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Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]



February 14, 2024

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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 Phone: +81-3-5768-9522
 Scheduled date of filing quarterly securities report: February 14, 2024
 Scheduled date of commencing dividend payments: –
 Availability of quarterly financial results briefing materials: Available
 Schedule of quarterly financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 - December 31, 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	%
Nine months ended December 31, 2023	2,654	26.1	761	17.4	760	17.0	518	18.3
December 31, 2022	2,105	54.1	648	135.6	650	134.7	438	145.2

Note: Comprehensive income: Nine months ended December 31, 2023: 519 million yen [18.5%]
 Nine months ended December 31, 2022: 438 million yen [145.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2023	19.42	19.37
December 31, 2022	16.44	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2023	4,706	4,056	86.2
As of March 31, 2023	4,274	3,534	82.7

Reference: Equity: As of December 31, 2023: 4,055 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: None

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):

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

December 31, 2023:	198,733 shares
March 31, 2023:	201,807 shares
 - 3) Average number of shares during the period:

Nine months ended December 31, 2023:	26,693,836 shares
Nine months ended December 31, 2022:	26,655,012 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 3 of Attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended December 31, 2023, the Japanese economy saw an improvement in the employment and income environment, a recovery in inbound demand, and other developments indicating further progress in the normalization of economic activities. 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 nine months ended December 31, 2023 were net sales of 2,654,971 thousand yen (up 26.1% year on year), operating profit of 761,382 thousand yen (up 17.4% year on year), ordinary profit of 760,306 thousand yen (up 17.0% year on year), and profit attributable to owners of parent of 518,628 thousand yen (up 18.3% year on year).

Net sales by service category comprises 2,168,868 thousand yen in Service in Stage 3 (operating) (up 30.3 % year on year), 328,225 thousand yen (up 9.0% year on year) in Service in Stages 1, 2, 4 (preparation, opening and closing business), and 157,878 thousand yen (up 12.8 % 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 December 31, 2023, the number of registered Inshokuten.com members was 284,360 (up 10.5% 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 owing to aggressive sales activities in both direct sales and agency channels.

In addition, the number of real estate agents, interior furnishing service providers and related business operators who provide services via Inshokuten.com, increased to 4,951 companies (up 3.5% year on year) (Note).

As a result of the above, net sales in the Media Platform business were 2,507,005 thousand yen (up 27.2 % year on year), and segment profit was 760,682 thousand yen (up 22.4 % 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 the same level as the second quarter. Meanwhile, there was steady progress in the closing of deals in M&A-related services, including deals whose timing of transfer was pushed back from the first half.

As a result of the above, net sales in the M&A Services business were 147,966 thousand yen (up 9.7% year on year), and segment loss was 260 thousand yen (segment profit of 26,528 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 December 31, 2023. (Not including the number of interior furnishing service providers registered with Naisokenchiku.com)

(2) Explanation of Financial Position

(Assets)

Current assets at the end of the nine months ended December 31, 2023 increased by 86,341 thousand yen from the end of the previous fiscal year to 4,202,416 thousand yen. The increase was mainly attributable to an increase in cash and deposits (an increase of 70,378 thousand yen from the end of the previous fiscal year) due to an increase in net sales. Non-current assets increased by 345,040 thousand yen from the end of the previous fiscal year to 503,853 thousand yen. The increase was mainly attributable to an increase in goodwill (an increase of 159,112 thousand yen from the end of the previous fiscal year) and an increase in customer-related intangible assets (an increase of 72,431 thousand yen from the end of the previous fiscal year). As a result of the above, total assets amounted to 4,706,269 thousand yen (an increase of 431,381 thousand yen from the end of the previous fiscal year).

(Liabilities)

Current liabilities at the end of the nine months ended December 31, 2023 decreased by 90,399 thousand yen from the end of the previous fiscal year to 627,123 thousand yen. The main decreasing factor was a decrease in income taxes payable (a decrease of 79,594 thousand yen from the end of the previous fiscal year). Non-current liabilities increased by 160 thousand yen from the end of the previous fiscal year to 22,705 thousand yen. As a result of the above, total liabilities amounted to 649,828 thousand yen (a decrease of 90,238 thousand yen from the end of the previous fiscal year).

(Net assets)

Net assets at the end of the nine months ended December 31, 2023 increased by 521,620 thousand yen from the end of the previous fiscal year to 4,056,441 thousand yen. The main increasing factor was an increase in retained earnings (an increase of 518,628 thousand yen from the end of the previous fiscal year) as a result of reporting profit attributable to owners of parent.

(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 December 31, 2023
Assets		
Current assets		
Cash and deposits	3,933,568	4,003,946
Accounts receivable - trade	146,895	138,596
Prepaid expenses	38,576	53,213
Income taxes refund receivable	–	488
Other	4,232	13,165
Allowance for doubtful accounts	(7,197)	(6,994)
Total current assets	4,116,074	4,202,416
Non-current assets		
Property, plant and equipment		
Buildings, net	41,244	47,724
Tools, furniture and fixtures, net	5,484	13,964
Total property, plant and equipment	46,729	61,689
Intangible assets		
Goodwill	–	159,112
Customer-related intangible assets	–	72,431
Software	103	–
Total intangible assets	103	231,544
Investments and other assets		
Investment securities	13,353	14,183
Investments in capital	300	300
Leasehold and guarantee deposits	71,326	106,470
Deferred tax assets	17,280	82,824
Other	9,720	6,842
Total investments and other assets	111,980	210,620
Total non-current assets	158,813	503,853
Total assets	4,274,888	4,706,269

