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February 13, 2024

Consolidated Financial Results for the Six Months Ended December 31, 2023 (under Japanese GAAP)

Company name: SUNNY SIDE UP GROUP Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 2180
 URL: <https://ssug.co.jp>
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 Scheduled date to file Quarterly Securities Report: February 14, 2024
 Scheduled date to commence dividend payments: March 11, 2024
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (for individual investors)

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

1. Consolidated financial results for the first six months of the fiscal year ending June 30, 2024 (from July 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

(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	%
Six months ended December 31, 2023	9,179	(15.2)	997	17.1	1,004	12.7	601	15.5
December 31, 2022	10,828	24.3	851	74.7	891	(0.9)	520	(1.6)

(Note) Comprehensive income For the six months ended December 31, 2023 ¥525 million [(5.2)%]
 For the six months ended December 31, 2022 ¥554 million [1.7%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2023	40.29	40.16
December 31, 2022	34.86	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	9,916	4,024	39.0
June 30, 2023	8,595	3,728	41.4

(Reference) Equity
 As of December 31, 2023 ¥3,863 million
 As of June 30, 2023 ¥3,561 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2023	–	0.00	–	15.00	15.00
Fiscal year ending June 30, 2024	–	5.00			
Fiscal year ending June 30, 2024 (Forecast)			–	15.00	20.00

(Note) Revisions to the dividends forecasts most recently announced: None

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

(Note) Revisions to the earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the six months ended December 31, 2023 (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of specific accounting for preparing quarterly consolidated financial statements: Yes
- (3) 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
- (4) Number of issued shares (common shares)
- a. Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	15,197,400 shares
As of June 30, 2023	15,191,600 shares
 - b. Number of treasury shares at the end of the period

As of December 31, 2023	277,456 shares
As of June 30, 2023	277,456 shares
 - c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended December 31, 2023	14,915,367 shares
Six months ended December 31, 2022	14,927,361 shares

* Quarterly financial results reports are exempt from quarterly 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 quarterly financial results)

The supplementary material on quarterly financial results will be available on the Company's website on Tuesday, February 13, 2024.

(Financial results presentation meeting)

The Company is scheduled to hold a financial results presentation meeting for individual investors on Saturday, February 17, 2024.

Quarterly Consolidated Financial Statements

(1) Consolidated balance sheet

(Thousands of yen)

	As of June 30, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	3,089,935	2,418,919
Notes receivable - trade	22,093	1,827
Accounts receivable - trade	2,620,516	4,328,056
Merchandise and finished goods	4,573	6,476
Costs on service contracts in progress	551,986	893,400
Raw materials and supplies	25,083	32,949
Other	314,635	462,747
Allowance for doubtful accounts	(6,243)	(11,151)
Total current assets	6,622,581	8,133,225
Non-current assets		
Property, plant and equipment		
Other, net	362,309	424,949
Total property, plant and equipment	362,309	424,949
Intangible assets		
Goodwill	276,121	255,411
Other	24,231	26,122
Total intangible assets	300,352	281,534
Investments and other assets		
Other	1,355,869	1,133,787
Allowance for doubtful accounts	(45,713)	(57,063)
Total investments and other assets	1,310,155	1,076,723
Total non-current assets	1,972,817	1,783,207
Total assets	8,595,398	9,916,433
Liabilities		
Current liabilities		
Accounts payable - trade	1,989,016	3,515,020
Short-term borrowings	586,000	506,000
Current portion of long-term borrowings	181,491	135,192
Income taxes payable	181,173	300,964
Provision for bonuses	-	111,000
Provision for bonuses for directors (and other officers)	153,255	-
Contract liabilities	212,403	294,005
Other	797,646	330,558
Total current liabilities	4,100,987	5,192,741
Non-current liabilities		
Long-term borrowings	411,109	351,257
Asset retirement obligations	99,107	99,744
Other	255,919	248,145
Total non-current liabilities	766,136	699,148
Total liabilities	4,867,123	5,891,889

(Thousands of yen)

	As of June 30, 2023	As of December 31, 2023
Net assets		
Shareholders' equity		
Share capital	547,764	550,458
Capital surplus	696,127	698,821
Retained earnings	2,247,658	2,625,015
Treasury shares	(130,456)	(130,456)
Total shareholders' equity	3,361,094	3,743,839
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	222,920	143,390
Deferred gains or losses on hedges	164	(1,440)
Foreign currency translation adjustment	(22,960)	(22,590)
Total accumulated other comprehensive income	200,124	119,359
Share acquisition rights	143,559	132,874
Non-controlling interests	23,496	28,469
Total net assets	3,728,275	4,024,543
Total liabilities and net assets	8,595,398	9,916,433

(2) Consolidated statement of income (cumulative)

