

SUNNY SIDE UP GROUP

SUNNY SIDE UP GROUP Inc.

FY2022 3Q Consolidated Financial Results
for the Nine Months ended March 31, 2023

FY2022 3Q Financial Highlights

for the nine months ended March 31, 2023

**YTD
Net Sales
Change
YonY**

+15.8%

**YTD
Operating
Profit Change
YonY**

+34.6%

**3Q Operating
Profit Margin**
FY2021 3Q 6.9%

→ **8.0%**

**Operating Profit
Progress Rate
to the FY2022
full-year forecast**

Exceeded

- ✓ Recorded the historical high revenue and operating profit of nine months period.
- ✓ Operating profit margin improved 8.0% from 6.9% a year ago, progressing toward 10-12%, the medium-term goal.
- ✓ Exceeded the profit forecasts, leading to an upward revision of the forecast and announcement of a dividend increase

FY2022 3Q Consolidated Financial Results

for the nine months ended March 31, 2023

(¥ million)

	FY2020 3Q	FY2021 3Q*	FY2022 3Q	Changes YoY	FY2022 Full-year Forecasts**	Progress Rate
Net Sales	10,694	12,099	14,007	+15.8%	16,500	84.9%
Operating Profit	433	832	1,120	+34.6%	1,000	Exceeded
Recurring Profit	501	1,339	1,158	△13.5%	1,020	Exceeded
Profit attributable to owners of parent	325	792	673	△15.0%	640	Exceeded

* 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 nine months of FY2021. As a results, net sales decreased by ¥ 1,457 million in FY2021 3Q.

**The forecasts were disclosed on August 15, 2022.

- ✓ Nine-month sales and operating profit recorded double-digit growth, reaching an all-time high
- ✓ Recurring profit and profit attributable to owners of parent exceeded the FY2022 full-year forecasts
- ✓ Net sales have been progressing mainly due to the strong performance in Sales Activation business
- ✓ Have been steadily resolving the losses in Food Branding business.

FY2022 Full-year Forecasts

for the 12 months from July 1, 2022 to June 30, 2023 (¥ million)

