



**Consolidated Financial Results for the Nine Months
ended September 30, 2021 [Japanese GAAP]**

November 10, 2021

Company name Sun* Inc.
 Stock Exchange listing Tokyo
 Code 4053 URL <http://sun-asterisk.com/>
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 Scheduled date for filing the quarterly report: November 10, 2021
 Scheduled date for commencement of dividend payment: –
 Availability of supplementary briefing material on quarterly financial results: Yes
 Holding of financial result presentation: Yes (For institutional investors and analysts,)

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Nine Months Ended September 30, 2021 (January 1, 2021- September 30, 2021)

(1) Consolidated Operating Results (Accumulated) (% indicates changes from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended September 30, 2021	5,723	44.2	1,129	62.8	1,206	67.2	1,034	59.2
September 30, 2020	3,969	—	694	—	721	—	649	—

(Note) Comprehensive income: Nine months ended September 30, 2021: 1,181 million yen (86.7%)
 Nine months ended September 30, 2020: 632 million yen (—%)

	Net income per share	Net income per share (diluted)
Nine months ended September 30, 2021	yen 27.74	yen 25.57
September 30, 2020	18.84	17.05

(Note) 1. Since the Company has not prepared consolidated financial statements for the third quarter of the fiscal year ending December 31, 2019, the percentage change from the same period of the previous fiscal year for the third quarter of the fiscal year ending December 31, 2020, is not shown.

- On March 31, 2020, the Company conducted a 20-for-1 stock split of common stock. Net income per share is calculated on the assumption that the said stock split was conducted at the beginning of the previous fiscal year.
- Since the Company was listed on the Mothers market of the Tokyo Stock Exchange on July 31, 2020, diluted net income per share for the previous fiscal year has been calculated by deeming the average share price from the date of initial listing to the end of the third quarter consolidated accumulated period as the average share price during the period.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of September 30, 2021	8,295	6,266	75.5
As of December 31, 2020	6,216	5,017	80.7

(Reference) Shareholders' Equity As of September 30, 2021 6,265 million yen
 As of December 31, 2020 5,017 million yen

2. Cash Dividends

	Cash dividends per share for the fiscal year (yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Year ended December 31, 2020	yen —	yen 0.00	yen —	yen 0.00	yen 0.00
Year ending December 31, 2021	—	0.00	—		
Year ending December 31, 2021 (forecast)				0.00	0.00

(Note) Revisions of the latest forecast for cash dividend: None

3. Consolidated Financial Forecast for the Fiscal Year Ending December 31, 2021 (January 1, 2021 - December 31, 2021) (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	8,081	50.6	1,239	39.8	1,346	45.3	1,168	45.2	30.95

(Note) Revisions of the latest financial results forecast: Yes

※ Notes

(1) Significant changes in subsidiaries during the current quarter

(Changes in specified subsidiaries due to changes in the scope of consolidation): Yes

Addition: 1

Company name: Trys Inc.

(Note) For details, please refer to "2. Consolidated Financial Statements and Primary Notes (3) Notes to Consolidated Financial Statements (Business Combinations)" on page 8 of the attached materials.

(2) Application of special accounting methods for the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please refer to "2. Consolidated Financial Statements and Primary Notes (3) Notes to Consolidated Financial Statements (Application of Special Accounting Treatment in Preparing Quarterly Consolidated Financial Statements)" on page 7 of the attached materials.

(3) Changes in accounting policies, changes in accounting estimates, revisions, and restatements

① Changes in accounting policies due to revision of accounting standards, etc.: None

② Changes in accounting policies other than (1): None

③ Change of accounting estimates: None

④ Restatement: None

(4) Number of shares outstanding (common shares)

① Number of shares outstanding at the end of the period (including treasury shares)

Third Quarter of the Fiscal Year ended December 2021	37,682,600 shares	As of December 31, 2020	36,840,000 shares
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② Number of treasury shares at the end of the period

Third Quarter of the Fiscal Year ended December 2021	58 shares	As of December 31, 2020	— shares
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③ Average number of shares during the period (Cumulative total for the quarter)

Third Quarter of the Fiscal Year ended December 2021	37,305,298 shares	Third Quarter of the Fiscal Year ended December 2020	34,495,956 shares
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(Note) On March 31, 2020, the Company conducted a 20-for-1 stock split of common stock. The number of shares outstanding at the end of the fiscal year and the average number of shares outstanding during the fiscal year are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

※ The report is not subject to quarterly review by a certified public accountants or audit firms.

