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Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]



November 13, 2023

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
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 Scheduled date of filing quarterly securities report: November 13, 2023
 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, 2023 (April 1, 2023 - September 30, 2023)

(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, 2023	1,741	27.7	471	16.7	470	15.8	321	18.0
September 30, 2022	1,363	71.7	403	304.2	405	300.1	272	266.6

Note: Comprehensive income: Six months ended September 30, 2023: 323 million yen [18.4%]

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	12.06	12.03
September 30, 2022	10.24	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	4,601	3,860	83.9
As of March 31, 2023	4,274	3,534	82.7

Reference: Equity: As of September 30, 2023: 3,859 million yen

As of March 31, 2023: 3,533 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, 2023	–	0.00	–	0.00	0.00
Fiscal year ending March 31, 2024	–	0.00			
Fiscal year ending March 31, 2024 (Forecast)			–	10.00	10.00

Note: Revision to the forecast for dividends announced most recently: Yes

Note: Breakdown of the year-end dividend for the fiscal year ending March 31, 2024 (forecast):
ordinary dividend: 5.00 yen; commemorative dividend: 5.00 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	3,500	19.4	1,000	14.1	1,000	13.9	700	11.4	26.22

Note: Revision to the financial results forecast announced most recently: None

* 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, 2023:	26,893,800 shares
March 31, 2023:	26,893,800 shares
 - 2) Total number of treasury shares at the end of the period:

September 30, 2023:	198,712 shares
March 31, 2023:	201,807 shares
 - 3) Average number of shares during the period:

Six months ended September 30, 2023:	26,693,210 shares
Six months ended September 30, 2022:	26,636,421 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2023, the Japanese economy was on a gradual recovery trend as the employment and income landscape improved. However, the outlook remains unpredictable as careful attention must be paid to the impact of fluctuations in financial and capital markets, among others, in addition to soaring resource prices and rises in commodity prices.

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, “Surely implement new Medium-Term Management Plan” and “Promote efforts toward dynamic growth.”

As a result of the above, the Group’s financial results for the six months ended September 30, 2023 were net sales of 1,741,042 thousand yen (up 27.7% year on year), operating profit of 471,145 thousand yen (up 16.7% year on year), ordinary profit of 470,069 thousand yen (up 15.8% year on year), and profit attributable to owners of parent of 321,994 thousand yen (up 18.0% year on year).

Net sales by service category comprises 1,432,165 thousand yen in Service in Stage 3 (operating) (up 33.7% year on year), 203,994 thousand yen (up 2.9% year on year) in Service in Stages 1, 2, 4 (preparation, opening and closing business), and 104,882 thousand yen (up 11.8% year on year) in Other.

Status by segment is as follows.

[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, 2023, the number of registered Inshokuten.com members was 278,348 (up 10.9% year on year), showing steady growth, helped by a steady trend in store opening, refurbishment, changes in business format, and other activities. In the recruitment advertising services, active recruitment continued in the restaurant industry, and net sales increased mainly due to continuous improvement of websites, and activities to drive the development of new clients in both direct sales and agency channels 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 4,920 companies (up 3.7% year on year) (Note).

As a result of the above, net sales in the Media Platform business were 1,657,451 thousand yen (up 30.0% year on year), and segment profit was 482,749 thousand yen (up 24.9% 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.

As for the numbers of inquiries on assets sale, while M&A-related figures showed some moderation, figures related to fully-furnished asset transfers remained at a high level. In M&A services, sales progress was somewhat stagnant, partly because not all deals were closed whose timing of transfer had been pushed back.

As a result of the above, net sales in the M&A Services business were 83,590 thousand yen (down 5.3% year on year), and segment loss was 12,244 thousand yen (segment profit of 17,093 thousand yen in the same period of the previous year).

Note: This is the number of operators registered as real estate agents, interior furnishing service providers, and food suppliers as of September 30, 2023.

(2) Explanation of Financial Position

(i) Financial position

(Assets)

Current assets at the end of the six months ended September 30, 2023 decreased by 17,866 thousand yen from the end of the previous fiscal year to 4,098,207 thousand yen. The decrease was mainly attributable to a decrease in cash and deposits (a decrease of 43,803 thousand yen from the end of the previous fiscal year) due to the payment for the transfer of the business of Naisokenchiku.com and income taxes payable. Non-current assets increased by 344,264 thousand yen from the end of the previous fiscal year to 503,078 thousand yen. As a result of the above, total assets amounted to 4,601,286 thousand yen (an increase of 326,398 thousand yen from the end of the previous fiscal year).

