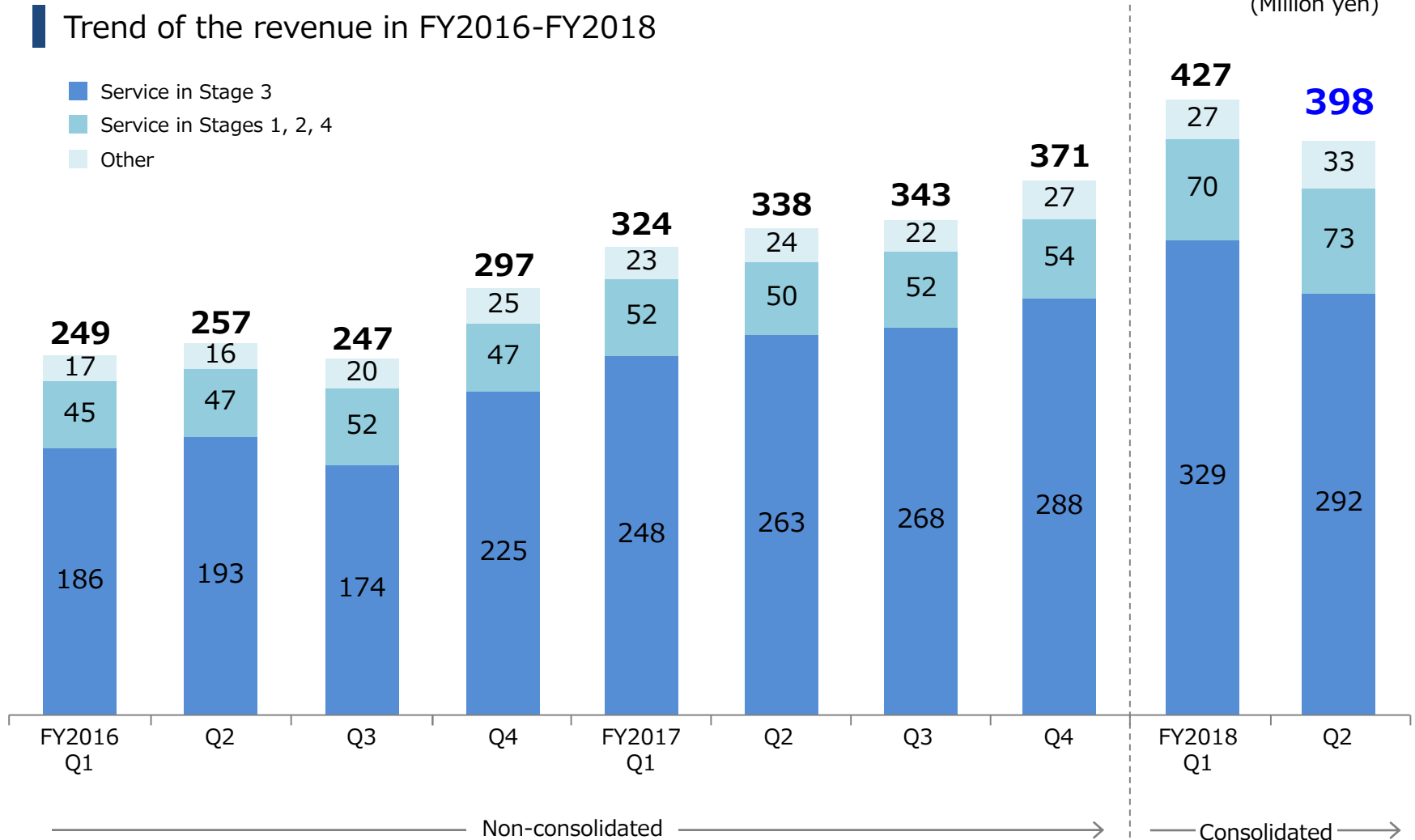
※ We adopted consolidated accounting from full-year FY2017 and therefore year on year comparison with FY2017 Q2 on a consolidated basis is not presented.

Revenue was within the target, despite impacts of external factors and delayed booking of revenue

Acquisition of a subsidiary will take synergy effect in the second half

Trend of the revenue in FY2016-FY2018

(Million yen)



Revenue from each service is recorded based on the following classification

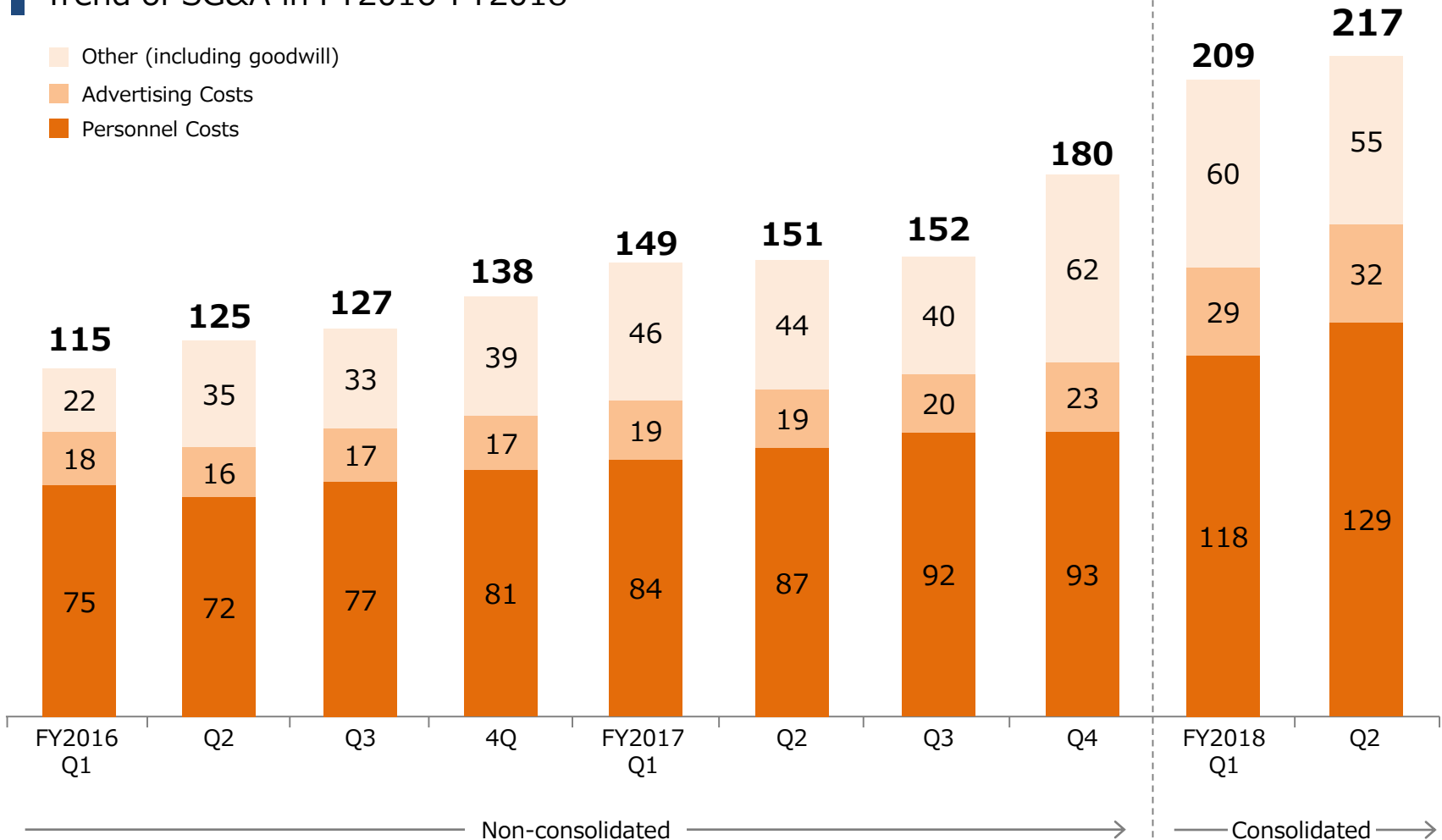
Revenue classification		Users	Related Business Operators
Service in Stage 3	Synchro Food	<ul style="list-style-type: none"> • Recruitment ads • Restaurant staff time cards • Food Job Japan (started charging in September 2018) • PlaceOrders (start charging in the second half) 	<ul style="list-style-type: none"> • Searching for suppliers
	Wit Ltd.	<ul style="list-style-type: none"> • Staffing (restaurants) 	
Service in Stages 1, 2, 4	Synchro Food	<ul style="list-style-type: none"> • Bukken premium (including location service) • Kitchen goods (EC) 	<ul style="list-style-type: none"> • Store design • Real estate properties • A fully furnished asset transfer
	Wit Ltd.	<ul style="list-style-type: none"> • M&As 	
Other	Synchro Food		<ul style="list-style-type: none"> • Restaurants research • Advertisement insertion and newsletters • Interior job seeking
	Wit Ltd.		<ul style="list-style-type: none"> • Staffing (food service)