※ Information about the proper usage of forecast financial results, and other special instructions

The forward-looking statements, including business forecasts, contained in this document are based on information currently available to the Company and certain assumptions deemed reasonable, and are not intended as a promise by the Company that they will be achieved. Actual results may differ materially due to a variety of factors. Please refer to "1. Qualitative Information on Consolidated Financial Results, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements" on page 2 of the attached materials for the conditions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecast.

○ TABLE OF CONTENTS

1. Qualitative Information on the Consolidated Financial Results	2
(1) Explanation of Consolidated Financial Results	2
(2) Explanation of Consolidated Financial Position.....	2
(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements	2
2. Consolidated Financial Statements and Primary Notes	3
(1) Consolidated Balance Sheet	3
(2) Consolidated Statements of Income and Comprehensive Income	5
Consolidated Statements of Income	5
Consolidated Statements of Comprehensive Income	6
(3) Notes on the Consolidated Financial Statements.....	7
(Change in Scope of Consolidation and Application of the Equity Method).....	7
(Notes on Going-Concern Assumptions)	7
(Notes in Case of Significant Changes to Shareholders' Equity).....	7
(Application of Special Accounting Treatment in Preparing Quarterly Consolidated Financial Statements)	7
(Additional Information).....	7
(Segment Information, etc.)	7
(Business Combinations)	8

1. Qualitative Information on the Consolidated Financial Results for the Nine Months Ended September 30, 2021

(1) Explanation of Consolidated Financial Results

The Group is a digital creative studio that promotes the digitalization of all industries by assembling the best teams that can utilize digital technology and creativity, with the vision of "Create a world where everyone has the freedom to make awesome things that matter."

In the market related to digital creative studios, where the Group provides services, while the market for big data, artificial intelligence (AI), blockchain, etc. is expected to continue to expand, there is a concern about the shortage of human resources in Japan to take charge of these developments. In addition, in the world since the spread of the new coronavirus, services have become increasingly digitalized, and digital transformation is taking place in various aspects of our lives.

In such a business environment, the Group has developed two service lines within the single segment of "Digital Creative Studio Business" to provide the services necessary to meet the challenges of our clients: "Creative & Engineering" to create digital products together with our clients, and "Talent Platform" to discover, train and produce the human resources necessary for the creation of digital products for our clients.

In the "Creative & Engineering" service, the number of stock-type clients was 92, ARPU was 4,629 thousand yen, and net sales were 4,826,533 thousand yen in the third quarter of the current fiscal year due to an increase in orders from existing clients. In the "Talent Platform" service, sales were 897,037 thousand yen as companies' willingness to hire has been recovered.

As a result, in the third quarter of the current consolidated fiscal year, net sales were 5,723,571 thousand yen (up 44.2% year-on-year), gross profit was 2,944,493 thousand yen (up 39.5% year-on-year), operating income was 1,129,923 thousand yen (up 62.8% year-on-year), ordinary income was 1,206,726 thousand yen (up 67.2% year-on-year), and net income attributable to owners of the parent was 1,034,862 thousand yen (up 59.2% year on year).

Segment information is omitted because Group operates in a single segment – i.e., Digital Creative Studio Business.

(2) Explanation of Consolidated Financial Position

(Assets)

Total assets at the end of the third quarter of the current fiscal year were 8,295,535 thousand yen, an increase of 2,078,627 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 707,020 thousand yen in cash and cash equivalents, 458,356 thousand yen in accounts receivable, and 533,861 thousand yen in goodwill resulting from an increase of sales in "Creative & Engineering" and the acquisition of shares of Trys Inc., as well as an increase of 139,348 thousand yen due to the acquisition of investment securities.

(Liabilities)

Total liabilities at the end of the third quarter of the current fiscal year were 2,029,299 thousand yen, an increase of 830,216 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 144,694 thousand yen in accounts payable-trade, 178,358 thousand yen in provision for bonuses, 102,814 thousand yen in advances received, 102,035 thousand yen in long-term loans payable, and a decrease of 30,000 thousand yen in short-term loans payable due to repayment.