(Liabilities)

Current liabilities at the end of the six months ended September 30, 2023 increased by 743 thousand yen from the end of the previous fiscal year to 718,266 thousand yen. The main increasing factor was an increase in accounts payable - other (an increase of 69,268 thousand yen from the end of the previous fiscal year). The main decreasing factor was a decrease in accrued consumption taxes (a decrease of 69,825 thousand yen from the end of the previous fiscal year). Non-current liabilities increased by 107 thousand yen from the end of the previous fiscal year to 22,651 thousand yen. As a result of the above, total liabilities amounted to 740,918 thousand yen (an increase of 850 thousand yen from the end of the previous fiscal year).

(Net assets)

Net assets at the end of the six months ended September 30, 2023 increased by 325,547 thousand yen from the end of the previous fiscal year to 3,860,368 thousand yen. The main increasing factor was an increase in retained earnings (an increase of 321,994 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, 2023 was 3,839,702 thousand yen, a decrease of 43,804 thousand yen from the end of the previous fiscal year. The status of cash flows in the six months ended September 30, 2023 and their underlying factors are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 241,788 thousand yen (296,655 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 470,069 thousand yen and income taxes paid of 178,391 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities was 285,593 thousand yen (23,425 thousand yen used in the same period of the previous fiscal year). This was mainly attributable to payments for acquisition of businesses of 250,064 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

As for the financial results forecast, there is no change from the financial results forecast announced on May 12, 2023 in FY2022 Financial Results Briefing Materials at the moment.

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

(Thousand yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	3,933,568	3,889,764
Accounts receivable - trade	146,895	161,428
Prepaid expenses	38,576	45,732
Other	4,232	9,183
Allowance for doubtful accounts	(7,197)	(7,901)
Total current assets	4,116,074	4,098,207
Non-current assets		
Property, plant and equipment		
Buildings, net	41,244	39,097
Tools, furniture and fixtures, net	5,484	4,780
Total property, plant and equipment	46,729	43,878
Intangible assets		
Goodwill	–	166,762
Customer-related intangible assets	–	75,880
Software	103	–
Total intangible assets	103	242,642
Investments and other assets		
Investment securities	13,353	14,958
Investments in capital	300	300
Leasehold and guarantee deposits	71,326	106,290
Deferred tax assets	17,280	91,457
Other	9,720	3,551
Total investments and other assets	111,980	216,556
Total non-current assets	158,813	503,078
Total assets	4,274,888	4,601,286

(Thousand yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	43,969	27,213
Accounts payable - other	89,104	158,373
Accrued expenses	38,327	41,110
Income taxes payable	192,638	155,180
Accrued consumption taxes	86,934	17,109
Contract liabilities	252,370	300,181
Deposits received	14,151	19,073
Other	24	24
Total current liabilities	717,522	718,266
Non-current liabilities		
Asset retirement obligations	22,544	22,651
Total non-current liabilities	22,544	22,651
Total liabilities	740,067	740,918
Net assets		
Shareholders' equity		
Share capital	510,517	510,517
Capital surplus	498,517	499,131
Retained earnings	2,634,828	2,956,823
Treasury shares	(109,900)	(108,215)
Total shareholders' equity	3,533,962	3,858,257
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	–	1,253
Total accumulated other comprehensive income	–	1,253
Share acquisition rights	858	858
Total net assets	3,534,820	3,860,368
Total liabilities and net assets	4,274,888	4,601,286

(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, 2022	For the six months ended September 30, 2023
Net sales	1,363,095	1,741,042
Cost of sales	163,367	288,830
Gross profit	1,199,727	1,452,211
Selling, general and administrative expenses	795,854	981,066
Operating profit	403,873	471,145
Non-operating income		
Interest income	15	19
Dividend income	6	6
Foreign exchange gains	96	–
Subsidy income	1,631	–
Facility rental income	200	–
Total non-operating income	1,950	25
Non-operating expenses		
Settlement payments	–	900
Other	–	201
Total non-operating expenses	–	1,101
Ordinary profit	405,823	470,069
Extraordinary income		
Gain on reversal of share acquisition rights	3	–
Total extraordinary income	3	–
Profit before income taxes	405,826	470,069
Income taxes - current	126,100	141,785
Income taxes - deferred	6,790	6,289
Total income taxes	132,891	148,075
Profit	272,935	321,994
Profit attributable to owners of parent	272,935	321,994

