



**Consolidated Financial Results for the Three Months
Ended March 31, 2022 [Japanese GAAP]**

May 11, 2022

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 Stock Exchange listing Tokyo
 Code 4053 URL <http://sun-asterisk.com/>
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 Scheduled date for filing the quarterly report: May 11, 2022
 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 Three Months Ended March 31, 2022 (January 1, 2022 - March 31, 2022)

(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	%
Three months ended March 31, 2022	2,604	42.9	305	(26.7)	177	(54.7)	134	(59.5)
March 31, 2021	1,822	29.5	417	39.2	391	29.2	332	23.8

(Note) Comprehensive income: Three months ended March 31, 2022: 345 million yen ((19.5)%
 Three months ended March 31, 2021: 429 million yen (71.0%)

	Net income per share	Net income per share (diluted)
Three months ended	yen	yen
March 31, 2022	3.57	3.33
March 31, 2021	9.03	8.22

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of March 31, 2022	10,392	6,932	66.7
As of December 31, 2021	8,395	6,586	78.4

(Reference) Shareholders' Equity As of March 31, 2022 6,931 million yen
 As of December 31, 2021 6,585 million yen

2. Cash Dividends

	Cash dividends per share for the fiscal year (yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	yen	yen	yen	yen	yen
Year ended December 31, 2021	–	0.00	–	0.00	0.00
Year ending December 31, 2022	–	–	–	–	–
Year ending December 31, 2022 (forecast)	–	0.00	–	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, 2022 (January 1, 2022 - December 31, 2022)

(% 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
FY2022	11,400	42.0	1,710	21.2	1,830	16.2	1,500	15.2	39.75

(Note) Revisions of the latest financial results forecast: None

※ Notes

(1) Significant changes in subsidiaries during the current quarter

(Changes in specified subsidiaries due to changes in the scope of consolidation): None

(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.: Yes

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)

First Quarter of the Fiscal Year ended December 2022	37,739,000 shares	As of December 31, 2021	37,733,500 shares
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② Number of treasury shares at the end of the period

First Quarter of the Fiscal Year ended December 2022	106 shares	As of December 31, 2021	106shares
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③ Average number of shares during the period (Cumulative total for the quarter)

First Quarter of the Fiscal Year ended December 2022	37,736,999 shares	First Quarter of the Fiscal Year ended December 2021	36,839,991 shares
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※ The report is not subject to quarterly review by 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.

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1. Qualitative Information on the Consolidated Financial Results for the Three Months Ended March 31, 2022

(1) Explanation of Consolidated Financial Results

During the first quarter of the consolidated fiscal year under review, the Japanese economy showed signs of a gradual pickup in economic and social activities as the severe situation caused by the COVID-19 infection gradually eased. On the other hand, the number of new positive cases of the new mutant strain has increased significantly, and a full-fledged growth recovery process is still expected to take time.

In the digital and creative studio-related market, where our group provides services, remote work and digitalization of various services are widely spreading as new lifestyles take root in response to the new type of coronavirus. In addition, digital transformation is expected to advance in various services outside of the business scene as well.

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 98, ARPU was 5,244 thousand yen, and net sales were 2,316,171 thousand yen in the first quarter of the current fiscal year due to continued and stable firm orders from existing customers and continued growth in numbers of new customers. In the "Talent Platform" service, sales were 288,197 thousand yen.

As a result, in the first quarter of the current consolidated fiscal year, net sales were 2,604,369 thousand yen (up 42.9% year-on-year), gross profit was 1,217,781 thousand yen (up 27.3% year-on-year), operating income was 305,652 thousand yen (down 26.7% year-on-year), ordinary income was 177,432 thousand yen (down 54.7% year-on-year), and net income attributable to owners of the parent was 134,731 thousand yen (down 59.5% 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 first quarter of the current fiscal year were 10,392,281 thousand yen, an increase of 1,996,782 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 1,779,838 thousand yen in cash and cash equivalents and 72,582 thousand yen in accounts receivable.

(Liabilities)

Total liabilities at the end of the first quarter of the current fiscal year were 3,460,116 thousand yen, an increase of 1,650,625 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 1,818,000 thousand yen in short-term loans payable.

