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February 13, 2023

Consolidated Financial Results for the Six Months Ended December 31, 2022 (under Japanese GAAP)

Company name: SUNNY SIDE UP GROUP Inc.
 Listing: Tokyo Stock Exchange
 Securities code: 2180
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 Scheduled date to file Quarterly Securities Report: February 13, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: None

(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, 2023 (from July 1, 2022 to December 31, 2022)

(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, 2022	10,828	24.3	851	74.7	891	(0.9)	520	(1.6)
December 31, 2021	8,710	–	487	–	899	–	528	–

(Note) Comprehensive income For the six months ended December 31, 2022 ¥554 million [1.7%]
 For the six months ended December 31, 2021 ¥544 million [-%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
December 31, 2022	34.86	–
December 31, 2021	35.09	–

* 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 first three months of the fiscal year ended June 30, 2022. The figures pertaining to the six months ended December 31, 2021, 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
As of	Millions of yen	Millions of yen	%
December 31, 2022	10,882	3,119	27.4
June 30, 2022	7,548	2,820	35.7

(Reference) Equity
 As of December 31, 2022 ¥2,977 million
 As of June 30, 2022 ¥2,695 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, 2022	—	0.00	—	12.00	12.00
Fiscal year ending June 30, 2023	—	0.00			
Fiscal year ending June 30, 2023 (Forecast)			—	13.00	13.00

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

3. Consolidated earnings forecasts for the fiscal year ending June 30, 2023 (from July 1, 2022 to June 30, 2023)

(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, 2023	16,500	1.9	1,000	30.2	1,020	(20.6)	640	10.1	42.91

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

* **Notes**

- (1) Changes in significant subsidiaries during the six months ended December 31, 2022 (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
Excluded: 1 company (company name: bills waikiki LLC)
- (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, 2022	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 December 31, 2022	277,456 shares
As of June 30, 2022	128,708 shares
 - c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended December 31, 2022	14,927,361 shares
Six months ended December 31, 2021	15,062,932 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.

Quarterly Consolidated Financial Statements

(1) Consolidated balance sheet

(Thousands of yen)

	As of June 30, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	3,230,172	3,488,582
Notes receivable - trade	24,352	10,640
Accounts receivable - trade	1,958,834	4,139,799
Merchandise and finished goods	1,763	4,358
Costs on service contracts in progress	295,187	481,448
Raw materials and supplies	24,346	31,398
Other	319,412	1,063,731
Allowance for doubtful accounts	(10,876)	(21,257)
Total current assets	5,843,193	9,198,701
Non-current assets		
Property, plant and equipment		
Other, net	374,714	391,457
Total property, plant and equipment	374,714	391,457
Intangible assets		
Goodwill	317,539	296,830
Other	10,566	19,910
Total intangible assets	328,106	316,741
Investments and other assets		
Other	1,065,512	1,011,379
Allowance for doubtful accounts	(62,533)	(35,318)
Total investments and other assets	1,002,979	976,060
Total non-current assets	1,705,799	1,684,259
Total assets	7,548,992	10,882,961
Liabilities		
Current liabilities		
Accounts payable - trade	1,062,193	2,777,511
Short-term borrowings	538,000	1,852,295
Current portion of long-term borrowings	521,187	368,151
Income taxes payable	398,362	324,809
Provision for bonuses	-	168,000
Provision for bonuses for directors (and other officers)	129,071	-
Contract liabilities	180,720	941,156
Other	838,855	480,781
Total current liabilities	3,668,390	6,912,706
Non-current liabilities		
Long-term borrowings	661,140	486,450
Asset retirement obligations	125,659	126,436
Other	273,650	238,098
Total non-current liabilities	1,060,451	850,986
Total liabilities	4,728,841	7,763,692

(Thousands of yen)

	As of June 30, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Share capital	547,764	547,764
Capital surplus	696,127	696,127
Retained earnings	1,543,800	1,883,471
Treasury shares	(30,448)	(130,456)
Total shareholders' equity	2,757,244	2,996,907
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,191	1,392
Deferred gains or losses on hedges	–	(4,859)
Foreign currency translation adjustment	(63,233)	(16,197)
Total accumulated other comprehensive income	(62,041)	(19,663)
Share acquisition rights	100,016	125,704
Non-controlling interests	24,931	16,319
Total net assets	2,820,150	3,119,268
Total liabilities and net assets	7,548,992	10,882,961

(2) Consolidated statement of income (cumulative)

(Thousands of yen)