SG&A increased in line with expansion of scale of personnel and business, and promotion of business alliances with subsidiaries

Trend of SG&A in FY2016-FY2018

(Million yen)

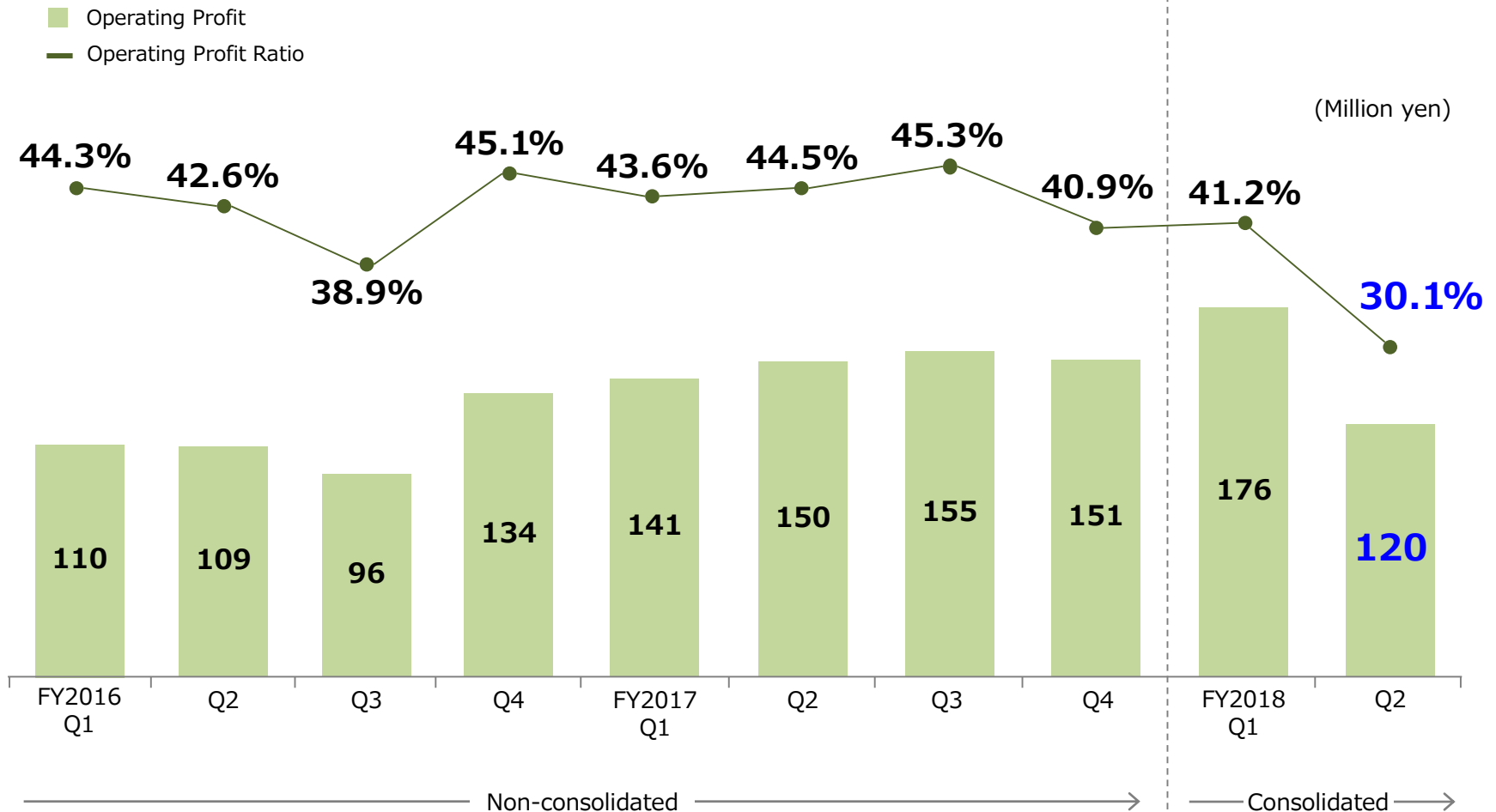
- Other (including goodwill)
- Advertising Costs
- Personnel Costs



