

## Non-consolidated Financial Results for the Six Months Ended June 30, 2021

[Japanese GAAP]

August 10, 2021

Company name: sinops Inc. Stock exchange listing: Tokyo Stock Exchange, Mothers Market  
 Code number: 4428 URL: <https://www.sinops.jp>  
 Representative: Hiroshi Minamitani, President & Representative Director  
 Contact: Kotaro Shimai, Director, Administration Manager Tel: +81-6-6341-1225  
 Scheduled submission of Quarterly Report: August 10, 2021  
 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, 2021

(from January 1, 2021 to June 30, 2021)

(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, 2021	445	29.9	(53)	-	(39)	-	(30)	-
Six months ended Jun. 30, 2020	342	(5.0)	(101)	-	(113)	-	(79)	-

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended Jun. 30, 2021	(4.95)		-	
Six months ended Jun. 30, 2020	(13.20)		-	

Note: Diluted net income per share is not presented since sinops posted a loss although there were outstanding dilutive securities.

(2) Non-consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Millions of yen		Millions of yen		%	
As of Jun. 30, 2021	1,716		1,303		75.6	
As of Dec. 31, 2020	1,718		1,329		76.9	

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2021: 1,298 As of Dec. 31, 2020: 1,321

### 2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen				
Fiscal year ended Dec. 31, 2020	-	0.00	-	0.00	0.00
Fiscal year ending Dec. 31, 2021	-	0.00	-	-	-
Fiscal year ending Dec. 31, 2021 (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, 2021

(from January 1, 2021 to December 31, 2021)

(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	1,201	32.1	100	340.2	112	852.1	59	638.9	9.68

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

**\* Notes**

(1) Application of special accounting methods for preparing quarterly non-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, 2021:	6,145,000 shares	As of Dec. 31, 2020:	6,107,000 shares
----------------------	------------------	----------------------	------------------

2) Number of treasury shares at the end of the period

As of Jun. 30, 2021:	123 shares	As of Dec. 31, 2020:	80 shares
----------------------	------------	----------------------	-----------

3) Average number of shares outstanding during the period

Six months ended Jun. 30, 2021:	6,126,199 shares	Six months ended Jun. 30, 2020:	6,047,135 shares
---------------------------------	------------------	---------------------------------	------------------

\* 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

Cautionary statement with respect to forecasts

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.

How to view supplementary materials for financial results

Supplementary materials for financial results will be disclosed, using the Timely Disclosure network (TDnet), and available on the sinops website.

## Contents of Appendix

<b>1. Qualitative Information on Quarterly Non-consolidated Financial Performance</b>	<b>2</b>
(1) Explanation Regarding Business Results	2
(2) Explanation Regarding Financial Position	3
(3) Explanation of Non-consolidated Forecast and Other Forward-looking Statements	3
<b>2. Quarterly Non-consolidated Financial Statements and Notes</b>	<b>4</b>
(1) Quarterly Non-consolidated Balance Sheet	4
(2) Quarterly Non-consolidated Statement of Income	5
For the Six-month Period	5
(3) Quarterly Non-consolidated Statement of Cash Flows	6
(4) Notes on Quarterly Non-consolidated Financial Statements	7
Going Concern Assumption	7
Significant Changes in Shareholders' Equity	7
Additional Information	7

## 1. Qualitative Information on Quarterly Non-consolidated Financial Performance

### (1) Explanation Regarding Business Results

#### a. Operating Environment

During the first half of 2021, the outlook for the Japanese economy remained extremely uncertain as the impact of the spread of the COVID-19 pandemic continued to be significant and pace of recovery in economic activity was slow. The retail industry, which is our main customer base, is also undergoing significant changes. We see increased levels of teleworking and more people are refraining from eating out due to the continuing impact of the COVID-19 pandemic. As a result, there was more consumption at home. Consequently, we had to respond to a rapid increase in demand for hygiene products such as masks and disinfectants along with the emergence of new lifestyles aimed at preventing infection, as well as the need to implement measures to prevent the spread of infection in stores.

In the retail industry, in addition to rising labor and logistics costs due to the tight supply and demand balance for labor, and competition for customers across industries and business categories, the campaign to reduce food waste based on the adoption of the Sustainable Development Goals (SDGs) is also now being urgently addressed as a social issue. As a result, there is a growing need for our automated ordering systems, which contribute both to labor saving and to the reduction of food waste. We expect this market to continue to grow for the foreseeable future.

In the midst of these rapid changes in the business environment, we shifted our policy in last year to focus on the cloud service and have been rapidly developing new services, focusing on functions that enable timely monitoring of in-store inventory and the provision of automatic ordering services specializing in the prepared food category.

