

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]



November 14, 2022

Company name: Synchro Food Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3963
 URL: <https://www.synchro-food.co.jp/>
 Representative: Shinichi Fujishiro, President and CEO and Chief of Operating for the Business Department
 Contact: Masaki Morita, Director & Chief of Operating for the Administrative Department
 Phone: +81-3-5768-9522
 Scheduled date of filing quarterly securities report: November 14, 2022
 Scheduled date of commencing dividend payments: –
 Availability of quarterly financial results briefing materials: Available
 Schedule of quarterly financial results briefing session: Scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 - September 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2022	1,363	71.7	403	304.2	405	300.1	272	266.6
September 30, 2021	794	57.8	99	–	101	–	74	–

Note: Comprehensive income: Six months ended September 30, 2022: 272 million yen [266.6%]

Six months ended September 30, 2021: 74 million yen [–%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	10.24	–
September 30, 2021	2.80	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2022	3,696	3,180	86.0
As of March 31, 2022	3,403	2,871	84.3

Reference: Equity: As of September 30, 2022: 3,179 million yen

As of March 31, 2022: 2,870 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	0.00	–	0.00	0.00
Fiscal year ending March 31, 2023	–	0.00			
Fiscal year ending March 31, 2023 (Forecast)			–	0.00	0.00

Note: Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	2,760	40.9	730	62.0	730	61.2	511	50.4	19.18

Note: Revision to the financial results forecast announced most recently: Yes

For the revision to the consolidated financial results forecast, please see “Notice Concerning Revision to the Financial Results Forecast” announced today (November 14, 2022).

* Notes:

- (1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: – (), Excluded: – ()
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued and outstanding shares (common shares)
 - 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

September 30, 2022:	26,893,800 shares
March 31, 2022:	26,893,800 shares
 - 2) Total number of treasury shares at the end of the period:

September 30, 2022:	201,807 shares
March 31, 2022:	292,607 shares
 - 3) Average number of shares during the period:

Six months ended September 30, 2022:	26,636,421 shares
Six months ended September 30, 2021:	26,559,019 shares

** These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.*

** Explanation of the proper use of financial results forecast and other notes*

The financial results forecast and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable, and are not intended as the Company's guarantee to achieve them. Actual results may differ significantly due to various factors. For conditions underlying the results forecast and matters of note on the use of the results forecast and other material, please see "1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information" on page 4 of Attachments.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	4
2. Quarterly Consolidated Financial Statements and Principal Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Quarterly Consolidated Statements of Cash Flows	9
(4) Notes to Quarterly Consolidated Financial Statements	10
(Notes on going concern assumption)	10
(Notes when there are significant changes in amounts of equity)	10
(Changes in scope of consolidation or equity method)	10
(Additional information)	10
(Segment information, etc.)	11
(Revenue recognition)	12

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2022, despite the impact of COVID-19, the Japanese economy showed some signs of recovery with a trend to vigorously continue social economic activities following the spread of vaccines and other measures. However, the outlook remains unpredictable due to factors such as rising interest rates, particularly in the United States, sharp depreciation of the yen, and soaring raw material and energy costs.

In such a business environment, Synchro Food Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) embraced its vision of “Spreading happiness generated from various eating and drinking experiences throughout Japan and all over the world,” and promoted its businesses under the two management objectives, “Steady implementation in the first year of the new medium-term management plan” and “Promotion of rebranding.”

As a result of the above, the Group’s financial results for the six months ended September 30, 2022 were net sales of 1,363,095 thousand yen (up 71.7% year on year), operating profit of 403,873 thousand yen (up 304.2% year on year), ordinary profit of 405,823 thousand yen (up 300.1% year on year), and profit attributable to owners of parent of 272,935 thousand yen (up 266.6% year on year).

Net sales by service category comprises 1,071,136 thousand yen in Service in Stage 3 (operating) (up 98.3% year on year), 198,153 thousand yen (up 12.5% year on year) in Service in Stages 1, 2, 4 (preparation, opening and closing business), and 93,805 thousand yen (up 20.7% year on year) in Other.

Status by segment is as follows. The Group previously had three reportable segments of Media Platform business, M&A Services business, and Other businesses. However, Synchro Career Co., Ltd., which was the main part of the Other businesses, was dissolved as of July 1, 2021 through an absorption-type merger with the Company as the surviving company. Accordingly, the Company has changed the reportable segments to the following two: Media Platform business and M&A Services business. For details, please see 2. Quarterly Consolidated Financial Statements and Principal Notes (4) Notes to Quarterly Consolidated Financial Statements (Segment information, etc.).