Trend of the Operating Profit

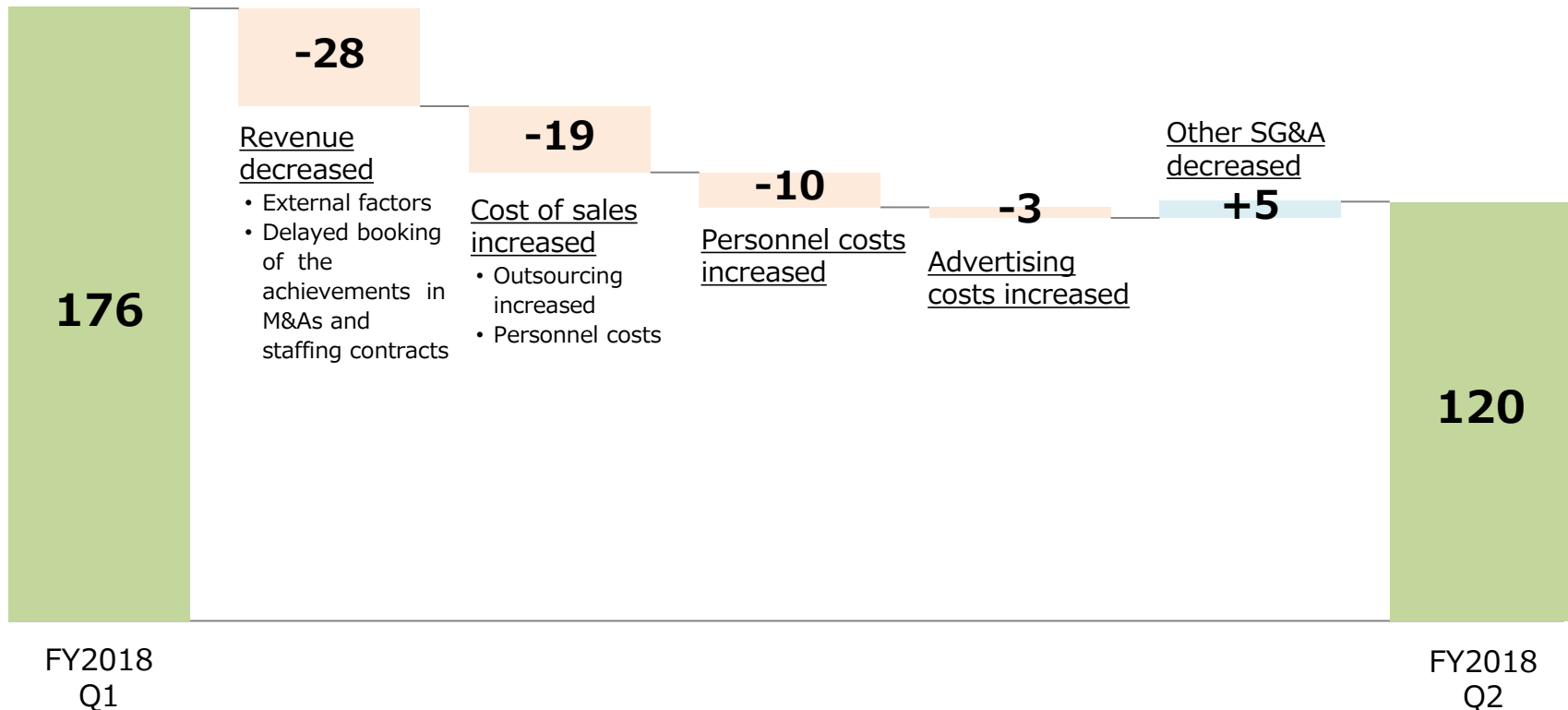
Due to the impacts of external factors and delayed booking of revenue, operating profit decreased but only within the target
Continue investments

Trend of the operating profit in FY2016-FY2018



Supplementary note : Increase/decrease in Quarterly Operating Profit

Quarterly operating profit decreased due to external and temporary factors



Net assets increased by 73 million yen owing to increased retained earnings

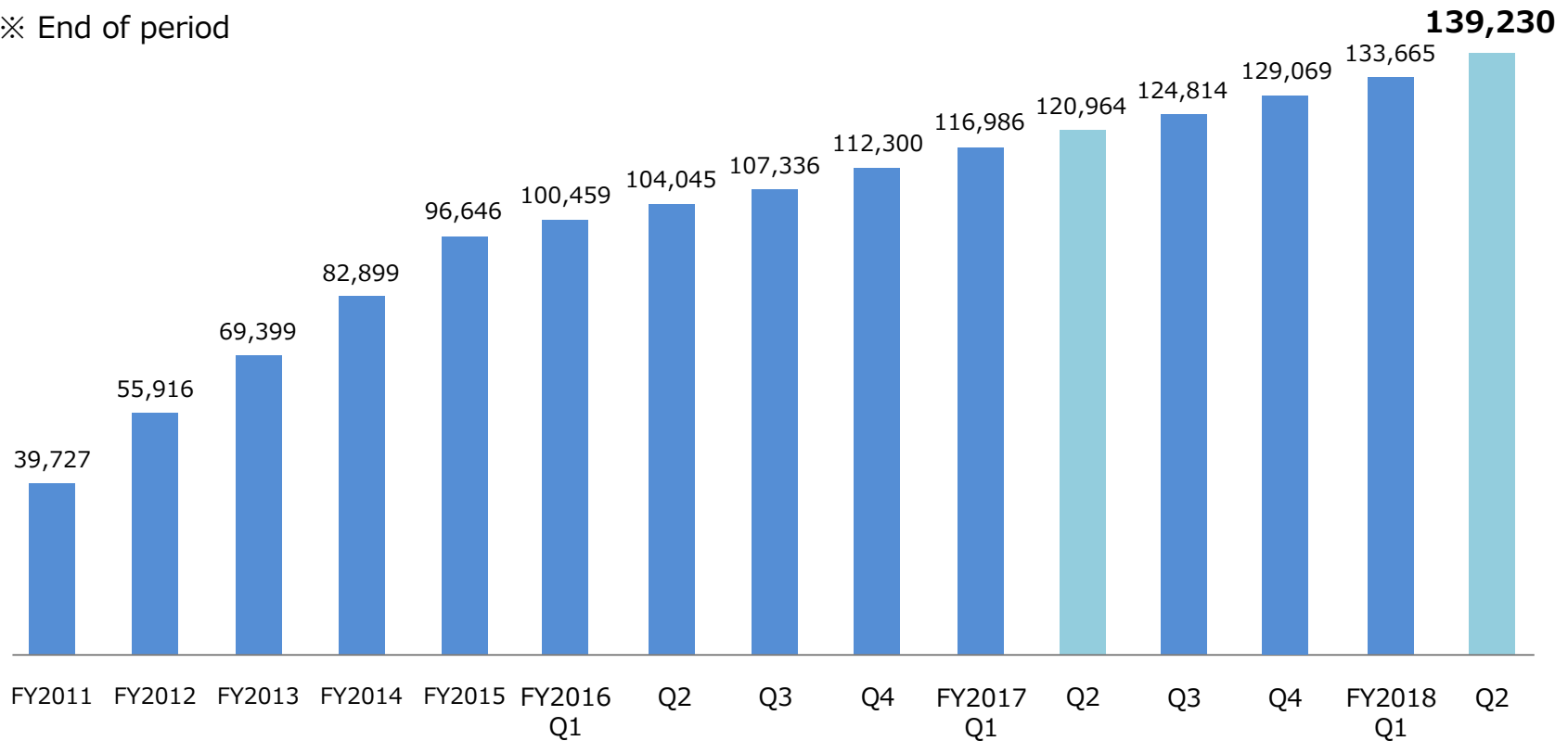
(Million yen)	Sep. 30, 2018	Year on Year	Jun. 30, 2018
Current Assets Total	2,436	+4.5%	2,332
Cash and Bank	2,388	+6.1%	2,251
Fixed Assets Total	269	+3.3%	261
Assets Total	2,706	+4.4%	2,593
Current Liabilities Total	346	+13.0%	307
Fixed Liabilities Total	11	-4.1%	11
Net Assets Total	2,348	+3.2%	2,274

The number of registered users is **increasing** steadily
(up 15.1% year on year)

Trend of the Inshokuten.com registered Users

(User accounts)