	Six months ended December 31, 2021	Six months ended December 31, 2022
Net sales	8,710,997	10,828,107
Cost of sales	6,955,395	8,664,660
Gross profit	1,755,602	2,163,447
Selling, general and administrative expenses	1,268,003	1,311,548
Operating profit	487,599	851,899
Non-operating income		
Interest income	71	71
Dividend income	534	441
Share of profit of entities accounted for using equity method	2,907	–
Distributions of profit or loss on partnerships	151,723	–
Subsidy income	235,803	59,706
Other	28,337	18,052
Total non-operating income	419,377	78,271
Non-operating expenses		
Interest expenses	5,803	4,775
Share of loss of entities accounted for using equity method	–	8,757
Foreign exchange losses	–	15,976
Other	1,631	9,527
Total non-operating expenses	7,435	39,036
Ordinary profit	899,541	891,134
Extraordinary income		
Gain on sale of non-current assets	–	1,636
Total extraordinary income	–	1,636
Extraordinary losses		
Loss on retirement of non-current assets	138	0
Loss on sale of investments in capital of subsidiaries	–	29,342
Loss on valuation of investments in capital	–	34,519
Total extraordinary losses	138	63,862
Profit before income taxes	899,403	828,908
Income taxes	339,533	317,095
Profit	559,869	511,813
Profit (loss) attributable to non-controlling interests	31,208	(8,611)
Profit attributable to owners of parent	528,660	520,425

(3) Consolidated statement of cash flows

(Thousands of yen)

	Six months ended December 31, 2021	Six months ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	899,403	828,908
Depreciation	49,585	39,566
Increase (decrease) in allowance for doubtful accounts	3,611	(16,834)
Amortization of goodwill	20,709	20,709
Increase (decrease) in provision for bonuses for directors (and other officers)	(230,029)	(129,071)
Increase (decrease) in provision for bonuses	120,000	168,000
Interest and dividend income	(606)	(513)
Interest expenses	5,803	4,775
Foreign exchange losses (gains)	(12,593)	(9,278)
Subsidy income	(235,803)	(59,706)
Share of loss (profit) of entities accounted for using equity method	(2,907)	8,757
Distributions of loss (profit) on partnerships	(151,723)	–
Loss (gain) on sale of investments in capital of subsidiaries	–	29,342
Outsourcing service income	–	(10,072)
Gain on sale of non-current assets	–	(1,636)
Loss on retirement of non-current assets	543	0
Share-based payment expenses	27,395	25,688
Loss on valuation of investments in capital	–	34,519
Distributions of loss (profit) on silent partnerships	1,109	4,117
Loss on transfer of receivables	–	421
Decrease (increase) in trade receivables	(2,124,566)	(2,140,043)
Decrease (increase) in inventories	(116,270)	(199,654)
Decrease (increase) in advance payments to suppliers	52,122	(821,325)
Decrease (increase) in other assets	(23,783)	97,667
Increase (decrease) in trade payables	500,834	1,733,700
Increase (decrease) in accounts payable - other	65,808	(145,141)
Increase (decrease) in accrued consumption taxes	(28,349)	(46,912)
Increase (decrease) in advances received	242,769	–
Increase (decrease) in contract liabilities	–	760,435
Increase (decrease) in other liabilities	(16,279)	(232,844)
Subtotal	(953,214)	(56,423)
Interest and dividends received	71	138
Interest paid	(5,456)	(5,709)
Proceeds from outsourcing service income	–	10,072
Subsidies received	235,803	59,706
Income taxes paid	(356,145)	(460,981)
Income taxes refund	99,115	21,768
Net cash provided by (used in) operating activities	(979,826)	(431,427)

(Thousands of yen)

	Six months ended December 31, 2021	Six months ended December 31, 2022
Cash flows from investing activities		
Purchase of property, plant and equipment	(43,705)	(43,484)
Proceeds from sale of property, plant and equipment	–	1,636
Purchase of intangible assets	(300)	(12,668)
Payments for investments in capital	–	(26,500)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	–	(33,617)
Proceeds from collection of loans receivable	934	934
Payments of leasehold and guarantee deposits	(344)	(5,398)
Proceeds from refund of leasehold and guarantee deposits	760	323
Net cash provided by (used in) investing activities	(42,655)	(118,774)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,199,927	1,314,295
Repayments of long-term borrowings	(230,060)	(234,990)
Dividends paid	(90,093)	(179,980)
Repayments of lease liabilities	(4,618)	(1,834)
Purchase of treasury shares	–	(100,007)
Net cash provided by (used in) financing activities	875,154	797,481
Effect of exchange rate change on cash and cash equivalents	(4,484)	11,128
Net increase (decrease) in cash and cash equivalents	(151,810)	258,409
Cash and cash equivalents at beginning of period	2,587,272	3,214,372
Cash and cash equivalents at end of period	2,435,461	3,472,782