(Thousand yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	43,969	18,950
Accounts payable - other	89,104	83,483
Accrued expenses	38,327	60,143
Income taxes payable	192,638	113,044
Accrued consumption taxes	86,934	29,672
Contract liabilities	252,370	308,639
Deposits received	14,151	12,847
Other	24	340
Total current liabilities	717,522	627,123
Non-current liabilities		
Asset retirement obligations	22,544	22,705
Total non-current liabilities	22,544	22,705
Total liabilities	740,067	649,828
Net assets		
Shareholders' equity		
Share capital	510,517	510,517
Capital surplus	498,517	499,131
Retained earnings	2,634,828	3,153,457
Treasury shares	(109,900)	(108,230)
Total shareholders' equity	3,533,962	4,054,875
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	–	715
Total accumulated other comprehensive income	–	715
Share acquisition rights	858	850
Total net assets	3,534,820	4,056,441
Total liabilities and net assets	4,274,888	4,706,269

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net sales	2,105,508	2,654,971
Cost of sales	258,233	432,678
Gross profit	1,847,275	2,222,293
Selling, general and administrative expenses	1,198,823	1,460,911
Operating profit	648,452	761,382
Non-operating income		
Interest income	16	19
Dividend income	6	6
Subsidy income	1,698	–
Facility rental income	200	–
Total non-operating income	1,920	25
Non-operating expenses		
Settlement payments	–	900
Foreign exchange losses	266	201
Total non-operating expenses	266	1,101
Ordinary profit	650,106	760,306
Extraordinary income		
Gain on reversal of share acquisition rights	5	8
Total extraordinary income	5	8
Profit before income taxes	650,111	760,314
Income taxes - current	205,506	226,526
Income taxes - deferred	6,358	15,159
Total income taxes	211,864	241,686
Profit	438,246	518,628
Profit attributable to owners of parent	438,246	518,628

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	438,246	518,628
Other comprehensive income		
Valuation difference on available-for-sale securities	–	715
Total other comprehensive income	–	715
Comprehensive income	438,246	519,343
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	438,246	519,343
Comprehensive income attributable to non-controlling interests	–	–

(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 nine months ended December 31, 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)	1,610,620	—	1,610,620	—	1,610,620
Marketing services (Note 5)	46,469	—	46,469	—	46,469
Pay-for-performance services (Note 6)	61,527	134,925	196,453	—	196,453
Other (Note 7)	251,966	—	251,966	—	251,966
Revenue from contracts with customers	1,970,582	134,925	2,105,508	—	2,105,508
Net sales to external customers	1,970,582	134,925	2,105,508	—	2,105,508
Inter-segment sales or transfers	—	—	—	—	—
Total	1,970,582	134,925	2,105,508	—	2,105,508
Segment profit	621,293	26,528	647,822	630	648,452
Other items					
Depreciation (Note 3)	20,650	331	20,981	—	20,981

- 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 nine months ended December 31, 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)	1,934,116	—	1,934,116	—	1,934,116
Marketing services (Note 5)	44,247	—	44,247	—	44,247
Pay-for-performance services (Note 6)	148,651	130,471	279,122	—	279,122
Other (Note 7)	379,990	17,494	397,485	—	397,485
Revenue from contracts with customers	2,507,005	147,966	2,654,971	—	2,654,971
Net sales to external customers	2,507,005	147,966	2,654,971	—	2,654,971
Inter-segment sales or transfers	—	—	—	—	—
Total	2,507,005	147,966	2,654,971	—	2,654,971
Segment profit or loss	760,682	(260)	760,421	960	761,382
Other items					
Depreciation (Note 3)	15,276	43	15,320	—	15,320
Amortization of goodwill (Note 3)	21,571	1,071	22,642	—	22,642

- 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)

During the three months ended June 30, 2023, goodwill increased in the “Media Platform business” segment due to the acquisition of business from SHELFY Co., Ltd. Amount of goodwill incurred from the acquisition of business is 172,570 thousand yen.

(Revenue recognition)

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

(Subsequent events)

(Business acquisition)

The Company resolved at a meeting of the Board of Directors held on December 25, 2023 to acquire the human resource matching business specializing in the agriculture, forestry, and fisheries industries of Life Lab, Inc. , and concluded a business transfer agreement. The Company acquired this business on January 31, 2024.

1. Summary of business combination (business acquisition)

(1) Name of the counterparty company and the business to be acquired

Name of the counterparty company	Life Lab, Inc.
Business contents	Human resource matching business specializing in the agriculture, forestry, and fisheries industries

(2) Main reason for business combination

The Company has been growing by providing services in the food domain with a particular focus on the restaurant industry. We aim to provide value in all areas of the value chain related to food, from upstream to downstream, as we seek to realize our vision established in 2022: Spreading happiness generated from various eating and drinking experiences throughout Japan and all over the world. Building on our existing relationship with restaurants, wholesalers, and manufacturers, we will now strengthen ties with producers (those in the agriculture, forestry, and fisheries industries), thereby further evolving as a food platformer and contributing to the entire food domain.

(3) Date of business combination

January 31, 2024

(4) Legal form of business combination

Acquisition of business for cash consideration

(5) Name after business combination

No change in name

(6) Main basis for determining the acquiring company

The Company acquired the business from Life Lab, Inc. for cash consideration.

2. Acquisition cost of acquired business and breakdown by type of consideration

Acquisition cost	148,500 thousand yen
Consideration for acquisition	Cash and deposits

3. Description and amount of acquisition-related expenses

Not determined at this time

4. Amount of goodwill incurred, reason for incurrence, and amortization method and period

Not determined at this time

5. Amounts of assets and liabilities accepted on the date of business combination and their major components

Not determined at this time