※ End of period

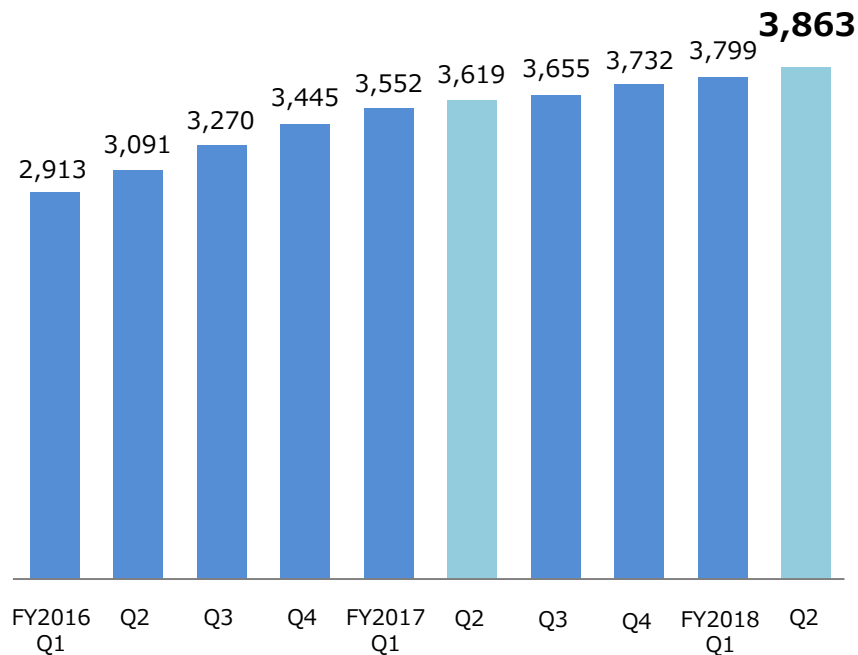


The number of operators and job seekers **increased** steadily
 (Operators : up 6.7% year on year; Job seekers : up 25.2% year on year)

Trend of the operators

※ End of period

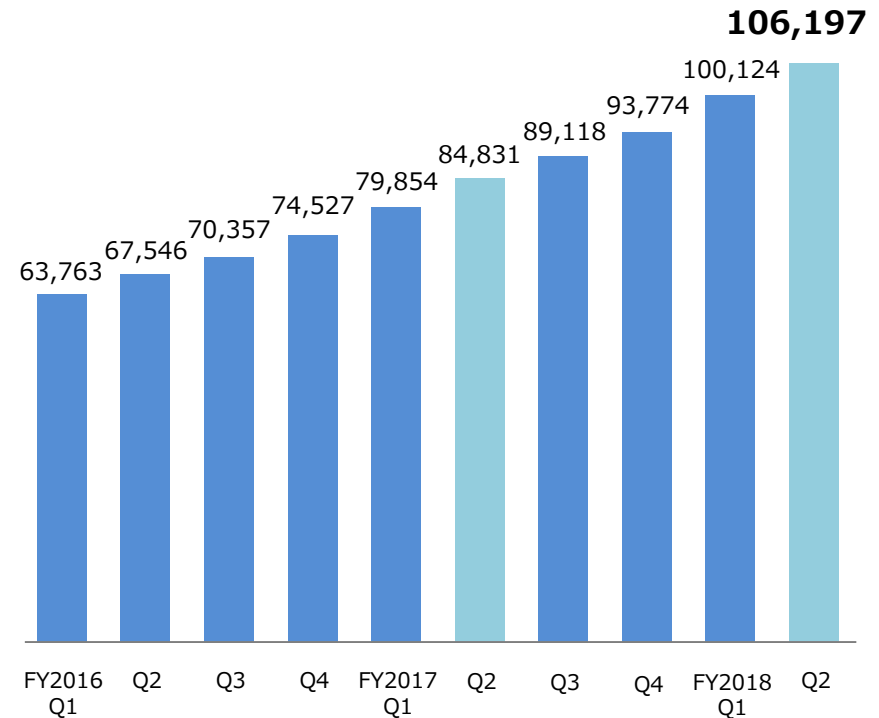
(User operators)



Trend of the job seekers

※ End of period

(User accounts)



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

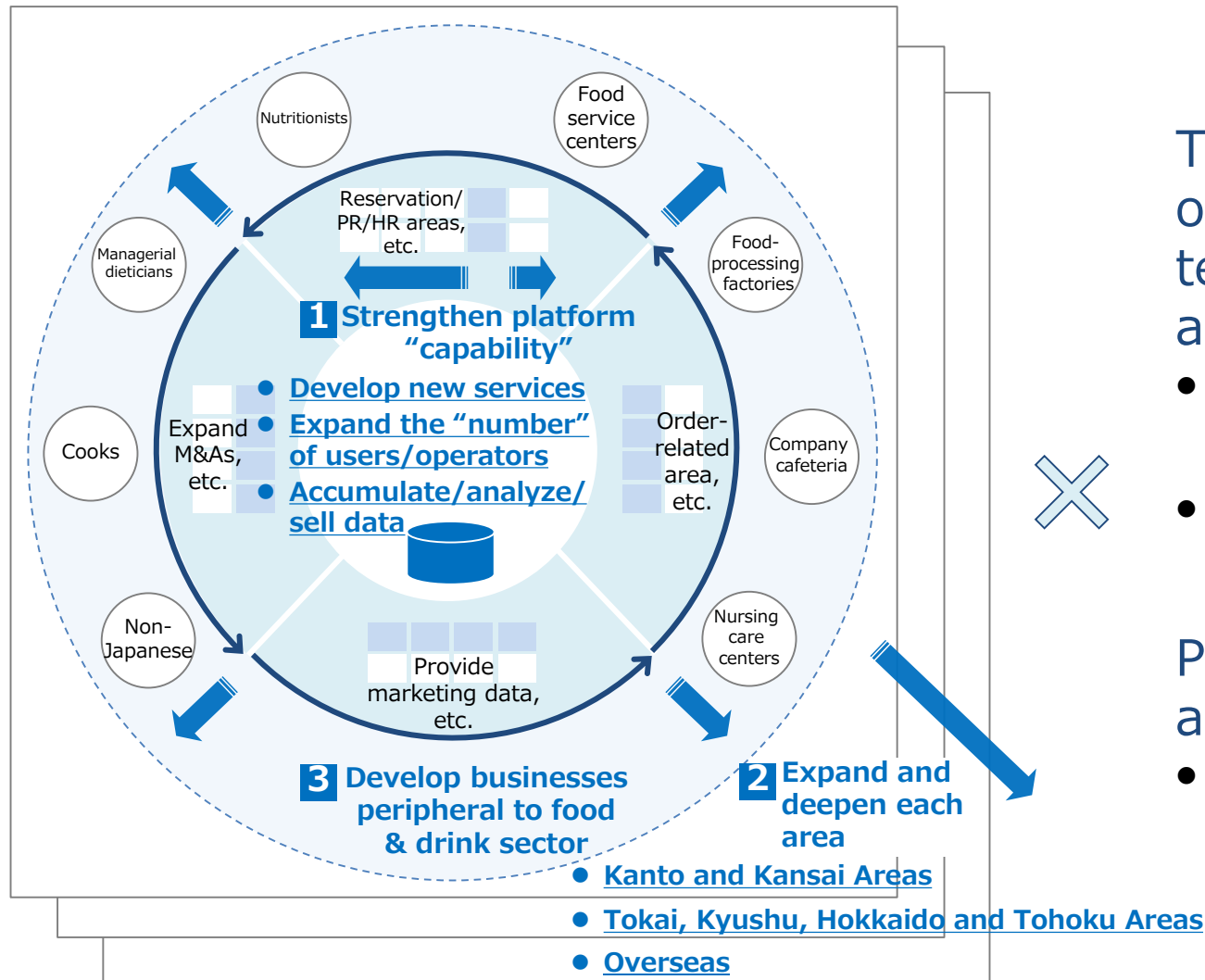
* Number of users registered with Kyujin@inshokuten as job seekers (excluding temporary member registration and withdrawal)