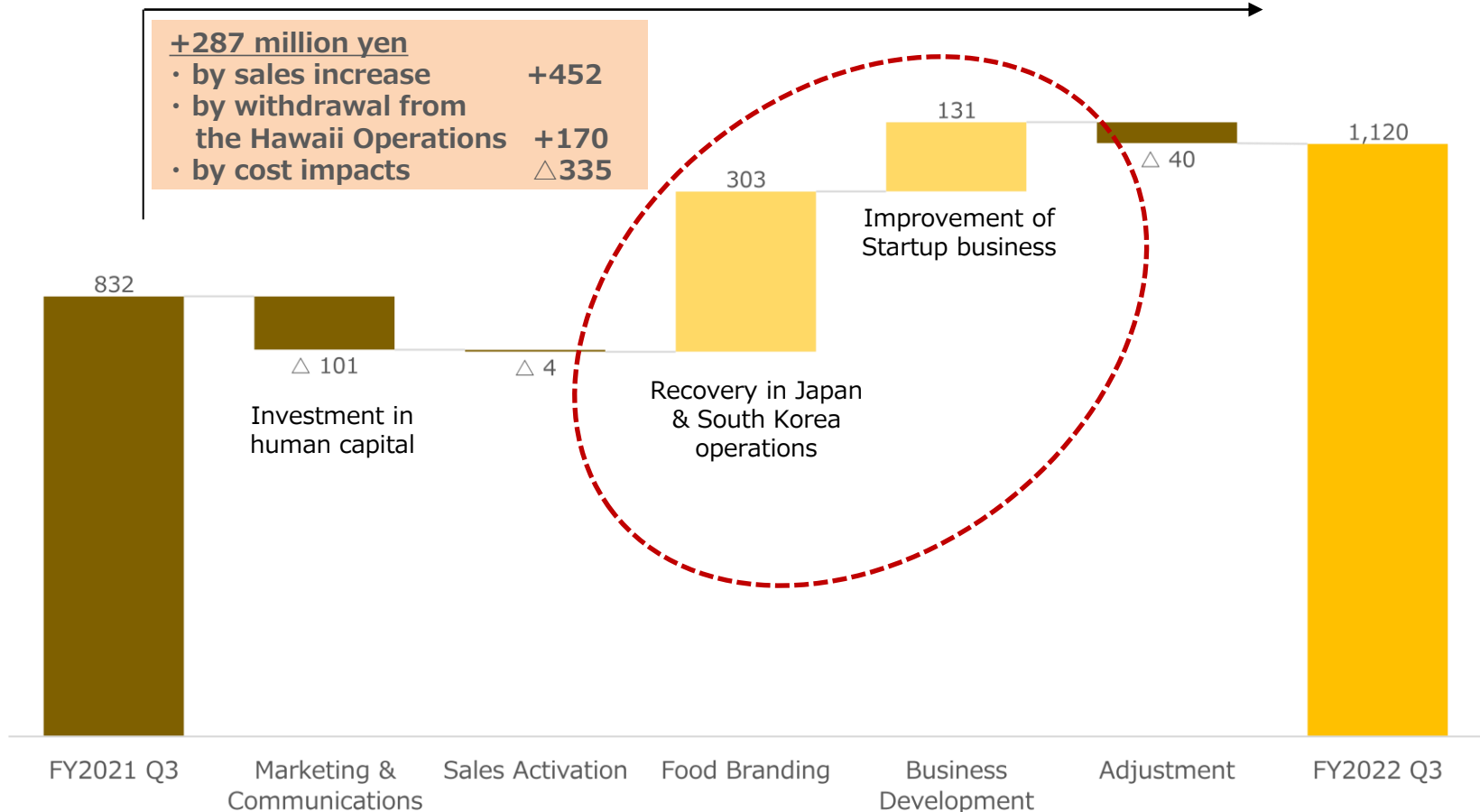
	FY2021 Full-year Results	FY2022 Full-year Forecasts (At the beginning of FY2022) (a)	FY2022 Full-year Forecasts (Disclosed on May 15, 2023) (b)	Changes (b-a)
Sales	16,190	16,500	17,600	+1,100
Operating Profit	767	1,000	1,200	+ 200
Recurring Profit	1,284	1,020	1,230	+ 210
Profit attributable to owners of parent	581	640	670	+ 30
Dividend per share	¥ 12	¥ 13	¥ 15	¥ 2

- ✓ Revised the FY2022 full-year forecasts upward mainly due to the strong performance in Sales Activation business
- ✓ Have been proactively investing in human capital and pitching for clients to accelerate our growth from FY2023 onward
- ✓ Revised the dividend forecast to ¥15 per share to further enhance shareholder returns

Change in 3Q Operating Profit

Change by Factors

(¥ million)



FY2022 3Q Sales by Segment

for the nine months ended March 31, 2023

(¥ million)

	FY2020 3Q	FY2021 3Q*	FY2022 3Q	Change YonY	FY2020 Full-year	FY2021 Full-year**
①Marketing & Communications	5,634	5,750	5,645	△1.8%	9,119	7,744
②Sales Activation	3,071	4,200	5,836	+39.0%	3,644	5,489
③Food Branding	1,843	1,694	2,104	+24.1%	2,355	2,359
④Business Development	144	454	421	△7.3%	236	596
Total	10,694	12,099	14,007	+15.8%	15,356	16,190

• 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 nine months of FY2021. However, nine-month impacts by segment were not disclosed.

** In FY2021, net sales decreased by ¥ 2,185 million in Marketing & Communications, ¥ 2 million in Sales Activation and ¥ 1 million in Business Development.