The use of “sinops” is climbing steadily. As of June 30, 2021, the number of companies using the “sinops” product increased to 94 (up by 18 from one year earlier). The number of active accounts for the cloud service increased to 1,926 (up 566 from the end of the previous fiscal year) (see note), and the number of other active operating bases increased to 5,411 (up by 201 from one year earlier). In the first half of 2021, net sales increased 29.9% year-on-year to 445,102 thousand yen, the operating loss was 53,586 thousand yen (compared with a 101,417 thousand yen loss one year earlier), the ordinary loss was 39,962 thousand yen (compared with a 113,561 thousand yen loss one year earlier) and the loss was 30,327 thousand yen (compared with a 79,846 thousand yen loss one year earlier).

Note: The number of accounts is the number of cloud service users. For example, one store that uses three services is counted as three accounts.

#### b. Analysis of Operating Results

	(Thousands of yen)			
	First six months of 2020	First six months of 2021	YoY change (Amount)	YoY change (%)
Net sales	342,607	445,102	102,495	29.9%
Cost of sales	253,554	287,206	33,651	13.3%
Gross profit	89,053	157,896	68,843	77.3%
Selling, general and administrative expenses	190,471	211,483	21,012	11.0%
Operating loss	(101,417)	(53,586)	47,831	-
Ordinary loss	(113,561)	(39,962)	73,598	-
Loss	(79,846)	(30,327)	49,519	-

#### i. Net sales

Package sales decreased to 13,200 thousand yen (down 9,662 thousand yen, or 42.3% year-on-year) mainly because we focused on negotiations with new clients mainly for the cloud service. Installation assistance sales were 140,048 thousand yen (up 81,270 thousand yen, or 138.3% year-on-year). The main reason for this increase was the higher number of installation assistance projects due to an increase in the number of new projects for the cloud service. Support service sales increased to 149,875 thousand yen (up 21,304 thousand yen, or 16.6% year-on-year) mainly because a steady increase in the number of stores of existing users. Cloud service sales that include the rental sales for analysis of business results in prior years increased to 141,978 thousand yen (up 9,583 thousand yen, or 7.2% year-on-year). This was mainly due to an increase in the number of cloud service user accounts. As a result, net sales were 445,102 thousand yen (up 102,495 thousand yen, or 29.9% year-on-year).

## ii. Gross profit

During the first half of 2021, the cost of sales increased 33,651 thousand yen, or 13.3% year-on-year. The main factors were the increase in the number of employees in the manufacturing department and an increase in server utilization fees along with the expansion of cloud services. As a result, gross profit was 157,896 thousand yen (up 68,843 thousand yen, or 77.3% year-on-year).

## iii. Operating profit / Ordinary profit

Selling, general and administrative expenses increased 21,012 thousand yen, or 11.0% year-on-year. This was mainly due to an increase in the number of employees in the sales division for expanding sales of cloud services and an increase in advertising expenses. As a result, operating loss was 53,586 thousand yen, compared with a loss of 101,417 thousand yen one year earlier.

Ordinary loss was 39,962 thousand yen, compared with a 113,561 thousand yen loss one year earlier. This was because subsidy income related to a joint project with the Tokyo Metropolitan Government was recorded as non-operating income.

## iv. Profit (loss)

Loss was 30,327 thousand yen, compared with a 79,846 thousand yen loss one year earlier.

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 decreased 2,010 thousand yen from the end of 2020 to 1,716,923 thousand yen at the end of the second quarter of 2021. This was mainly due to increases of 182,763 thousand yen in cash and deposits and 20,604 thousand yen in intangible assets, while there were decreases of 164,406 thousand yen in accounts receivable-trade and 41,237 thousand yen in accounts payable-other that was included in other under current assets.

### ii. Liabilities

Total liabilities increased 23,447 thousand yen from the end of 2020 to 413,073 thousand yen. This was mainly due to increases of 27,758 thousand yen in advances received and 18,518 thousand yen in accounts payable-other that were included in other under current liabilities, while there were decreases of 19,950 thousand yen in long-term borrowings and 8,126 thousand yen in accrued consumption taxes that was included in other under current liabilities.

### iii. Net assets

Net assets decreased 25,458 thousand yen from the end of 2020 to 1,303,850 thousand yen mainly due to increases of 3,598 thousand yen each in share capital and capital surplus, while there was a decrease of 30,327 thousand yen in retained earnings.

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

In the first half of 2021 package sales decreased 42.3% year-on-year as we focused on negotiations with new clients mainly for the cloud service. On the other hand, new projects for the cloud service increased steadily, and installation assistance sales progressed faster than planned, increasing by 138.3% from one year earlier.

From the third quarter onward, we expect to continue to add new projects for the cloud service and at the same time focus on increasing the number of active accounts. In package sales, we have already received orders from several companies. Accordingly, total sales are on target.

There are no revisions to the full-year forecast for 2021, which was disclosed in the Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2020 dated February 10, 2021.