1 FY2018 Q2 Summary

2 Growth Strategy and Future Directions

3 Appendix

Promote the media platform business in accordance with the growth strategy



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

Continue expanding businesses in the second half onward

1

Strengthen platform "capability"

Topics in the first half

- Launch of "Food Job Japan" recruitment website for foreigners (April)
 - ✓ Focus on acquiring companies to be posted for free of charge
- Launch of facial recognition attendance management "Restaurant Staff Time Cards" smartphone app (June)
 - ✓ Charge-free for up to 10 people; 100 yen per month is charged per extra person

Directions in the second half onward

- Encourage switching to paid posting on "Food Job Japan"
- Promote initiatives with Spacee Inc. (Restaurant Staff Time Cards, service to offer restaurants as a meeting/working space, etc.)
- Strengthen sales structure to operators (real estate companies, design companies and foodstuff purchasing companies)
- Start charging for PlaceOrders (foodstuff ordering tool)

2

Expand and deepen each area

- Launch of property service in the Kyushu Area (September)
 - ✓ Kicked off smoothly with 100 properties posted

- Promote property service in the Tokai and Kyushu Areas through strengthening sales structure
- Continue overseas marketing survey

3

Develop businesses peripheral to food & drink sector

- System operation of "FOOD CAREER" service for nutritionists and national registered dieticians
 - ✓ Implement Search Engine Optimization and other measures

- Continue website improvement
- Enhance recruitment and increase career consultants in the staffing business (restaurants and food service)

To achieve the full-year forecast, ensure the closing of delayed booking of revenue, and further strengthen the group-wide structure

(Million yen)	FY2017 Actual (Consolidated)※	FY2018 Q1-Q2 Total Actual (Consolidated)	FY2018 Full-year Forecast (Consolidated)	Progress Rate
Revenue	1,377	826	1,846	44.8%
Operating Profit	595	296	661	44.9%
Recurring Profit	570	296	661	44.9%
Net Income	364	186	444	41.9%

※ We adopted consolidated accounting from full-year FY2017. Financial results of the companies acquired during the consolidated FY2017 are not included as the deemed acquisition date of the consolidated subsidiaries and the timing to include subsidiaries in the scope of consolidation are the last day of the consolidated fiscal year.

1 FY2018 Q2 Summary

2 Growth Strategy and Future Directions

3 Appendix

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

President and CEO

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 Business Department

Yasuhito Ohsuga

- Jun.1999 Joined Andersen Consulting
(currently Accenture Japan Ltd)
- Apr.2003 Director of 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)

Audit & Supervisory Board Member

Noboru Nishioka

Outside Audit & Supervisory Board Member

Yasutomo Inoue

Outside Audit & Supervisory Board Member

Toshihide Nakayama

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)

Outside director

Tsuguhiro Nakagawa

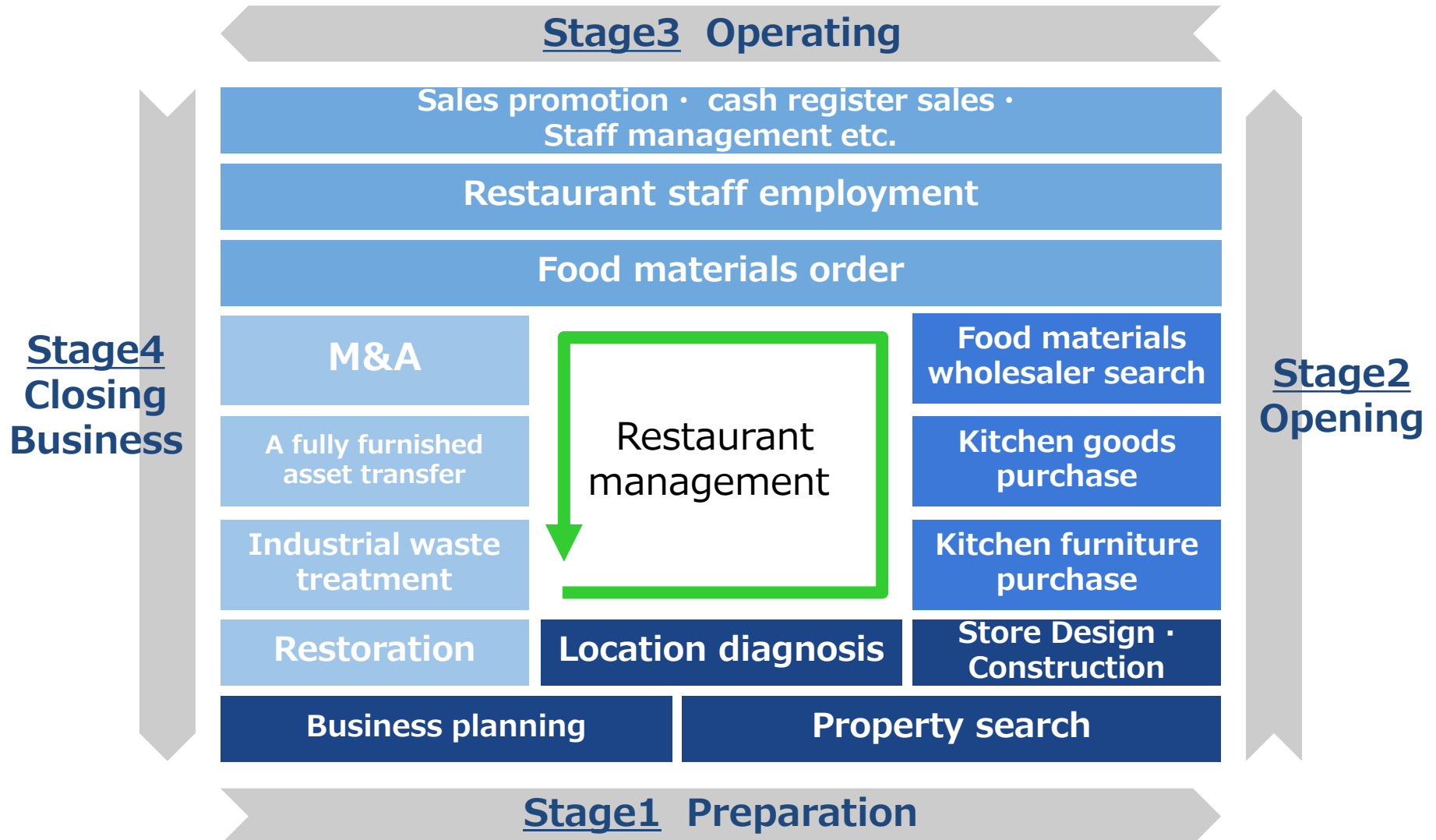
- Apr.1984 Joined Recruit Co., Ltd.
(currently Recruit Holdings Co., Ltd.)
- Oct.1998 President of Tokai Car Sensor Co., Ltd.
(currently Recruit Tokai Car Sensor Co., Ltd.)
- Jun.1999 President of Kyushu Car Sensor Co., Ltd.
(currently Recruit Nishinohon Car Sensor Co., Ltd.)
- Apr.2003 President of 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)

Since our establishment, we have developed multiple media services.

