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Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]



August 9, 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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 Scheduled date of commencing dividend payments: –
 Preparation of supplementary material on financial results: Available
 Holding of financial results briefing: Available

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 - June 30, 2024)

(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	%
Three months ended June 30, 2024	1,010	19.5	300	63.4	301	65.2	201	72.1
June 30, 2023	845	30.3	183	5.6	182	3.9	117	(1.0)

Note: Comprehensive income: Three months ended June 30, 2024: 202 million yen [71.7%]

Three months ended June 30, 2023: 118 million yen [(0.2)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	7.50	–
June 30, 2023	4.38	4.37

Note: During the three months ended September 30, 2023, tentative accounting related to business combination was finalized. Figures for the three months ended June 30, 2023 reflect the contents of the finalization of tentative accounting.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	5,053	4,279	84.7
As of March 31, 2024	5,070	4,292	84.6

Reference: Equity: As of June 30, 2024: 4,279 million yen

As of March 31, 2024: 4,291 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, 2024	–	0.00	–	10.00	10.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		–	–	–	–

- Notes: 1. Revision to the forecast for dividends announced most recently: None
2. The dividend forecast for the fiscal year ending March 31, 2025 has not yet been determined.
3. Breakdown of the year-end dividends for the fiscal year ended March 31, 2024:
ordinary dividend: 5.00 yen; commemorative dividend: 5.00 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(% 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	4,200	16.6	1,260	21.3	1,260	21.6	882	25.1	32.74

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

* Notes:

- (1) Significant changes in the scope of consolidation during the period: None
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):
June 30, 2024: 27,123,000 shares
March 31, 2024: 27,003,000 shares
2) Total number of treasury shares at the end of the period:
June 30, 2024: 198,733 shares
March 31, 2024: 198,733 shares
3) Average number of shares during the period:
Three months ended June 30, 2024: 26,869,653 shares
Three months ended June 30, 2023: 26,691,993 shares

** Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None*

** 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 three months ended June 30, 2024, the Japanese economy saw a moderate economic recovery aided by an improvement in the employment and income environment, a recovery in inbound demand and other factors. However, the outlook remains unpredictable as careful attention must be paid to the impact of rises in commodity prices, fluctuations in financial and capital markets and geopolitical risks, among others.

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, “Fulfill the new Medium-Term Management Plan” and “Continue efforts toward dynamic growth.”

As a result of the above, the Group’s financial results for the three months ended June 30, 2024 were net sales of 1,010,932 thousand yen (up 19.5% year on year), operating profit of 300,120 thousand yen (up 63.4% year on year), ordinary profit of 301,627 thousand yen (up 65.2% year on year), and profit attributable to owners of parent of 201,558 thousand yen (up 72.1% year on year).

Net sales by service category comprises 766,114 thousand yen in Service in Stage 3 (operating) (up 9.8 % year on year), 184,872 thousand yen (up 89.6% year on year) in Service in Stages 1, 2, 4 (preparation, opening and closing business), and 59,945 thousand yen (up 19.1 % 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 June 30, 2024, the number of registered Inshokuten.com members was 299,539 (up 10.4% 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, net sales increased as active recruitment still continued in the restaurant industry.

In addition, the number of real estate agents, interior furnishing service providers and related business operators who provide services via Inshokuten.com, increased steadily to 5,028 companies (up 3.3% year on year) (Note).

As a result of the above, net sales in the Media Platform business were 889,352 thousand yen (up 9.6 % year on year), and segment profit was 239,563 thousand yen (up 20.8 % 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.

In M&A services, closing of large M&A deals and M&A lite deals progressed. In fully-furnished asset transfers, both the number of inquiries for sale and the number of deals concretized remained robust.

As a result of the above, net sales in the M&A Services business were 121,586 thousand yen (up 257.2% year on year), and segment profit was 56,577 thousand yen (segment loss of 14,932 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 June 30, 2024. (Excluding the interior furnishing service providers registered with Naisoh-kenchiku.com)

(2) Explanation of Financial Position

(Assets)

Current assets at the end of the three months ended June 30, 2024 increased by 22,840 thousand yen from the end of the previous fiscal year to 4,434,023 thousand yen. The increase was mainly attributable to a rise in cash and deposits (an increase of 45,375 thousand yen from the end of the previous fiscal year) as a result of an increase in net sales. Non-current assets decreased by 40,548 thousand yen from the end of the previous fiscal year to 618,985 thousand yen. The decrease was mainly due to decreases in deferred tax assets (a decrease of 12,159 thousand yen from the end of the previous fiscal year) and goodwill (a decrease of 11,468 thousand yen from the end of the previous fiscal year). As a result of the above, total assets amounted to 5,053,008 thousand yen (a decrease of 17,708 thousand yen from the end of the previous fiscal year).

(Liabilities)

Current liabilities at the end of the three months ended June 30, 2024 decreased by 5,336 thousand yen from the end of the previous fiscal year to 741,292 thousand yen. The main decreasing factor was a decrease in income taxes payable (a decrease of 121,230 thousand yen from the end of the previous fiscal year). Non-current liabilities increased by 7 thousand yen from the end of the previous fiscal year to 31,966 thousand yen. As a result of the above, total liabilities amounted to 773,258 thousand yen (a decrease of 5,328 thousand yen from the end of the previous fiscal year).

(Net assets)

Net assets at the end of the three months ended June 30, 2024 decreased by 12,379 thousand yen from the end of the previous fiscal year to 4,279,749 thousand yen. The decrease was mainly attributable to a decrease in retained earnings (a decrease of 66,483 thousand yen from the end of the previous fiscal year) as a result of dividend payments.