[Media Platform business]

The Media Platform business comprises services offered to restaurant operators through Inshokuten.com as well as services offered to related business operators including real estate agents and food suppliers who offer their services via Inshokuten.com.

As of September 30, 2022, the number of registered Inshokuten.com members was 251,014 (up 13.7% year on year), showing steady growth, helped by a recovery trend in store opening, refurbishment, changes in business format, and other activities continuing from the first quarter. In the recruitment advertising services, although recruitment activities in the restaurant industry were affected by concerns about the resurgence of COVID-19 this summer, net sales increased mainly due to activities to drive the development of new customers and the retention of existing customers.

In addition, the number of real estate agents, interior furnishing service providers and related business operators who provide services via Inshokuten.com, increased to 4,744 companies (up 3.9% year on year) (Note).

As a result of the above, net sales in the Media Platform business were 1,274,850 thousand yen (up 77.3% year on year), and segment profit was 386,359 thousand yen (up 316.6% year on year).

[M&A Services business]

This business comprises M&A-related services such as business transfers and share transfers, and support services to facilitate fully-furnished asset transfers, where the business can be transferred without removing the furnishings of the former restaurant operator.

Continuing from the first quarter, the number of M&A deals and fully-furnished asset transfers remained stable. Furthermore, the number of closings held steady, partly due to progress in closing deals where transfers had been behind schedule.

As a result of the above, net sales in the M&A Services business were 88,244 thousand yen (up 21.7% year on year), and segment profit was 17,093 thousand yen (up 105.9% year on year).

Note: This is the number of operators registered as real estate agents, interior furnishing service providers, and food suppliers as of September 30, 2022.

(2) Explanation of Financial Position

(i) Financial position

(Assets)

Current assets at the end of the six months ended September 30, 2022 increased by 296,442 thousand yen from the end of the previous fiscal year to 3,513,808 thousand yen. The increase was mainly attributable to a rise in cash and deposits (an increase of 273,231 thousand yen from the end of the previous fiscal year) as a result of an increase in sales. Non-current assets decreased by 3,057 thousand yen from the end of the previous fiscal year to 182,594 thousand yen. As a result of the above, total assets amounted to 3,696,403 thousand yen (an increase of 293,384 thousand yen from the end of the previous fiscal year).

(Liabilities)

Current liabilities at the end of the six months ended September 30, 2022 decreased by 15,603 thousand yen from the end of the previous fiscal year to 501,980 thousand yen. The main increasing factor was an increase in contract liabilities (an increase of 15,766 thousand yen from the end of the previous fiscal year). The main decreasing factor was a decrease in accrued consumption taxes (a decrease of 31,831 thousand yen from the end of the previous fiscal year). Non-current liabilities increased by 82 thousand yen from the end of the previous fiscal year to 14,280 thousand yen. As a result of the above, total liabilities amounted to 516,260 thousand yen (a decrease of 15,521 thousand yen from the end of the previous fiscal year).

(Net assets)

Net assets at the end of the six months ended September 30, 2022 increased by 308,905 thousand yen from the end of the previous fiscal year to 3,180,143 thousand yen. The increase was mainly attributable to an increase in retained earnings (an increase of 259,460 thousand yen from the end of the previous fiscal year) as a result of reporting profit attributable to owners of parent.

(ii) Cash flows

The balance of cash and cash equivalents (“net cash”) at the end of the six months ended September 30, 2022 was 3,311,082 thousand yen, an increase of 273,230 thousand yen from the end of the previous fiscal year. The status of cash flows at the end of the six months ended September 30, 2022 and their underlying factors are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 296,655 thousand yen (288,190 thousand yen provided in the same period of the previous fiscal year). This was mainly attributable to the reporting of profit before income taxes of 405,826 thousand yen and income taxes paid of 127,821 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities was 23,425 thousand yen (120,045 thousand yen provided in the same period of the previous fiscal year). This was mainly attributable to purchase of property, plant and equipment of 18,905 thousand yen.

(Cash flows from financing activities)

No net cash was provided by or used in financing activities (no net cash provided by or used in the same period of the previous fiscal year as well).

