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August 14, 2023

Consolidated Financial Results for the Fiscal Year Ended June 30, 2023 (under Japanese GAAP)

Company name: SUNNY SIDE UP GROUP Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 2180
 URL: <https://ssug.co.jp>
 Representative: Etsuko Tsugihara, President
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 Scheduled date of annual general meeting of shareholders: September 26, 2023
 Scheduled date to commence dividend payments: September 27, 2023
 Scheduled date to file Annual Securities Report: September 27, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results presentation meeting: Yes (for individual investors)

(Figures shown are rounded down to the nearest million yen)

1. Consolidated financial results for the fiscal year ended June 30, 2023 (from July 1, 2022 to June 30, 2023)

(1) Consolidated operating results

(Percentages show year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
June 30, 2023	18,956	17.1	1,296	68.9	1,335	4.0	884	52.2
June 30, 2022	16,190	—	767	—	1,284	—	581	—

(Note) Comprehensive income For the fiscal year ended June 30, 2023 ¥1,145 million [119.8%]
 For the fiscal year ended June 30, 2022 ¥521 million [-%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
June 30, 2023	59.28	—	28.3	16.5	6.8
June 30, 2022	38.58	—	23.4	17.5	4.7

(Reference) Share of profit (loss) of entities accounted for using equity method

For the fiscal year ended June 30, 2023 ¥(4) million
 For the fiscal year ended June 30, 2022 ¥(5) million

* The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year ended June 30, 2022, and the figures pertaining to the fiscal year ended June 30, 2022, are the figures after applying the accounting standard and relevant ASBJ regulations. The percentage of year-on-year change is not shown.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2023	8,595	3,728	41.4	238.78
June 30, 2022	7,548	2,820	35.7	178.92

(Reference) Equity

As of June 30, 2023	¥3,561 million
As of June 30, 2022	¥2,695 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
June 30, 2023	846	(274)	(744)	3,074
June 30, 2022	1,185	(274)	(294)	3,214

2. Dividends

	Annual dividends					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended June 30, 2022	–	0.00	–	12.00	12.00	180	31.1	6.4
Fiscal year ended June 30, 2023	–	0.00	–	15.00	15.00	223	25.3	6.3
Fiscal year ending June 30, 2024 (Forecast)	–	5.00	–	15.00	20.00		32.1	

3. Consolidated earnings forecasts for the fiscal year ending June 30, 2024 (from July 1, 2023 to June 30, 2024)

(Percentages show year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending June 30, 2024	21,000	10.8	1,560	20.3	1,540	15.3	930	5.1	62.35

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Excluded: 1 company (company name: bills waikiki LLC)

- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards and other regulations: None

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement of prior period financial statements after error corrections: None

- (3) Number of issued shares (common shares)

- a. Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2023 15,191,600 shares

As of June 30, 2022 15,191,600 shares

- b. Number of treasury shares at the end of the period

As of June 30, 2023 277,456 shares

As of June 30, 2022 128,708 shares

- c. Average number of shares outstanding during the period

Fiscal year ended June 30, 2023 14,920,807 shares

Fiscal year ended June 30, 2022 15,062,927 shares

- * Financial results reports are exempt from review conducted by certified public accountants or an audit corporation.

- * Proper use of earnings forecasts, and other special matters
(Caution concerning forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors.

(Means of access to supplementary material on financial results)

The supplementary material on financial results will be available on the Company's website.

(Financial results presentation meeting)

The Company is scheduled to hold a financial results presentation meeting for individual investors on Saturday, September 9, 2023.