- ✓ Marketing & Communications and Sales Activation, two major businesses, account for more than 80% of sales
- ✓ Sales Activation: Double-digit growth thanks to its significant expansion during the first half fiscal year
- ✓ Marketing & Communications: Slightly decreased due to delays in its casting projects of a subsidiary
- ✓ Food Branding: Remarkable recovery for Japan operations

FY2022 3Q Operating Profit by Segment

for the nine months ended March 31, 2023

(¥ million)

	FY2020 3Q	FY2021 3Q	FY2022 3Q	Change YoY	FY2020 Full-year	FY2021 Full-year
①Marketing & Communications	927	1,570	1,468	△6.5%	1,284	1,954
②Sales Activation	338	312	308	△1.4%	310	344
③Food Branding	△201	△252	50	Turned to profit	△293	△366
④Business Development	65	△84	46	Turned to profit	110	△82
Adjustment	△697	△712	△ 753	-	△892	△1,082
Total	433	832	1,120	+34.6%	519	767

- ✓ Marketing & Communications business plays a crucial role in the consolidated operating profit. Its YoY operating profit decline during 3Q came from delays in large projects and proactive investment in human capital.
- ✓ Food Branding business improved its operating profit by ¥300 million, due to the withdrawal from Hawaii and significant recovery in Japan and South Korea operations.

Quarterly Financial Results

from FY2020 1Q to FY2022 3Q

(¥ million)

	FY2020 ended June 30, 2021				FY2021 ended June 30, 2022*				FY2022		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Net Sales	2,771	4,427	3,495	4,662	3,444	5,266	3,388	4,090	4,676	6,151	3,179
Operating Profit margin	14 0.5%	283 6.4%	134 3.9%	85 1.8%	140 4.1%	347 6.6%	345 10.2%	△64 △1.6%	361 7.7%	490 8.0%	268 8.4%
Recurring Profit	△5	357	149	165	213	685	440	△55	404	486	267
Profit attributable to owners of parent	△15	196	144	△26	127	400	263	△211	215	305	153

*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 nine months of FY2021. As a results, net sales decreased by ¥ 253 million in FY2021 1Q, ¥ 701 million in 2Q, ¥ 503 million yen in 3Q and ¥ 732 million in 4Q.

- ✓ While sales for 3Q alone tends to be lower than 2Q due to seasonal factors, the FY2022 3Q was slightly below expectations compared to the past two periods.
- ✓ During 3Q, shifted our focus to activities aimed at accelerating growth from FY2023 onward, building on our strong performance in the first half of FY2022.
- ✓ The operating profit margin for FY2022 has remained stable at around 8% on a quarterly basis, primarily due to the turnaround of two previously loss-making businesses.

Quarterly Sales by Segment

from FY2020 1Q to FY2022 3Q

(¥ million)

	FY2020 ended June 30, 2021				FY2021 ended June 30, 2022*				FY2022		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
①Marketing & Communications	1,281	1,936	2,416	3,485	1,485	2,211	2,052	1,994	1,562	2,198	1,884
②Sales Activation	823	1,767	481	572	1,227	2,285	687	1,289	2,316	3,114	405
③Food Branding	642	683	517	512	526	638	529	664	634	726	743
④Business Development	23	40	80	91	204	130	119	142	162	112	146
Total	2,771	4,427	3,495	4,662	3,444	5,266	3,388	4,090	4,676	6,151	3,179

*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 nine months of FY2021. As a results, net sales decreased by ¥ 253 million in FY2021 1Q, ¥ 701 million in 2Q, ¥ 503 million yen in 3Q and ¥ 732 million in 4Q. However, quarterly impacts by segment were not disclosed.