(Net Assets)

Net assets at the end of the third quarter of the current fiscal year were 6,266,236 thousand yen, an increase of 1,248,410 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase in retained earnings of 1,034,862 thousand yen resulting from the recording of net income attributable to shareholders of the parent company, an increase in the capital stock of 33,746 thousand yen resulting from the exercise of stock subscription rights, and an increase in the capital surplus of 33,746 thousand yen.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

Consolidated business forecast for the fiscal year ending December 31, 2021, has been revised based on the business trend in the third quarter of the current fiscal year. For details, please refer to the "Notice Concerning Revision of Earnings Forecast for the Fiscal Year Ending December 31, 2021" released today.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	As of December 31, 2020	As of September 30, 2021
Assets		
Current assets		
Cash and cash equivalent	5,073,055	5,780,076
Notes and accounts receivable - trade	583,546	1,041,902
Work in process	15,733	51,523
Other	133,065	218,645
Allowance for doubtful accounts	(9,951)	(18,522)
Total current assets	5,795,449	7,073,625
Noncurrent assets		
Property, plant, and equipment	72,134	104,119
Intangible assets		
Goodwill	80,760	614,621
Other	37	4,327
Total intangible assets	80,797	618,948
Investments and other assets		
Investment securities	169,776	309,124
Deferred tax assets	8,567	29,163
Other	110,367	184,899
Allowance for doubtful accounts	(20,185)	(24,671)
Total investments and other assets	268,526	498,516
Total noncurrent assets	421,458	1,221,584
Deferred assets	—	325
Total assets	6,216,907	8,295,535
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	141,908	286,603
Short-term loans payable	30,000	—
Current portion of long-term loans payable	179,133	155,038
Accounts payable - other	23,894	149,305
Accrued expenses	188,441	180,132
Income taxes payable	70,428	138,910
Advance received	154,042	256,856
Provisions for bonuses	28,479	206,837
Accrued warranty costs	—	9,010
Other	194,437	318,453
Total current liabilities	1,010,765	1,701,146
Noncurrent liabilities		
Long-term loans payable	153,327	279,457
Asset retirement obligations	20,027	32,403
Other	14,962	16,292
Total noncurrent liabilities	188,316	328,152
Total liabilities	1,199,082	2,029,299

(Unit: thousand yen)

	As of December 31, 2020	As of September 30, 2021
Net assets		
Shareholders' equity		
Capital stock	1,668,460	1,702,206
Capital surplus	1,653,460	1,687,206
Retained earnings	1,750,638	2,785,500
Treasury stock	—	(155)
Total shareholders' equity	5,072,558	6,174,756
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,350)	1,565
Foreign currency translation adjustment	(53,756)	89,624
Total accumulated other comprehensive income	(55,107)	91,189
Stock subscription rights	374	289
Total net assets	5,017,825	6,266,236
Total liabilities and net assets	6,216,907	8,295,535

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated statements of income for the nine months ended September 30, 2021)

(Unit: thousand yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Net sales	3,969,076	5,723,571
Cost of sales	1,858,431	2,779,078
Gross profit	2,110,645	2,944,493
Selling, general and administrative expenses	1,416,532	1,814,569
Operating income	694,112	1,129,923
Non-operating income		
Interest income	12,268	55,370
Foreign exchange gains	23,675	15,664
Grant income	6,534	1,942
Gain on sales of investment securities	—	5,011
Other	513	905
Total non-operating income	42,992	78,893
Non-operating expense		
Interest expenses	2,244	1,103
Listing-related expense	5,941	—
Share issuance costs	6,040	460
Loss on devaluation of investment securities	—	526
Other	1,269	0
Total non-operating expense	15,495	2,090
Ordinary income	721,609	1,206,726
Income before income taxes	721,609	1,206,726
Income taxes	71,610	171,864
Quarterly net income	649,998	1,034,862
Quarterly net income attributable to shareholders of parent company	649,998	1,034,862

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated statements of comprehensive income for the nine months ended September 30, 2021)

(Unit: thousand yen)

	Nine months ended September 30, 2020	Nine months ended September 30, 2021
Net income	649,998	1,034,862
Other comprehensive income		
Valuation difference on available-for-sale securities	(982)	2,915
Foreign currency translation adjustments	(16,287)	143,381
Total other comprehensive income	(17,269)	146,296
Comprehensive income	632,728	1,181,158
(Details)		
Attributable to owners of the Company	632,728	1,181,158
Attributable to non-controlling interests	—	—

(3) Notes on the Consolidated Financial Statements

(Change in Scope of Consolidation and Application of the Equity Method)

Changes in the scope of consolidation

NEWh Inc., a newly established company, has been included in the scope of consolidation from the first quarter of the current fiscal year.