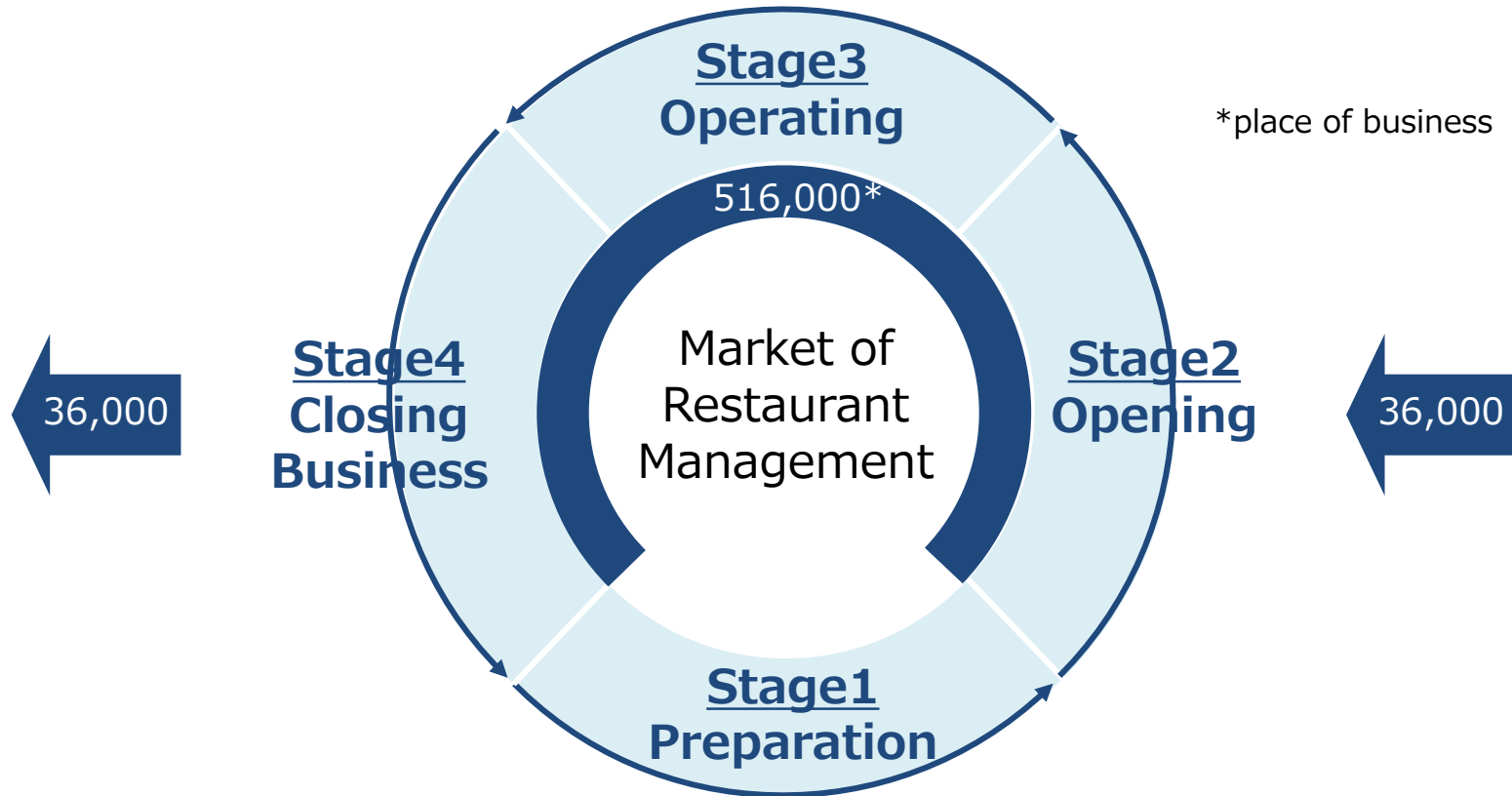
Apr	2003	Established Synchro Food Co., Ltd.
Sept	2003	Started running a restaurant operations support site "Inshokuten.com".
Mar	2005	Created a recruiting site for interior decoration companies "Tenpodesign.com".
Nov	2005	Developed a recruitment information site for interior industry "Kyujin@interiordesing".
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 "Place Orders".
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".

Stage of restaurant management

There are 4 Stages of restaurant management.



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



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

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.



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.



Restaurant M&A Service by Inshokuten.com

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

Users wishing to purchase a business or restaurant can receive desired information by registering with the website. Those wishing to sell their businesses can estimate the sale price using the online appraisal on the website, and receive a free consultation on the sellout. Users can also select the “Self plan” in which they contact directly with the potential purchasers by registering the information on sale.