Quarterly Operating Profit by Segment

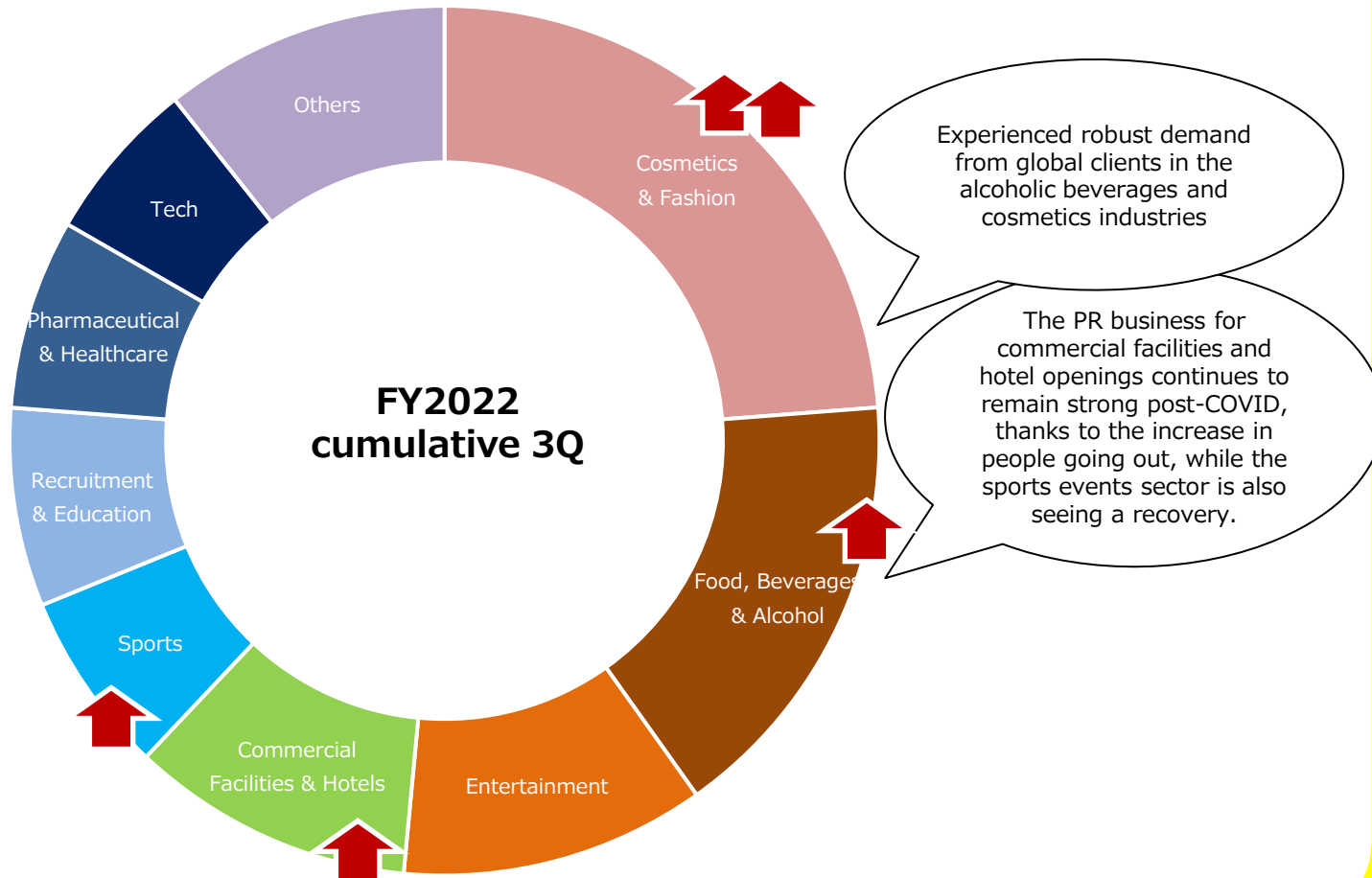
from FY2020 1Q to FY2022 3Q

(¥ million)

	FY2020 ended June 30, 2021				FY2021 ended June 30, 2022				FY2022		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
①Marketing & Communications	177	402	348	356	392	554	623	384	418	489	560
②Sales Activation	85	199	54	△28	147	122	43	32	148	176	△15
③Food Branding	△34	△75	△91	△92	△110	△50	△91	△114	△2	21	31
④Business Development	△3	21	47	45	△43	△38	△2	2	27	△5	24
Adjustment	△209	△263	△224	△194	△245	△240	△227	△369	△230	△191	△331
Total	14	283	134	85	140	347	345	△64	361	490	268

Sales by Client Industry

(Marketing & Communications business)