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)

	2020 (As of Dec. 31, 2020)	Second Quarter of 2021 (As of Jun. 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	1,077,266	1,260,030
Accounts receivable-trade	256,508	92,102
Work in process	786	8,443
Other	63,271	16,800
Total current assets	1,397,834	1,377,377
Non-current assets		
Property, plant and equipment	37,475	31,705
Intangible assets	168,043	188,647
Investments and other assets	115,581	119,193
Total non-current assets	321,100	339,546
Total assets	1,718,934	1,716,923
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	7,915	7,962
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	34,200	34,200
Income taxes payable	2,238	5,320
Provision for product warranties	12,252	17,334
Provision for loss on order received	2,219	-
Other	164,278	201,552
Total current liabilities	323,104	366,369
Non-current liabilities		
Long-term borrowings	62,950	43,000
Provision for retirement benefits	3,571	3,703
Total non-current liabilities	66,521	46,703
Total liabilities	389,626	413,073
<b>Net assets</b>		
Shareholders' equity		
Share capital	413,811	417,409
Capital surplus	374,241	377,839
Retained earnings	533,495	503,168
Treasury shares	(162)	(233)
Total shareholders' equity	1,321,385	1,298,183
Share acquisition rights	7,922	5,666
Total net assets	1,329,308	1,303,850
Total liabilities and net assets	1,718,934	1,716,923

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

(Thousands of yen)

	First six months of 2020 (Jan. 1 – Jun. 30, 2020)	First six months of 2021 (Jan. 1 – Jun. 30, 2021)
Net sales	342,607	445,102
Cost of sales	253,554	287,206
Gross profit	89,053	157,896
Selling, general and administrative expenses	190,471	211,483
Operating loss	(101,417)	(53,586)
Non-operating income		
Interest income	4	5
Subsidy income	-	13,596
Other	257	573
Total non-operating income	261	14,174
Non-operating expenses		
Interest expenses	11	360
Other	12,394	190
Total non-operating expenses	12,405	551
Ordinary loss	(113,561)	(39,962)
Extraordinary losses		
Loss on retirement of non-current assets	42	2,714
Total extraordinary losses	42	2,714
Loss before income taxes	(113,603)	(42,677)
Income taxes-current	555	475
Income taxes-deferred	(34,312)	(12,826)
Total income taxes	(33,757)	(12,350)
Loss	(79,846)	(30,327)

**(3) Quarterly Non-consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of 2020 (Jan. 1 – Jun. 30, 2020)	First six months of 2021 (Jan. 1 – Jun. 30, 2021)
Cash flows from operating activities		
Loss before income taxes	(113,603)	(42,677)
Depreciation	32,495	40,079
Interest and dividend income	(4)	(5)
Interest expenses	11	360
Decrease (increase) in trade receivables	313,330	164,406
Decrease (increase) in inventories	(8,619)	(7,657)
Increase (decrease) in trade payables	(2,030)	46
Increase (decrease) in provision for product warranties	(1,636)	5,082
Increase (decrease) in provision for retirement benefits	132	132
Increase (decrease) in provision for loss on order received	-	(2,219)
Loss on retirement of non-current assets	42	2,714
Going public expenses	12,280	-
Increase (decrease) in advances received	10,529	27,758
Increase (decrease) in accounts payable-other	36,883	27,205
Increase (decrease) in accrued consumption taxes	(23,917)	(8,126)
Increase (decrease) in income taxes payable-factor based tax	(12,878)	3,107
Increase (decrease) in deposits received	(6,334)	(877)
Other, net	2,087	5,546
Subtotal	238,765	214,878
Interest and dividends received	4	5
Interest paid	(11)	(360)
Income taxes (paid) refund	(74,366)	40,735
Net cash provided by (used in) operating activities	164,392	255,257
Cash flows from investing activities		
Purchase of property, plant and equipment	(26,647)	-
Purchase of intangible assets	(44,032)	(57,504)
Proceeds from refund of guarantee deposits	64	91
Net cash provided by (used in) investing activities	(70,614)	(57,413)
Cash flows from financing activities		
Repayments of long-term borrowings	(5,843)	(19,950)
Purchase of treasury shares	(63)	(70)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	4,420	4,940
Payments for going public expenses	(6,900)	-
Net cash provided by (used in) financing activities	(8,386)	(15,080)
Net increase (decrease) in cash and cash equivalents	85,390	182,763
Cash and cash equivalents at beginning of period	796,570	1,077,266
Cash and cash equivalents at end of period	881,961	1,260,030

#### **(4) Notes on Quarterly Non-consolidated Financial Statements**

##### **Going Concern Assumption**

Not applicable.

##### **Significant Changes in Shareholders' Equity**

Not applicable.

##### **Additional Information**

Accounting Estimates and the Impact of the Spread of the COVID-19 Pandemic

No significant changes have been made to the assumptions for accounting estimates associated with the impact of the spread of the COVID-19 pandemic described in the Additional Information, Accounting Estimates and the Impact of the Spread of the COVID-19 Pandemic in the Annual Securities Report for the previous fiscal year.

*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.*