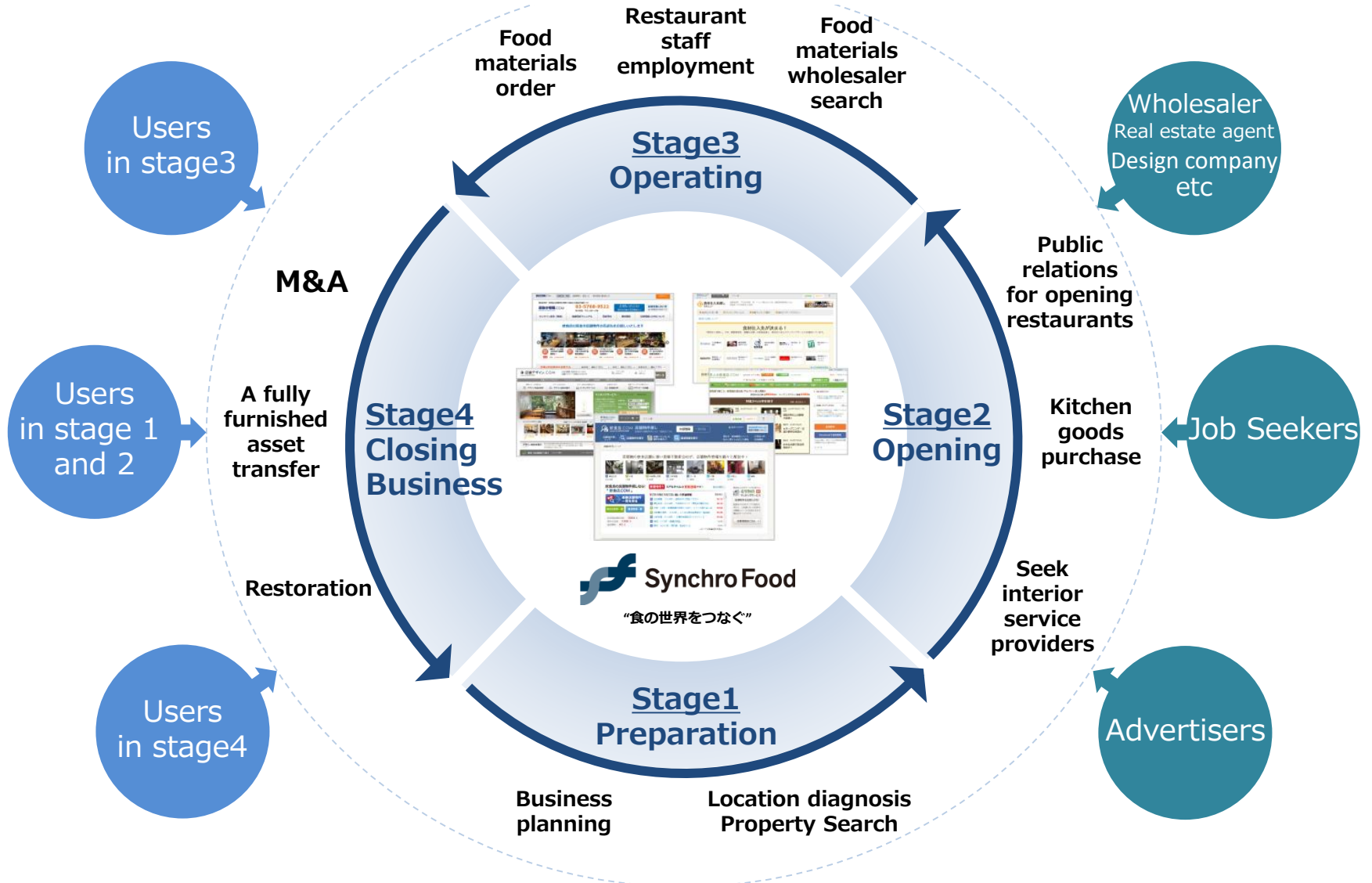
Restaurants Research

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.

Business operators such as food manufacturers and beverage manufacturers can conduct online survey and research to restaurants, which can be utilized for ascertaining their needs in the course of developing food and drinks or plans for restaurants.



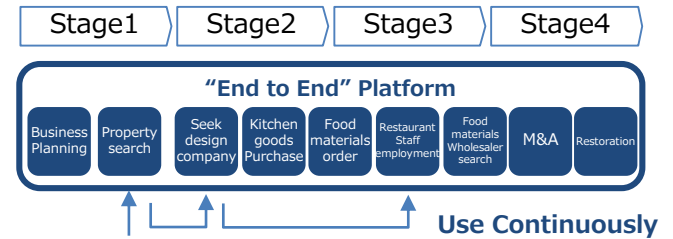
We provide “end-to-end” restaurant management services.
B2B Platform for restaurant management



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



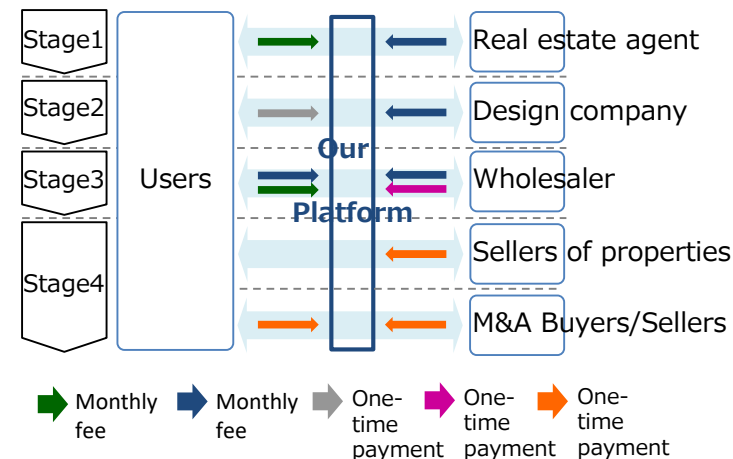
2 Profitability

- 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



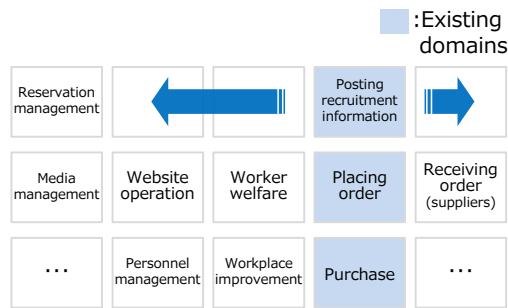
3 Stability

- 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)



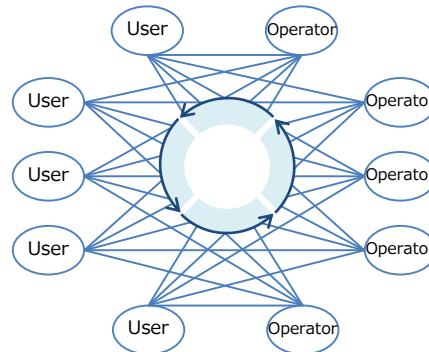
Further strengthen “capability” as a platform, aiming to hold a irreplaceable position to users and business operators

Develop new services



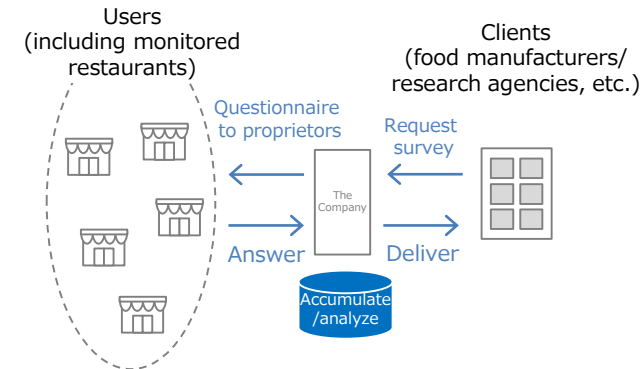
- Plan and develop new services across entire business functions
 - ✓ Priority issues for restaurant management (domains related to recruitment, training and attracting customers)
 - ✓ Domain of order management for raising operational efficiency, etc.
- Promote M&As and alliances as a measure to complement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

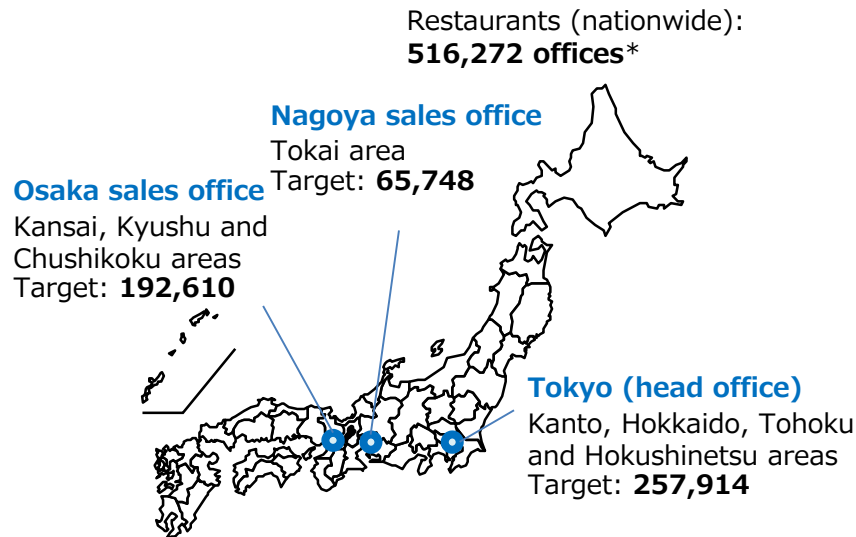
Accumulate/analyze/sell data



- 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.)