Intensifying Efforts to Cater to Global Clients

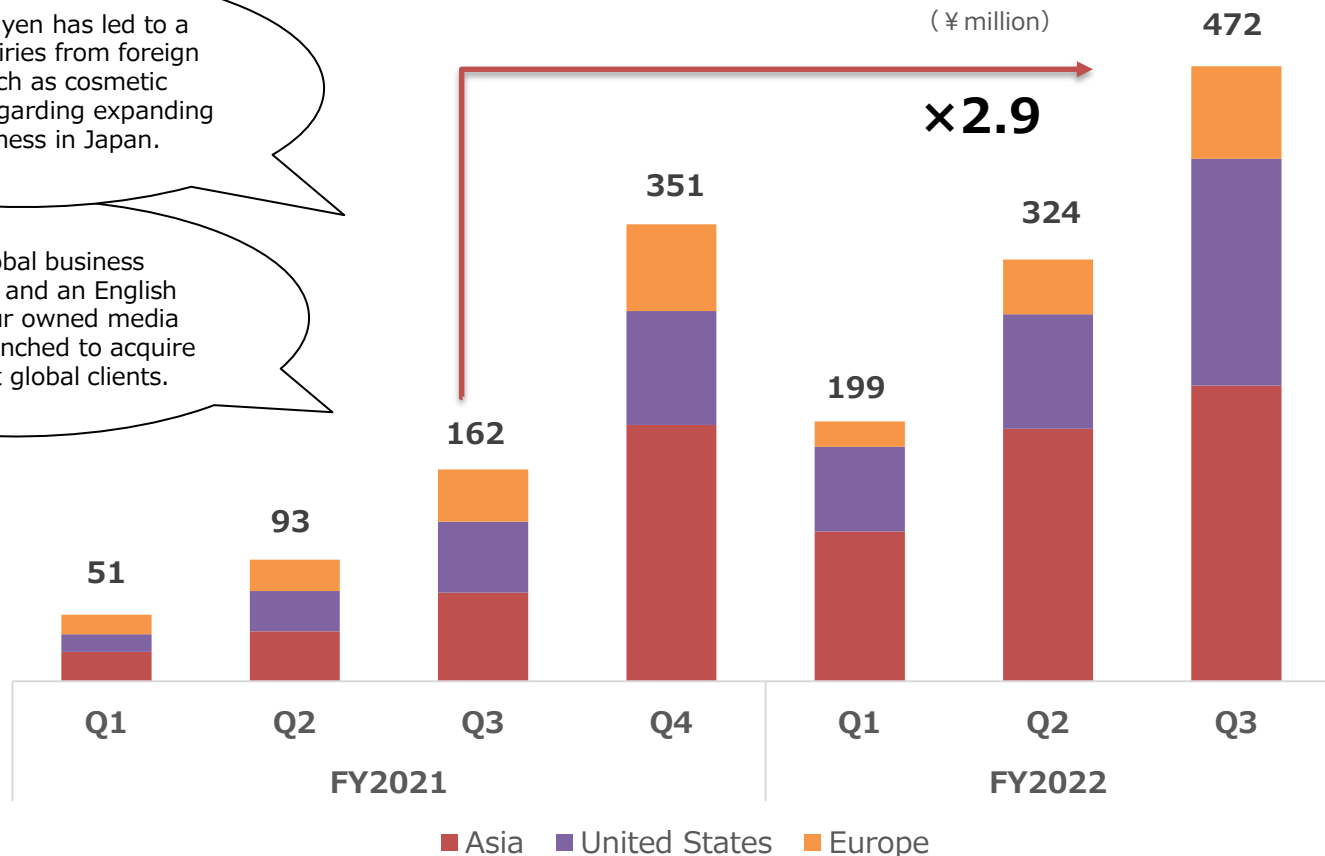
Increase in Sales by Client Region

(¥ million)

×2.9

The weaker yen has led to a surge in inquiries from foreign clients, such as cosmetic companies, regarding expanding their business in Japan.

A new global business organization and an English version of our owned media have been launched to acquire and support global clients.