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

As for the financial results forecast, at the moment, there is no change from the forecast contained in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 announced on May 15, 2024.

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

(Thousand yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	4,194,297	4,239,673
Accounts receivable - trade	171,524	134,312
Work in process	-	1,327
Prepaid expenses	39,842	47,377
Income taxes refund receivable	1,932	1,932
Other	11,858	16,512
Allowance for doubtful accounts	(8,272)	(7,111)
Total current assets	4,411,183	4,434,023
Non-current assets		
Property, plant and equipment		
Buildings, net	54,832	52,970
Tools, furniture and fixtures, net	13,119	12,422
Total property, plant and equipment	67,951	65,393
Intangible assets		
Goodwill	239,288	227,820
Customer-related intangible assets	68,982	65,533
Software	22,655	20,591
Total intangible assets	330,926	313,944
Investments and other assets		
Investment securities	15,141	16,107
Investments in capital	300	300
Leasehold and guarantee deposits	106,470	106,470
Deferred tax assets	127,206	115,046
Other	11,538	1,722
Total investments and other assets	260,656	239,646
Total non-current assets	659,534	618,985
Total assets	5,070,717	5,053,008

(Thousand yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	28,324	29,067
Accounts payable - other	82,060	96,349
Accrued expenses	59,578	51,998
Income taxes payable	216,811	95,581
Accrued consumption taxes	32,051	72,941
Contract liabilities	309,349	341,362
Deposits received	18,453	53,920
Other	–	71
Total current liabilities	746,629	741,292
Non-current liabilities		
Asset retirement obligations	31,958	31,966
Total non-current liabilities	31,958	31,966
Total liabilities	778,587	773,258
Net assets		
Shareholders' equity		
Share capital	535,051	562,011
Capital surplus	523,665	550,625
Retained earnings	3,339,777	3,273,293
Treasury shares	(108,230)	(108,230)
Total shareholders' equity	4,290,263	4,277,699
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,379	2,050
Total accumulated other comprehensive income	1,379	2,050
Share acquisition rights	486	–
Total net assets	4,292,129	4,279,749
Total liabilities and net assets	5,070,717	5,053,008

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Three Months Ended June 30

(Thousand yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	845,652	1,010,932
Cost of sales	151,454	166,635
Gross profit	694,197	844,296
Selling, general and administrative expenses	510,512	544,176
Operating profit	183,685	300,120
Non-operating income		
Interest income	1	1
Dividend income	6	6
Settlement income	–	1,500
Total non-operating income	7	1,507
Non-operating expenses		
Settlement payments	900	–
Foreign exchange losses	201	–
Total non-operating expenses	1,101	–
Ordinary profit	182,591	301,627
Extraordinary income		
Gain on reversal of share acquisition rights	–	86
Total extraordinary income	–	86
Profit before income taxes	182,591	301,713
Income taxes - current	47,723	88,291
Income taxes - deferred	17,755	11,863
Total income taxes	65,479	100,155
Profit	117,112	201,558
Profit attributable to owners of parent	117,112	201,558

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Thousand yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	117,112	201,558
Other comprehensive income		
Valuation difference on available-for-sale securities	934	1,145
Total other comprehensive income	934	1,145
Comprehensive income	118,047	202,704
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	118,047	202,704
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 three months ended June 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)	617,606	—	617,606	—	617,606
Marketing services (Note 5)	18,195	—	18,195	—	18,195
Pay-for-performance services (Note 6)	55,108	31,776	86,885	—	86,885
Other (Note 7)	120,700	2,264	122,965	—	122,965
Revenue from contracts with customers	811,611	34,040	845,652	—	845,652
Net sales to external customers	811,611	34,040	845,652	—	845,652
Inter-segment sales or transfers	—	—	—	—	—
Total	811,611	34,040	845,652	—	845,652
Segment profit (loss)	198,297	(14,932)	183,365	320	183,685
Other items					
Depreciation (Note 3)	4,949	15	4,965	—	4,965
Amortization of goodwill (Note 3)	7,190	153	7,343	—	7,343

- 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 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 by 172,570 thousand yen in the “Media Platform business” segment due to the acquisition of business from SHELFY Co., Ltd.

The said amount of goodwill reflects significant revisions in the initial allocation of acquisition costs as a result of finalization of tentative accounting related to business combination.

II For the three months ended June 30, 2024

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)	682,703	–	682,703	–	682,703
Marketing services (Note 5)	14,801	–	14,801	–	14,801
Pay-for-performance services (Note 6)	63,543	113,768	177,311	(6)	177,305
Other (Note 7)	128,304	7,818	136,122	–	136,122
Revenue from contracts with customers	889,352	121,586	1,010,938	(6)	1,010,932
Net sales to external customers	889,352	121,580	1,010,932	–	1,010,932
Inter-segment sales or transfers	–	6	6	(6)	–
Total	889,352	121,586	1,010,938	(6)	1,010,932
Segment profit	239,563	56,577	296,140	3,980	300,120
Other items					
Depreciation (Note 3)	7,952	118	8,070	–	8,070
Amortization of goodwill (Note 3)	11,008	459	11,468	–	11,468

- 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 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

Not applicable.

(Notes on Statements of Cash Flows)

The quarterly consolidated statements of cash flows for the three months ended June 30, 2024 have not been prepared. Depreciation (including amortization of intangible assets other than goodwill) and amortization of goodwill for the three-month period ended June 30 are as follows.

	(Thousand yen)	
	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	4,965	8,070
Amortization of goodwill	7,343	11,468

(Revenue recognition)

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