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

During the six months ended September 30, 2022, recruitment ads posting services particularly grew despite the impact of the seventh wave of COVID-19, and net sales, operating profit, ordinary profit, and profit attributable to owners of parent exceeded initial forecasts. Therefore, the Company decided to revise the Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 announced on May 13, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes
(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	3,087,912	3,361,143
Accounts receivable - trade	101,617	102,133
Inventories	1,619	–
Prepaid expenses	32,951	55,255
Other	3,090	6,628
Allowance for doubtful accounts	(9,826)	(11,352)
Total current assets	3,217,366	3,513,808
Non-current assets		
Property, plant and equipment		
Buildings, net	40,536	35,094
Tools, furniture and fixtures, net	2,765	6,792
Total property, plant and equipment	43,302	41,886
Intangible assets		
Software	1,439	771
Total intangible assets	1,439	771
Investments and other assets		
Investment securities	–	4,344
Investments in capital	300	300
Leasehold and guarantee deposits	114,611	114,883
Deferred tax assets	22,275	15,353
Other	3,723	5,055
Total investments and other assets	140,910	139,937
Total non-current assets	185,652	182,594
Total assets	3,403,018	3,696,403

(Thousand yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	12,734	16,315
Accounts payable - other	41,335	48,505
Accrued expenses	25,625	25,229
Contract liabilities	194,467	210,233
Income taxes payable	140,948	138,426
Accrued consumption taxes	82,634	50,803
Asset retirement obligations	8,865	–
Other	10,972	12,466
Total current liabilities	517,583	501,980
Non-current liabilities		
Asset retirement obligations	14,198	14,280
Total non-current liabilities	14,198	14,280
Total liabilities	531,781	516,260
Net assets		
Shareholders' equity		
Share capital	510,517	510,517
Capital surplus	498,517	498,517
Retained earnings	2,020,688	2,280,148
Treasury shares	(159,349)	(109,900)
Total shareholders' equity	2,870,374	3,179,283
Share acquisition rights	863	860
Total net assets	2,871,237	3,180,143
Total liabilities and net assets	3,403,018	3,696,403

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended September 30

(Thousand yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	794,043	1,363,095
Cost of sales	115,201	163,367
Gross profit	678,841	1,199,727
Selling, general and administrative expenses	578,932	795,854
Operating profit	99,908	403,873
Non-operating income		
Interest income	33	15
Dividend income	6	6
Foreign exchange gains	–	96
Interest on tax refund	725	–
Subsidy income	600	1,631
Facility rental income	150	200
Total non-operating income	1,515	1,950
Ordinary profit	101,424	405,823
Extraordinary income		
Gain on reversal of share acquisition rights	–	3
Total extraordinary income	–	3
Profit before income taxes	101,424	405,826
Income taxes - current	33,738	126,100
Income taxes - deferred	(6,760)	6,790
Total income taxes	26,977	132,891
Profit	74,446	272,935
Profit attributable to owners of parent	74,446	272,935

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Thousand yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	74,446	272,935
Comprehensive income	74,446	272,935
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	74,446	272,935
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	101,424	405,826
Depreciation	3,991	19,140
Share-based payment expenses	9,989	14,073
Increase (decrease) in allowance for doubtful accounts	(2,147)	1,526
Interest and dividend income	(39)	(21)
Foreign exchange losses (gains)	–	(96)
Subsidy income	(600)	(1,631)
Interest on tax refund	(725)	–
Decrease (increase) in trade receivables	8,397	(516)
Decrease (increase) in inventories	–	993
Decrease (increase) in prepaid expenses	(1,245)	3,941
Decrease (increase) in consumption taxes refund receivable	32,267	–
Increase (decrease) in trade payables	(1,407)	3,580
Increase (decrease) in contract liabilities	6,333	15,766
Increase (decrease) in accounts payable - other	775	(4,467)
Increase (decrease) in accrued expenses	100	231
Increase (decrease) in accrued consumption taxes	34,194	(31,831)
Other, net	(9,111)	(3,691)
Subtotal	182,196	422,823
Interest and dividends received	39	21
Subsidies received	600	1,631
Income taxes paid	(642)	(127,821)
Income taxes refund and interest on refund of income taxes received	105,996	–
Net cash provided by (used in) operating activities	288,190	296,655
Cash flows from investing activities		
Payments into time deposits	(50,060)	(50,061)
Proceeds from withdrawal of time deposits	170,085	50,060
Purchase of property, plant and equipment	–	(18,905)
Purchase of investment securities	–	(4,247)
Proceeds from divestments	20	–
Payments of leasehold and guarantee deposits	–	(771)
Proceeds for lease and guarantee deposits	–	500
Net cash provided by (used in) investing activities	120,045	(23,425)
Cash flows from financing activities		
Net cash provided by (used in) financing activities	–	–
Net increase (decrease) in cash and cash equivalents	408,235	273,230
Cash and cash equivalents at beginning of period	2,173,723	3,037,851
Cash and cash equivalents at end of period	2,581,958	3,311,082

(4) Notes to Quarterly Consolidated Financial Statements
(Notes on going concern assumption)

Not applicable.

(Notes when there are significant changes in amounts of equity)

Not applicable.