Consolidated Financial Performance

from FY2016 to FY2021 ended June 30, 2022

(¥ million)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021*
Sales	13,891	13,537	14,627	14,094	15,356	16,190
Operating profit	387	355	610	420	519	767
Recurring profit	494	365	718	275	666	1,284
Profit attributable to owners of parent	304	380	493	△210	298	581
Total assets	5,706	5,327	5,788	5,462	7,163	7,548
Net assets	1,555	1,888	2,397	2,087	2,340	2,820
Basic earning per share (¥)	41.57	25.85	33.42	△13.97	19.83	38.58
Net assets per share (¥)	198.20	120.72	153.13	135.17	151.30	178.92

* 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 nine months of FY2021. As a results, net sales decreased by ¥ 2,189 million in FY2021.

Consolidated Cash Flows

From FY2016 to FY2021 ended June 30, 2022

(¥ million)

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021*
Cash flows from operating activities	352	757	529	549	339	1,185
Cash flows from investing activities	△325	738	△336	△685	△311	△274
Free cash flows	27	1,495	193	△135	27	910
Cash flows from financing activities	△92	△794	△338	705	423	△294
Cash and cash equivalents at end of period	995	1,696	1,559	2,135	2,587	3,214
Depreciations (CF)	127	141	161	143	106	94
Cash expenditure	291	236	256	28	164	48
Cash and deposits	1,011	1,712	1,575	2,151	2,603	3,230
Debt (incl. lease liabilities)	1,716	1,020	720	1,506	1,915	1,722

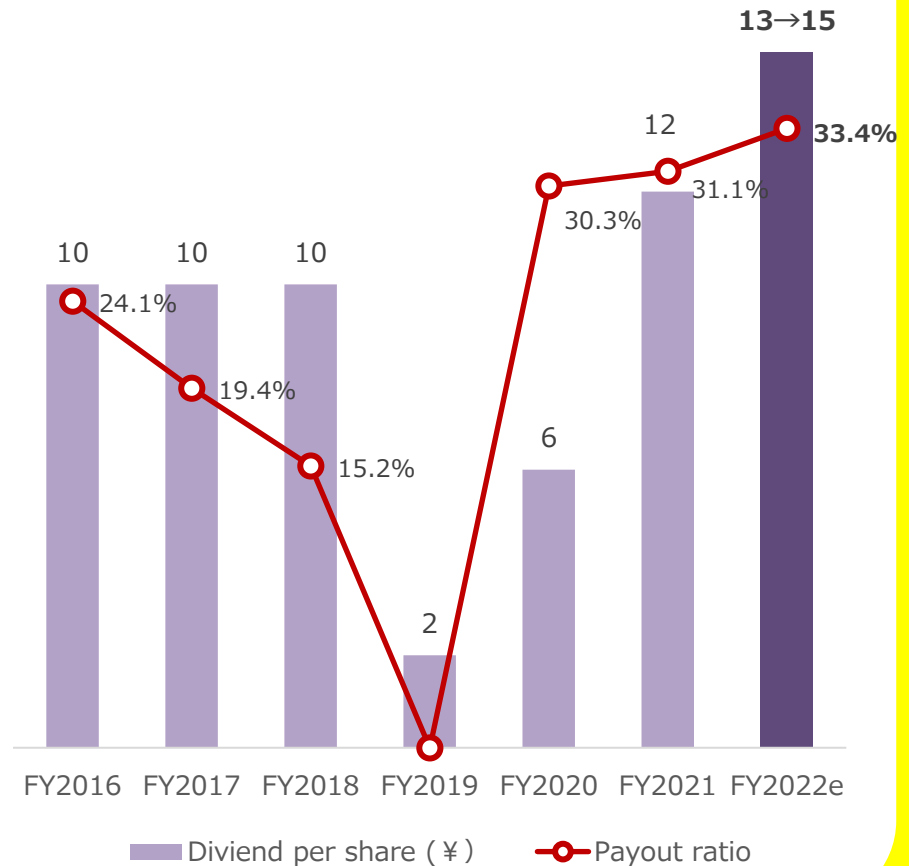
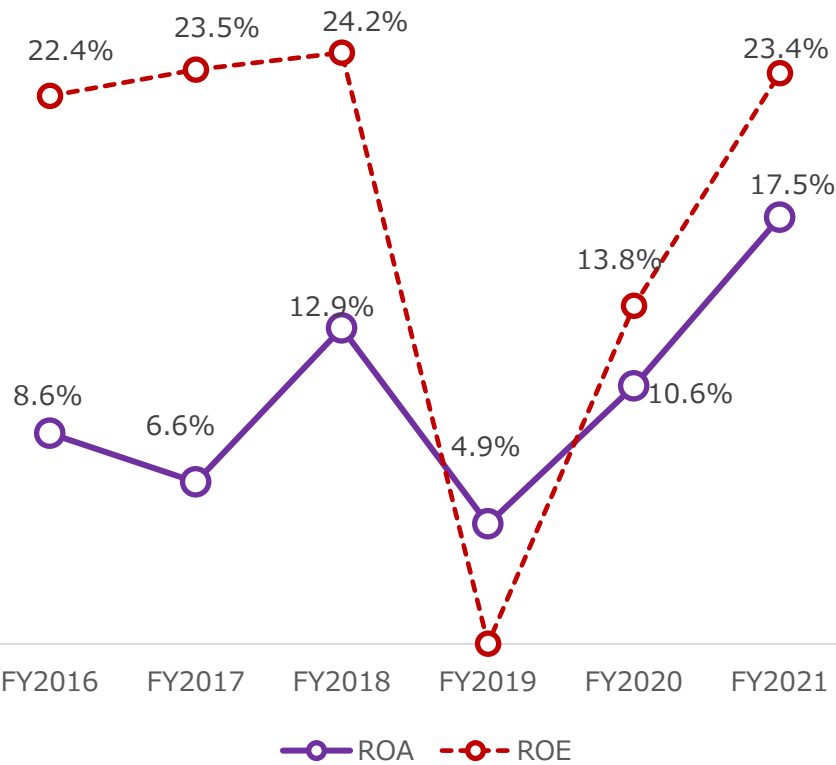
* The Company has applied the "Accounting Standard for Revenue Recognition"(ASBJ Statement No.29, March 31, 2020) and relevant ASBJ regulations from the beginning of the nine months of FY2021.