Consolidated Financial Statements

(1) Consolidated balance sheet

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	3,230,172	3,089,935
Notes receivable - trade	24,352	22,093
Accounts receivable - trade	1,958,834	2,620,516
Merchandise and finished goods	1,763	4,573
Costs on service contracts in progress	295,187	551,986
Raw materials and supplies	24,346	25,083
Other	319,412	314,635
Allowance for doubtful accounts	(10,876)	(6,243)
Total current assets	5,843,193	6,622,581
Non-current assets		
Property, plant and equipment		
Buildings and structures	921,427	899,897
Accumulated depreciation	(597,832)	(635,413)
Buildings and structures, net	323,594	264,484
Machinery, equipment and vehicles	40,275	14,437
Accumulated depreciation	(37,964)	(6,710)
Machinery, equipment and vehicles, net	2,310	7,726
Leased assets	133,323	182,746
Accumulated depreciation	(133,013)	(136,781)
Leased assets, net	310	45,964
Other	255,083	250,096
Accumulated depreciation	(206,585)	(205,963)
Other, net	48,498	44,133
Total property, plant and equipment	374,714	362,309
Intangible assets		
Goodwill	317,539	276,121
Other	10,566	24,231
Total intangible assets	328,106	300,352
Investments and other assets		
Investment securities	314,253	483,326
Long-term loans receivable	8,761	6,891
Deferred tax assets	125,484	175,020
Leasehold and guarantee deposits	471,899	461,433
Other	145,113	229,197
Allowance for doubtful accounts	(62,533)	(45,713)
Total investments and other assets	1,002,979	1,310,155
Total non-current assets	1,705,799	1,972,817
Total assets	7,548,992	8,595,398

(Thousands of yen)

	As of June 30, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	1,062,193	1,989,016
Short-term borrowings	538,000	586,000
Current portion of long-term borrowings	521,187	181,491
Lease liabilities	1,802	5,758
Income taxes payable	398,362	181,173
Provision for bonuses for directors (and other officers)	129,071	153,255
Accrued expenses	421,268	521,893
Contract liabilities	180,720	212,403
Other	415,784	269,994
Total current liabilities	3,668,390	4,100,987
Non-current liabilities		
Long-term borrowings	661,140	411,109
Lease liabilities	-	34,382
Deferred tax liabilities	53,137	8,662
Asset retirement obligations	125,659	99,107
Other	220,513	212,874
Total non-current liabilities	1,060,451	766,136
Total liabilities	4,728,841	4,867,123
Net assets		
Shareholders' equity		
Share capital	547,764	547,764
Capital surplus	696,127	696,127
Retained earnings	1,543,800	2,247,658
Treasury shares	(30,448)	(130,456)
Total shareholders' equity	2,757,244	3,361,094
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,191	222,920
Deferred gains or losses on hedges	-	164
Foreign currency translation adjustment	(63,233)	(22,960)
Total accumulated other comprehensive income	(62,041)	200,124
Share acquisition rights	100,016	143,559
Non-controlling interests	24,931	23,496
Total net assets	2,820,150	3,728,275
Total liabilities and net assets	7,548,992	8,595,398

(2) Consolidated statement of income

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Net sales	16,190,710	18,956,914
Cost of sales	12,672,535	14,804,858
Gross profit	3,518,175	4,152,056
Selling, general and administrative expenses	2,750,291	2,855,314
Operating profit	767,883	1,296,741
Non-operating income		
Interest income	142	148
Dividend income	5,814	1,549
Distributions of profit or loss on partnerships	151,693	–
Outsourcing service income	12,809	20,072
Subsidy income	350,832	59,706
Other	32,645	20,010
Total non-operating income	553,938	101,488
Non-operating expenses		
Interest expenses	10,146	8,169
Share of loss of entities accounted for using equity method	5,927	4,833
Foreign exchange losses	5,867	–
Customs duties for prior periods	–	18,965
Rental expenses on facilities	–	19,822
Other	15,661	11,300
Total non-operating expenses	37,602	63,089
Ordinary profit	1,284,219	1,335,139
Extraordinary income		
Gain on sale of non-current assets	–	3,793
Gain on liquidation of investments in capital	–	18,206
Gain on sale of investment securities	3,211	2,564
Total extraordinary income	3,211	24,563
Extraordinary losses		
Loss on retirement of non-current assets	473	171
Loss on sale of non-current assets	–	744
Bad debts expenses	–	1,727
Loss on valuation of investment securities	–	104,981
Loss on sale of investments in capital of subsidiaries	–	29,342
Impairment losses	1,754	–
Loss on withdrawal from business	86,000	–
Loss on reversal of foreign currency translation adjustment	5,193	–
Loss on valuation of investments in capital	58,379	33,717
Loss on sale of shares of subsidiaries and associates	–	8,647
Total extraordinary losses	151,800	179,332
Profit before income taxes	1,135,630	1,180,371
Income taxes - current	639,987	407,963
Income taxes - deferred	(100,176)	(110,769)
Total income taxes	539,811	297,193
Profit	595,819	883,197
Profit (loss) attributable to non-controlling interests	14,604	(1,435)
Profit attributable to owners of parent	581,214	884,612