(Thousands of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Net sales	10,828,107	9,179,480
Cost of sales	8,664,660	6,931,795
Gross profit	2,163,447	2,247,685
Selling, general and administrative expenses	1,311,548	1,249,959
Operating profit	851,899	997,726
Non-operating income		
Interest income	71	83
Dividend income	441	–
Foreign exchange gains	–	17,487
Outsourcing service income	10,072	9,999
Subsidy income	59,706	–
Other	7,979	5,934
Total non-operating income	78,271	33,505
Non-operating expenses		
Interest expenses	4,775	2,883
Share of loss of entities accounted for using equity method	8,757	2,221
Foreign exchange losses	15,976	–
Distributions of profit or loss on silent partnerships	–	2,388
Customs duties for prior periods	–	9,535
Provision of allowance for doubtful accounts	–	8,500
Other	9,527	1,403
Total non-operating expenses	39,036	26,933
Ordinary profit	891,134	1,004,297
Extraordinary income		
Gain on sale of non-current assets	1,636	35
Gain on sale of shares of subsidiaries	–	37,880
Gain on reversal of share acquisition rights	–	12,288
Total extraordinary income	1,636	50,203
Extraordinary losses		
Loss on retirement of non-current assets	0	–
Loss on sale of investments in capital of subsidiaries	29,342	–
Loss on valuation of investments in capital	34,519	101,171
Loss on valuation of investment securities	–	2,014
Total extraordinary losses	63,862	103,185
Profit before income taxes	828,908	951,315
Income taxes	317,095	345,273
Profit	511,813	606,042
Profit (loss) attributable to non-controlling interests	(8,611)	4,973
Profit attributable to owners of parent	520,425	601,069

(3) Consolidated statement of cash flows

(Thousands of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	828,908	951,315
Depreciation	39,566	47,815
Increase (decrease) in allowance for doubtful accounts	(16,834)	16,258
Amortization of goodwill	20,709	20,709
Increase (decrease) in provision for bonuses for directors (and other officers)	(129,071)	(153,255)
Increase (decrease) in provision for bonuses	168,000	111,000
Interest and dividend income	(513)	(83)
Interest expenses	4,775	2,883
Foreign exchange losses (gains)	(9,278)	(12,036)
Subsidy income	(59,706)	–
Share of loss (profit) of entities accounted for using equity method	8,757	2,221
Loss (gain) on sale of investments in capital of subsidiaries	29,342	–
Outsourcing service income	(10,072)	(9,999)
Gain on sale of non-current assets	(1,636)	(35)
Loss on retirement of non-current assets	0	–
Share-based payment expenses	25,688	2,717
Loss (gain) on sale of shares of subsidiaries	–	(37,880)
Loss on valuation of investments in capital	34,519	101,171
Distributions of loss (profit) on silent partnerships	4,117	2,388
Loss (gain) on valuation of investment securities	–	2,014
Loss on transfer of receivables	421	–
Gain on reversal of share acquisition rights	–	(12,288)
Decrease (increase) in trade receivables	(2,140,043)	(1,770,849)
Decrease (increase) in inventories	(199,654)	(351,410)
Decrease (increase) in advance payments to suppliers	(821,325)	(220,485)
Decrease (increase) in other assets	97,667	17,434
Increase (decrease) in trade payables	1,733,700	1,578,271
Increase (decrease) in accounts payable - other	(145,141)	(42,841)
Increase (decrease) in accrued consumption taxes	(46,912)	(124,688)
Increase (decrease) in contract liabilities	760,435	81,601
Increase (decrease) in other liabilities	(232,844)	(258,062)
Subtotal	(56,423)	(56,115)
Interest and dividends received	138	83
Interest paid	(5,709)	(2,974)
Proceeds from outsourcing service income	10,072	9,999
Subsidies received	59,706	–
Income taxes paid	(460,981)	(181,115)
Income taxes refund	21,768	48,479
Net cash provided by (used in) operating activities	(431,427)	(181,642)

(Thousands of yen)

	Six months ended December 31, 2022	Six months ended December 31, 2023
Cash flows from investing activities		
Purchase of property, plant and equipment	(43,484)	(82,067)
Proceeds from sale of property, plant and equipment	1,636	35
Purchase of intangible assets	(12,668)	(12,575)
Payments for investments in capital	(26,500)	(10,010)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(33,617)	(10,746)
Proceeds from share of profits on investments in capital	–	4,247
Proceeds from collection of loans receivable	934	934
Payments of leasehold and guarantee deposits	(5,398)	–
Proceeds from refund of leasehold and guarantee deposits	323	73
Net cash provided by (used in) investing activities	(118,774)	(110,109)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,314,295	(64,159)
Repayments of long-term borrowings	(234,990)	(106,150)
Dividends paid	(179,980)	(222,749)
Repayments of lease liabilities	(1,834)	(2,830)
Purchase of treasury shares	(100,007)	–
Proceeds from issuance of share acquisition rights	–	277
Proceeds from issuance of shares resulting from exercise of share acquisition rights	–	3,996
Net cash provided by (used in) financing activities	797,481	(391,616)
Effect of exchange rate change on cash and cash equivalents	11,128	12,351
Net increase (decrease) in cash and cash equivalents	258,409	(671,016)
Cash and cash equivalents at beginning of period	3,214,372	3,074,135
Cash and cash equivalents at end of period	3,472,782	2,403,119