

Non-consolidated Financial Results for the Six Months Ended June 30, 2019

[Japanese GAAP]

August 9, 2019

Company name: sinops Inc. Stock Exchange Listing: Tokyo Stock Exchange, Mothers Market
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 Scheduled submission of Quarterly Report: August 14, 2019
 Scheduled date of dividend payment: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)
 (All amounts are rounded down to the nearest million yen)

1. Non-consolidated Financial Results for the Six Months Ended June 30, 2019

(from January 1, 2019 to June 30, 2019)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended Jun. 30, 2019	360	-	(11)	-	(11)	-	(9)	-
Six months ended Jun. 30, 2018	-	-	-	-	-	-	-	-

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun. 30, 2019	(1.52)	-
Six months ended Jun. 30, 2018	-	-

- Notes: 1. Figures for the six months ended June 30, 2018 and year-on-year changes for the six months ended June 30, 2019 are not presented because the quarterly financial statements were not prepared in the first half of 2018.
 2. Diluted net income per share for the six months ended June 30, 2019 is not presented since sinops posted a loss although there were outstanding dilutive securities.
 3. sinops conducted a 5-for-1 common stock split on the effective date of August 1, 2019. Net income per share is calculated as if this stock split had taken place at the beginning of 2019.

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of Jun. 30, 2019	1,311	1,107	83.4
As of Dec. 31, 2018	1,246	980	77.1

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2019: 1,094 As of Dec. 31, 2018: 961

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Dec. 31, 2018	-	0.00	-	0.00	0.00
Fiscal year ending Dec. 31, 2019	-	0.00	-	-	-
Fiscal year ending Dec. 31, 2019 (Forecast)	-	-	-	0.00	0.00

Note: Revisions to the most recently announced dividend forecast: None

3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2019

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,200	31.2	300	30.2	300	39.9	199	54.0	33.28

Note: Revisions to the most recently announced non-consolidated forecast: None

The net income per share forecast is adjusted for the exercise of share acquisition rights and the 5-for-1 common stock split effective on August 1, 2019, pursuant to a resolution of the Board of Directors meeting held on June 14, 2019. Net income per share for the fiscal year ending December 31, 2019 before adjustment for the stock split was 166.40 yen.

*** Notes**

(1) Application of special accounting methods for preparing quarterly consolidated financial statements: None

(2) Changes in accounting policies and accounting estimates, and 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) Restatement: None

(3) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Jun. 30, 2019:	6,030,000 shares	As of Dec. 31, 2018:	5,762,000 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2019:	- shares	As of Dec. 31, 2018:	- shares
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3) Average number of shares outstanding during the period

Six months ended Jun. 30, 2019:	5,956,646 shares	Six months ended Jun. 30, 2018:	4,962,000 shares
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Note: sinops conducted a 200-for-1 common stock split on the effective date of April 1, 2018, and a 5-for-1 common stock split on the effective date of August 1, 2019. Number of shares outstanding (common stock) is calculated as if these stock splits had taken place at the beginning of 2018.

* The current financial report is not subject to quarterly review by certified public accountants or auditing firms.

* Appropriate use of business forecasts; other special items

In this report, statements other than historical facts are forward-looking statements that reflect the Company's plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ from those anticipated in these statements. Please refer to "1. Qualitative Information on Quarterly Non-consolidated Financial Performance (3) Explanation of Non-consolidated Forecast and Other Forward-looking Statements" on page 2 for information on preconditions underlying the above outlook and other related information.

Holding of quarterly financial results meeting

sinops plans to hold a financial results meeting for institutional investors and analysts on August 21, 2019. Supplementary materials for financial results will be posted on the Timely Disclosure Network (TDnet) on the same day and also on the sinops website in a timely manner following the release of financial results.

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1. Qualitative Information on Quarterly Non-consolidated Financial Performance

(1) Explanation Regarding Business Results

Retail sales in Japan between July 2018 and June 2019 increased 1.4% over the prior 12-month period to 145.478 trillion yen, according to the Preliminary Report on the Current Survey of Commerce by the Ministry of Economy, Trade and Industry. The retailing industry faces several challenges including rising personnel costs amid severe labor shortages and higher cost of logistics, in addition to intensifying competition because of the lowering of the walls between conventional retailers and other retail formats such as convenience stores and drugstores. And with diversification of store formats, expansion of online shopping, and the fusion of virtual stores and brick-and-mortar stores, the business environment continues to change dramatically. Going forward, the business environment will be event more challenging.

In the first half, sinops continued to conduct sales activities aimed at raising the share of “sinops” in the retail market. The goals are to increase the use of “sinops” at grocery stores market, which is currently the primary market for this product, and to expand the use of “sinops” to retail categories other than groceries.

The use of “sinops” is climbing steadily. There were 75 companies using this product at a total of 4,999 locations as of June 30, 2019. In the first half, net sales were 360 million yen, the operating loss was 11 million yen, the ordinary loss was 11 million yen and the loss was 9 million yen.

No segment-related information is provided because sinops has only a single business segment, which is the sinops business.

(2) Explanation Regarding Financial Position

i. Assets

Total assets increased 64 million yen from the end of 2018 to 1,311 million yen at the end of the second quarter of 2019. This was mainly due to increases of 107 million yen in cash and deposits, 6 million yen in property, plant and equipment, and 22 million yen in intangible assets, while there was a decrease of 92 million yen in accounts receivable-trade.

ii. Liabilities

Total liabilities decreased 62 million yen from the end of 2018 to 204 million yen. This was mainly due to decreases of 42 million yen in income taxes payable and 24 million yen in accounts payable-other that was included in other current liabilities.

iii. Net assets

Net assets increased 127 million yen from the end of 2018 to 1,107 million yen mainly due to increases of 70 million yen each in capital stock and capital surplus.