(3) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,135,630	1,180,371
Depreciation	94,824	85,143
Impairment losses	1,754	–
Amortization of goodwill	41,418	41,418
Increase (decrease) in allowance for doubtful accounts	(1,078)	(21,452)
Increase (decrease) in provision for bonuses for directors (and other officers)	(100,958)	24,183
Interest and dividend income	(5,956)	(1,698)
Interest expenses	10,146	8,169
Share of loss (profit) of entities accounted for using equity method	5,927	4,833
Loss (gain) on sale of investments in capital of subsidiaries	–	29,342
Loss (gain) on sale of shares of subsidiaries and associates	–	8,647
Foreign exchange losses (gains)	411	(28,055)
Subsidy income	(350,832)	(59,706)
Distributions of profit or loss on partnerships	(151,693)	–
Outsourcing service income	(12,809)	(20,072)
Loss on withdrawal from business	86,000	–
Loss (gain) on sale and retirement of non-current assets	–	(3,049)
Loss on retirement of non-current assets	473	171
Loss (gain) on sale of investment securities	(3,211)	(2,564)
Loss (gain) on valuation of investment securities	–	104,981
Loss (gain) on liquidation of investments in capital	–	(18,206)
Loss on valuation of investments in capital	58,379	33,717
Loss on reversal of foreign currency translation adjustment	5,193	–
Loss on transfer of receivables	985	978
Share-based payment expenses	49,377	43,542
Distributions of profit or loss on silent partnerships	1,788	4,655
Customs duties for prior periods	–	18,965
Rental expenses on facilities	–	19,822
Decrease (increase) in trade receivables	268,754	(641,550)
Decrease (increase) in inventories	10,010	(263,925)
Decrease (increase) in advance payments to suppliers	139,845	41,189
Decrease (increase) in other assets	15,045	42,444
Increase (decrease) in trade payables	(383,987)	951,480
Increase (decrease) in accounts payable - other	54,366	(112,079)
Increase (decrease) in accrued consumption taxes	56,215	(95,921)
Increase (decrease) in contract liabilities	145,201	31,683
Increase (decrease) in other liabilities	111,888	72,726
Subtotal	1,283,110	1,480,183
Interest and dividends received	5,422	16,598
Interest paid	(9,918)	(9,020)
Proceeds from outsourcing service income	12,809	20,072
Income taxes paid	(556,312)	(742,983)
Subsidies received	350,832	59,706
Income taxes refund	99,115	21,768
Net cash provided by (used in) operating activities	1,185,058	846,327

(Thousands of yen)

	Fiscal year ended June 30, 2022	Fiscal year ended June 30, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(48,158)	(69,674)
Proceeds from sale of property, plant and equipment	–	3,269
Purchase of intangible assets	(300)	(19,483)
Proceeds from sale of intangible assets	–	375
Proceeds from collection of loans receivable	1,869	1,869
Payments of leasehold and guarantee deposits	(982)	(5,428)
Proceeds from refund of leasehold and guarantee deposits	767	673
Purchase of short-term and long-term investment securities	(232,666)	–
Proceeds from sale of short-term and long-term investment securities	5,050	8,960
Proceeds from sale of investments in capital	–	2,021
Payments for investments in capital	–	(160,305)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	–	(33,617)
Proceeds from sale of shares of subsidiaries and associates	–	1,750
Purchase of golf club membership	–	(5,355)
Net cash provided by (used in) investing activities	(274,420)	(274,943)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	238,000	48,000
Proceeds from long-term borrowings	100,000	–
Repayments of long-term borrowings	(534,491)	(496,991)
Purchase of treasury shares	(25)	(100,007)
Dividends paid	(90,231)	(180,431)
Repayments of lease liabilities	(8,227)	(15,037)
Net cash provided by (used in) financing activities	(294,976)	(744,468)
Effect of exchange rate change on cash and cash equivalents	11,438	32,847
Net increase (decrease) in cash and cash equivalents	627,100	(140,237)
Cash and cash equivalents at beginning of period	2,587,272	3,214,372
Cash and cash equivalents at end of period	3,214,372	3,074,135