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

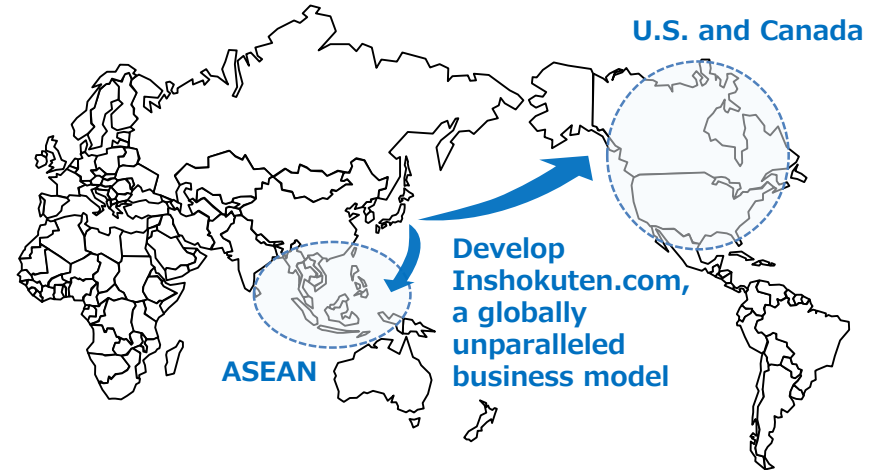
Japan



- 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)

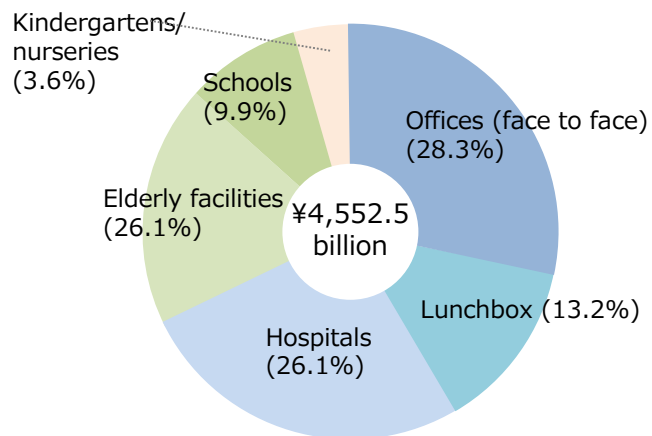
Overseas



- 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

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

Scale of food service market in Japan*1

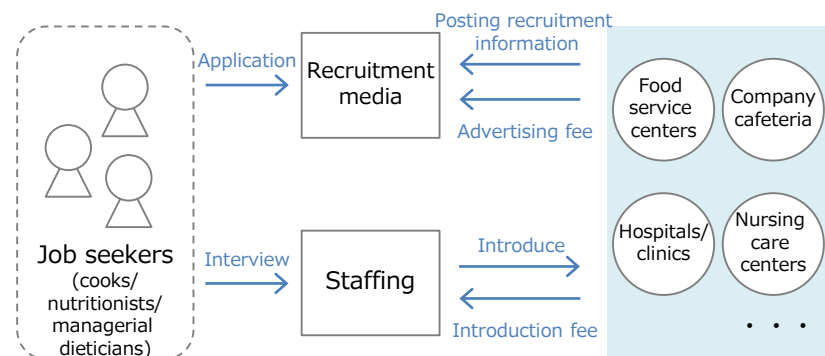


- Food service market in Japan is gradually expanding, grown to the scale of ¥4.5 trillion*1 in FY2015
 - ✓ Given the aging society, food service for elderly facilities and food delivery service are strong, while food services for offices (face to face) and schools show a slight increase
- Number of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

*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"

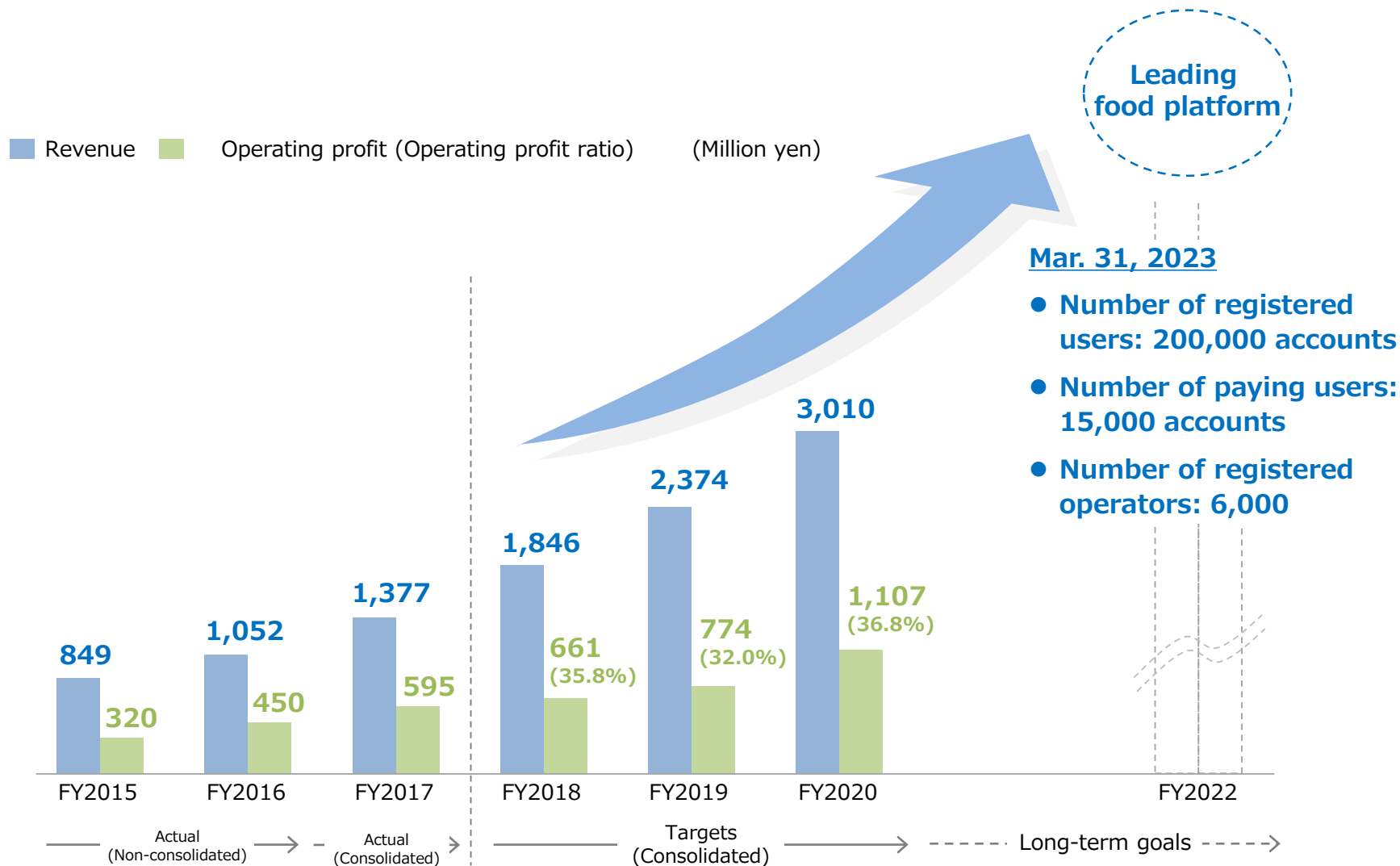
Offer personnel service (by Wit Ltd.)



- 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

Mid-to Long-term Directions

We seek ¥3.0 billion in revenue and ¥1.1 billion in operating profit in FY2020
Build a strong position as a food platform in FY2022



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.