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Thousand yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	272,935	321,994
Other comprehensive income		
Valuation difference on available-for-sale securities	–	1,253
Total other comprehensive income	–	1,253
Comprehensive income	272,935	323,247
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	272,935	323,247
Comprehensive income attributable to non-controlling interests	–	–

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	405,826	470,069
Depreciation	19,140	2,954
Amortization of goodwill	–	14,993
Amortization of customer-related assets	–	6,898
Share-based payment expenses	14,073	9,136
Increase (decrease) in allowance for doubtful accounts	1,526	703
Interest and dividend income	(21)	(25)
Foreign exchange losses (gains)	(96)	201
Subsidy income	(1,631)	–
Settlement payments	–	900
Decrease (increase) in trade receivables	(516)	(8,629)
Decrease (increase) in inventories	993	–
Decrease (increase) in prepaid expenses	3,941	(13,992)
Increase (decrease) in trade payables	3,580	(16,756)
Increase (decrease) in contract liabilities	15,766	36,286
Increase (decrease) in accounts payable - other	(4,467)	(8,731)
Increase (decrease) in accrued expenses	231	2,782
Increase (decrease) in accrued consumption taxes	(31,831)	(69,825)
Other, net	(3,691)	(5,909)
Subtotal	422,823	421,054
Interest and dividends received	21	25
Subsidies received	1,631	–
Settlement paid	–	(900)
Income taxes paid	(127,821)	(178,391)
Net cash provided by (used in) operating activities	296,655	241,788
Cash flows from investing activities		
Payments into time deposits	(50,061)	(50,062)
Proceeds from withdrawal of time deposits	50,060	50,061
Purchase of property, plant and equipment	(18,905)	(564)
Purchase of investment securities	(4,247)	–
Payments of leasehold and guarantee deposits	(771)	(34,963)
Proceeds for lease and guarantee deposits	500	–
Payments for acquisition of businesses	–	(250,064)
Net cash provided by (used in) investing activities	(23,425)	(285,593)
Cash flows from financing activities		
Net cash provided by (used in) financing activities	–	–
Net increase (decrease) in cash and cash equivalents	273,230	(43,804)
Cash and cash equivalents at beginning of period	3,037,851	3,883,507
Cash and cash equivalents at end of period	3,311,082	3,839,702

(3) 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.

(Segment information, etc.)

[Segment information]

I For the six months ended September 30, 2022

1. Information on net sales and profit 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.

II For the six months ended September 30, 2023

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)	1,270,089	—	1,270,089	—	1,270,089
Marketing services (Note 5)	32,078	—	32,078	—	32,078
Pay-for-performance services (Note 6)	96,952	73,421	170,373	—	170,373
Other (Note 7)	258,331	10,169	268,501	—	268,501
Revenue from contracts with customers	1,657,451	83,590	1,741,042	—	1,741,042
Net sales to external customers	1,657,451	83,590	1,741,042	—	1,741,042
Inter-segment sales or transfers	—	—	—	—	—
Total	1,657,451	83,590	1,741,042	—	1,741,042
Segment profit or loss	482,749	(12,244)	470,505	640	471,145
Other items					
Depreciation (Note 3)	9,822	29	9,852	—	9,852
Amortization of goodwill (Note 3)	14,380	612	14,993	—	14,993

- 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 (including amortization of intangible assets other than goodwill) and amortization of goodwill are 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. Information on impairment loss on non-current assets and goodwill by reportable segment

(Significant change in amount of goodwill)

Tentative measures were taken in the three months ended June 30, 2023 to account for the acquisition of business from SHELFY Co., Ltd. in the “Media Platform business” segment. The accounting for this acquisition was finalized in the three months ended September 30, 2023. As a result, the amount of goodwill in the “Media Platform business” segment was adjusted downward.

Details are as presented in “(3) Notes to Quarterly Consolidated Financial Statements (Business combinations, etc.).”

(Business combinations, etc.)

(Finalization of tentative accounting related to business combination)

Tentative measures were taken in the three months ended June 30, 2023 to account for the acquisition of business from SHELFY Co., Ltd., which took place on April 20, 2023. The accounting for this acquisition was finalized in the three months ended September 30, 2023.

As a result, customer-related intangible assets totaling 82,778 thousand yen and deferred tax liability totaling 25,346 thousand yen were newly recognized. They will be amortized evenly over a six-year period.

Due to the finalization of the accounting, the amount of goodwill of 230,002 thousand yen, which had been tentatively calculated, was adjusted downward by 57,431 thousand yen, resulting in a final amount of 172,570 thousand yen. The amortization period of goodwill remains unchanged.

(Revenue recognition)

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