Effective from the third quarter of the current fiscal year, Trys Inc., in which the Company has newly acquired shares, has been included in the scope of consolidation. As the deemed acquisition date was September 30, 2021, only the balance sheet is consolidated for the third quarter of the current fiscal year.

(Notes on Going-Concern Assumptions)

There are no applicable items.

(Notes in case of Significant Changes to Shareholders' Equity)

The exercise of stock subscription rights increased the common stock by 33,746 thousand yen and the capital surplus by 33,746 thousand yen during the nine months ended September 30, 2021, resulting in the common stock of 1,702,206 thousand yen and the capital surplus of 1,687,206 thousand yen as of September 30, 2021.

(Application of Special Accounting Treatment in Preparing Quarterly Consolidated Financial Statements)

Calculation of Tax

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to income before income taxes for the consolidated fiscal year, including the third quarter under review, and multiplying income before income taxes by the estimated effective tax rate.

However, in cases where calculating tax expenses using the estimated effective tax rate would result in a significant lack of rationality, the statutory effective tax rate is used.

(Additional Information)

(Accounting estimates for the spread of covid-19 infections)

Although it is still difficult to predict the timing of the convergence of covid-19 in Japan, there have been no significant changes in the assumptions for accounting estimates associated with the impact of the spread of covid-19 infection as described in the (Additional Information) section of the Annual Securities Report for the previous fiscal year.

(Segment Information, etc.)

Segment information

This information is omitted because the Group operates in a single segment, the digital creative studio business.

(Business Combinations)

Business combination through acquisition

1. Summary of acquisition

(1) Name of the acquired company and contents of business

Name: Trys Inc.

Content of business: Content platform business (Game development and operation, digital content creation, cartoon videos)

(2) Main objective of the business combination

We believe that the resources, information assets, and know-how possessed by Trys Inc. will greatly contribute to the expansion of our entertainment business, and we have decided to invite Trys Inc. to join our group. We also believe that we can accelerate the momentum of Trys Inc.'s content platform business by utilizing the assets of our group.

We believe that solutions such as NFT and DeFi, which focus on blockchain technology, are penetrating and developing first in the entertainment domain. While continuing to generate revenue in existing businesses with Trys Inc., which has extensive experience in game development and operation, as the core, we will gradually expand into areas using Cryptocurrency and NFT, gain experience in business implementation and operation, and after that, the Group will promote the use of blockchain technology for BtoB solutions and lifestyle and social infrastructure. There is no specific plan as of today.

(3) Date of business combination

September 15, 2021 (date of stock acquisition)

(4) Legal form of the business combination

A stock acquisition in exchange for cash

(5) Name of the company after the business combination

The company name is not changed.

(6) Ratio of voting rights acquired

100%

(7) Primary reason for determining the acquiring company

To acquire 100% of the voting rights and gain control of the company through the acquisition of shares in exchange for cash.

2. Period of the acquired company's operating results included in the quarterly consolidated statement of income for the quarterly consolidated accumulated period.

Since September 30, 2021, is the deemed acquisition date and only the balance sheet is consolidated, the results of the acquired company are not included in the quarterly consolidated statements of income for the nine months ended December 31, 2021.

3. Acquisition cost of the acquired company and its breakdown by type of consideration

(Unit: thousand yen)

Consideration for stock acquired on the date of the stock acquisition (cash): 566,554

Acquisition cost: 566,554

4. Primary acquisition-related costs and their amounts

4,557 thousand yen

5. Amount of goodwill, its reason, amortization method, and amortization period

(1) Amount of goodwill

507,341 thousand yen

(2) Reason

It was generated from the excess earning power expected from future business development.

(3) Amortization method and amortization period

As of the end of the third quarter of the current fiscal year, the Company is still in the process of identifying identifiable assets and liabilities as of the date of the business combination, and the allocation of acquisition costs has not yet been completed. Therefore, the amount of goodwill has been provisionally accounted for, but the amortization method and period are expected to be evenly amortized over 10 years.