(Changes in scope of consolidation or equity method)

During the three months ended June 30, 2022, the Company excluded Nicoshigoto Co., Ltd. from the scope of consolidation due to the completion of liquidation.

(Additional information)

Accounting estimates related to the impact of the COVID-19 pandemic

There is no significant change from the information included in (Significant accounting estimates) on the Securities Report of the previous fiscal year.

(Segment information, etc.)

[Segment information]

I For the six months ended September 30, 2021

1. Information on net sales and profit or loss by reportable segment and disaggregation of revenue

(Thousand yen)

	Reportable segment				Adjustment (Note 1)	Amount recorded in the quarterly consolidated statements of income (Note 2)
	Media platform	M&A services	Other	Total		
Net sales						
Advertising and related services (Note 4)	602,442	-	-	602,442	-	602,442
Marketing services (Note 5)	38,175	-	-	38,175	-	38,175
Pay-for-performance services (Note 6)	6,834	72,517	2,418	81,770	-	81,770
Other (Note 7)	71,540	-	117	71,657	-	71,657
Revenue from contracts with customers	718,992	72,517	2,535	794,046	-	794,046
Net sales to external customers	718,990	72,517	2,535	794,043	-	794,043
Inter-segment sales or transfers	2	-	-	2	(2)	-
Total	718,992	72,517	2,535	794,046	(2)	794,043
Segment profit or loss	92,738	8,300	(2,064)	98,974	934	99,908
Other items						
Depreciation (Note 3)	2,951	212	51	3,215	-	3,215

- Notes:
1. Adjustment for segment profit or loss refers to the elimination of inter-segment transactions.
 2. The total amount of segment profit or loss is adjusted with operating profit in the quarterly consolidated statements of income.
 3. Assets are not specifically allocated to reportable segments, but depreciation is allocated.
 4. Advertising and related services primarily generate revenue from posting of recruitment ads and store property information, and services that enhance the effects of ads posted.
 5. Marketing services primarily generate revenue from Internet surveys on restaurants, and the distribution of e-mail newsletters to members of Inshokuten.com.
 6. Pay-for-performance services mainly comprise revenue from matching services in Inshokuten.com, revenue from opening fees in the food truck sharing and matching business and M&A Services business in subsidiaries.
 7. Other mainly comprises revenue from e-mail newsletter delivery services to job seekers, and monthly subscription services.

II For the six months ended September 30, 2022

1. Information on net sales and profit or loss by reportable segment and disaggregation of revenue

(Thousand yen)

	Reportable segment			Adjustment (Note 1)	Amount recorded in the quarterly consolidated statements of income (Note 2)
	Media platform	M&A services	Total		
Net sales					
Advertising and related services (Note 4)	1,048,323	-	1,048,323	-	1,048,323
Marketing services (Note 5)	33,983	-	33,983	-	33,983
Pay-for-performance services (Note 6)	37,162	88,244	125,407	-	125,407
Other (Note 7)	155,381	-	155,381	-	155,381
Revenue from contracts with customers	1,274,850	88,244	1,363,095	-	1,363,095
Net sales to external customers	1,274,850	88,244	1,363,095	-	1,363,095
Inter-segment sales or transfers	-	-	-	-	-
Total	1,274,850	88,244	1,363,095	-	1,363,095
Segment profit	386,359	17,093	403,453	420	403,873
Other items					
Depreciation (Note 3)	18,827	312	19,140	-	19,140

- Notes:
1. Adjustment for segment profit refers to the elimination of inter-segment transactions.
 2. The total amount of segment profit is adjusted with operating profit in the quarterly consolidated statements of income.
 3. Assets are not specifically allocated to reportable segments, but depreciation is allocated.
 4. Advertising and related services primarily generate revenue from posting of recruitment ads and store property information, and services that enhance the effects of ads posted.
 5. Marketing services primarily generate revenue from Internet surveys on restaurants, and the distribution of e-mail newsletters to members of Inshokuten.com.
 6. Pay-for-performance services mainly comprise revenue from matching services in Inshokuten.com, revenue from opening fees in the food truck sharing and matching business and M&A Services business in subsidiaries.
 7. Other mainly comprises revenue from e-mail newsletter delivery services to job seekers, and monthly subscription services.

2. Matters related to changes in reportable segments

The Group previously had three reportable segments of Media Platform business, M&A Services business, and Other businesses. However, Synchron Career Co., Ltd., which was the main part of the Other businesses, was dissolved as of July 1, 2021 through an absorption-type merger with the Company as the surviving company. Accordingly, the Company has changed the reportable segments to the following two: Media Platform business and M&A Services business.

(Revenue recognition)

Disaggregation of revenue from contracts with customers is as presented in “Notes (Segment information, etc.)”