Profitability / Shareholder Return










from FY2016 to FY2021 ended June 30, 2022

ROA / ROE

Dividend per share / Payout ratio



Appendix: Segment Classification

Segment	Marketing & Communications	Sales Activation	Food Branding*	Business Development
Business	<ul style="list-style-type: none"> - Provide diverse marketing and communication services with a focus on public relations. 	<ul style="list-style-type: none"> - Provides expertise and solutions for facilitating decisions on making purchases and closing deals, at retail locations and other contract points with customers. 	<ul style="list-style-type: none"> - Engages in domestic branding and licensing business of "bills" - Conducts license management and store operation for "bills" in South Korea 	<ul style="list-style-type: none"> - Develops and creates new businesses
Subsidiaries	<div style="border: 1px solid black; padding: 5px; text-align: center;">  SUNNY SIDE UP </div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;">  KUM-NAMU ENTERTAINMENT </div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px; text-align: center;"> steady study </div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;">  SCRAMBLE </div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px; text-align: center;"> <i>airside</i> CREATIVE PR AGENCY </div>	<div style="border: 1px solid black; padding: 5px; text-align: center;">  </div>	<div style="border: 1px solid black; padding: 5px; text-align: center;">  FLYPAN </div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px; text-align: center;">  SUNNY SIDE UP KOREA </div>	<div style="border: 1px solid black; padding: 5px; text-align: center;">  SUNNY SIDE UP PARTNERS </div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px; text-align: center;">  </div> <div style="border: 1px solid black; padding: 5px; margin-top: 5px; text-align: center;">  </div>

*The Company has withdrawn the Hawaii operations by transferring equity stake in bills Waikiki LLC and liquidating SUNNY SIDE UP INTERNATIONAL, INC.

CHANGE THE WORLD.

たのしいさわぎで、世界を変える。

The forward-looking statements, including earning 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.

Managerial Planning Group, Corporate Head Office
SUNNY SIDE UP GROUP Inc.

mail : keiki@ssu.co.jp URL : <https://ssug.co.jp/ir/> <https://ssug.co.jp/eng/>