(3) Explanation of Non-consolidated Forecast and Other Forward-looking Statements

There are no revisions to the full-year forecast for 2019, which was disclosed in the Non-consolidated Financial Results for 2018 dated February 14, 2019.

Forecasts are based on information currently available to sinops. Actual performance may differ from these forecasts for a number of reasons.

2. Quarterly Non-consolidated Financial Statements and Notes**(1) Quarterly Non-consolidated Balance Sheet**

(Thousands of yen)

	2018 (As of Dec. 31, 2018)	Second Quarter of 2019 (As of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	810,529	918,184
Accounts receivable-trade	225,032	132,632
Work in process	12,809	13,238
Other	13,056	29,961
Total current assets	1,061,427	1,094,016
Non-current assets		
Property, plant and equipment	13,086	20,015
Intangible assets	72,590	95,207
Investments and other assets	99,780	102,166
Total non-current assets	185,458	217,389
Total assets	1,246,885	1,311,405
Liabilities		
Current liabilities		
Accounts payable-trade	12,411	7,916
Current portion of long-term loans payable	14,996	9,996
Income taxes payable	46,201	4,010
Provision for bonuses	7,935	8,827
Provision for product warranties	23,354	16,631
Provision for loss on order received	3,582	1,926
Other	149,451	151,007
Total current liabilities	257,932	200,315
Non-current liabilities		
Long-term loans payable	5,843	845
Provision for retirement benefits	3,043	3,175
Total non-current liabilities	8,886	4,020
Total liabilities	266,819	204,335
Net assets		
Shareholders' equity		
Capital stock	334,373	405,096
Capital surplus	294,803	365,526
Retained earnings	332,724	323,694
Total shareholders' equity	961,900	1,094,318
Share acquisition rights	18,165	12,751
Total net assets	980,065	1,107,069
Total liabilities and net assets	1,246,885	1,311,405

(2) Quarterly Non-consolidated Statement of Income**(For the Six-month Period)**

	(Thousands of yen)
	First six months of 2019 (Jan. 1 – Jun. 30, 2019)
Net sales	360,748
Cost of sales	200,872
Gross profit	159,875
Selling, general and administrative expenses	171,012
Operating loss	(11,136)
Non-operating income	
Interest income	2
Dividend income of insurance	50
Gain on sales of goods	27
Other	46
Total non-operating income	126
Non-operating expenses	
Interest expenses	57
Sales discounts	102
Other	34
Total non-operating expenses	194
Ordinary loss	(11,205)
Extraordinary income	
Gain on reversal of share acquisition rights	268
Total extraordinary income	268
Loss before income taxes	(10,936)
Income taxes-current	555
Income taxes-deferred	(2,461)
Total income taxes	(1,906)
Loss	(9,029)

(3) Quarterly Non-consolidated Statement of Cash Flows

	(Thousands of yen)
	First six months of 2019 (Jan. 1 – Jun. 30, 2019)
Cash flows from operating activities	
Loss before income taxes	(10,936)
Depreciation	17,236
Interest and dividend income	(2)
Interest expenses	57
Decrease (increase) in notes and accounts receivable-trade	92,399
Decrease (increase) in inventories	(429)
Increase (decrease) in notes and accounts payable-trade	(4,495)
Share-based compensation expenses	880
Increase (decrease) in provision for bonuses	892
Increase (decrease) in provision for product warranties	(6,722)
Increase (decrease) in provision for retirement benefits	132
Increase (decrease) in provision for loss on order received	(1,655)
Increase (decrease) in advances received	4,399
Increase (decrease) in accounts payable-other	(9,482)
Increase (decrease) in accrued consumption taxes	(11,767)
Increase (decrease) in income taxes payable-factor based tax	(4,350)
Increase (decrease) in deposits received	21,287
Other, net	(4,347)
Subtotal	83,095
Interest and dividend income received	2
Interest expenses paid	(57)
Income taxes paid	(38,395)
Net cash provided by (used in) operating activities	44,645
Cash flows from investing activities	
Purchase of property, plant and equipment	(9,936)
Purchase of intangible assets	(36,845)
Payments for guarantee deposits	(178)
Net cash provided by (used in) investing activities	(46,960)
Cash flows from financing activities	
Repayments of long-term loans payable	(9,998)
Proceeds from issuance of common shares	107,068
Proceeds from issuance of shares resulting from exercise of share acquisition rights	12,900
Net cash provided by (used in) financing activities	109,970
Net increase (decrease) in cash and cash equivalents	107,654
Cash and cash equivalents at beginning of period	810,529
Cash and cash equivalents at end of period	918,184

(4) Notes on Quarterly Non-consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Capital stock and legal capital surplus increased 61 million yen each due to the issuance of new shares of 37,200 shares through the third-party allotment for a secondary offering using over-allotment with a payment date of January 17, 2019.

Moreover, capital stock and legal capital surplus increased 9 million yen each due to the exercise of share acquisition rights as stock options in the first half of 2019.

As a result, capital stock was 405 million yen and legal capital surplus was 365 million yen as of the end of the second quarter of 2019.

Segment Information

Segment information is omitted because sinops has only a single business segment, which is the sinops business.

Additional Information

Application of the "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.

Effective from the beginning of the first quarter of 2019, sinops has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) and other related pronouncements. Accordingly, deferred tax assets have been presented in the investments and other assets section of the balance sheet.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.