(Net Assets)

Net assets at the end of the first quarter of the current fiscal year were 6,932,165 thousand yen, an increase of 346,156 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase in retained earnings of 134,731 thousand yen resulting from the recording of net income attributable to shareholders of the parent company and 203,260 thousand yen increase in foreign currency translation adjustments.

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

There is no change to the consolidated earnings forecast announced in the "Summary of Financial Results for the Year Ended December 31, 2021" on February 9, 2022.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	As of December 31, 2020	As of March 31, 2022
Assets		
Current assets		
Cash and cash equivalent	5,729,288	7,509,126
Notes and accounts receivable - trade	988,840	—
Notes, accounts receivable, and contract assets	—	1,061,423
Work in process	101,177	79,740
Other	306,407	350,982
Allowance for doubtful accounts	(17,513)	(21,582)
Total current assets	7,108,200	8,979,690
Noncurrent assets		
Tangible assets		
Buildings and structures	174,962	184,288
Accumulated depreciation	(132,764)	(144,866)
Buildings and structures (Net)	42,197	39,421
Machinery and equipment	233,501	233,585
Accumulated depreciation	(173,977)	(171,223)
Machinery and equipment (Net)	59,523	62,361
Total noncurrent tangible assets	101,720	101,783
Intangible assets		
Goodwill	597,035	579,450
Other	2,920	2,161
Total intangible assets	599,956	581,611
Investments and other assets		
Investment securities	409,578	431,318
Deferred tax assets	33,713	37,462
Other	167,012	285,451
Allowance for doubtful accounts	(24,682)	(25,035)
Total investments and other assets	585,621	729,196
Total noncurrent assets	1,287,298	1,412,591
Total assets	8,395,499	10,392,281
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	229,563	276,129
Short-term loans payable	—	1,818,000
Current portion of long-term loans payable	140,732	112,109
Accounts payable - other	61,019	65,339
Accrued expenses	268,280	216,232
Income taxes payable	207,564	50,012
Advance received	278,746	—
Contract liabilities	—	224,904
Provisions for bonuses	50,689	172,739
Others	279,886	255,755
Total current liabilities	1,516,482	3,191,221
Noncurrent liabilities		
Long-term loans payable	218,622	147,761
Asset retirement obligations	32,637	32,989
Deferred tax liabilities	—	7,508
Other	41,748	80,635
Total noncurrent liabilities	293,007	268,894
Total liabilities	1,809,490	3,460,116

(Unit: thousand yen)

	As of December 31, 2021	As of March 31, 2022
Net assets		
Shareholders' equity		
Capital stock	1,704,244	1,704,464
Capital surplus	1,689,244	1,689,464
Retained earnings	3,052,192	3,186,924
Treasury stock	(272)	(272)
Total shareholders' equity	6,445,409	6,580,581
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,091	10,816
Foreign currency translation adjustment	137,223	340,483
Total accumulated other comprehensive income	140,314	351,300
Stock subscription rights	284	284
Total net assets	6,586,008	6,932,165
Total liabilities and net assets	8,395,499	10,392,281

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated statements of income for the Three Months Ended March 31, 2022)

(Unit: thousand yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Net sales	1,822,281	2,604,369
Cost of sales	865,624	1,386,587
Gross profit	956,657	1,217,781
Selling, general and administrative expenses	539,389	912,129
Operating income	417,267	305,652
Non-operating income		
Interest income	24,965	6,067
Grant income	870	—
Other	9	263
Total non-operating income	25,844	6,330
Non-operating expense		
Interest expenses	468	1,755
Foreign exchange loss	50,773	130,795
Other	0	2,000
Total non-operating expense	51,242	134,550
Ordinary income	391,869	177,432
Extraordinary gains		
Gain on sales of fixed assets	—	73
Total extraordinary gains	—	73
Extraordinary losses		
Loss on disposal of fixed assets	—	0
Total extraordinary losses	—	0
Income before income taxes	391,869	177,506
Income taxes	59,225	42,774
Quarterly net income	332,643	134,731
Quarterly net income attributable to shareholders of parent company	332,643	134,731

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated statements of comprehensive income for the Three Months Ended March 31, 2022)

(Unit: thousand yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Net income	332,643	134,731
Other comprehensive income		
Valuation difference on available-for-sale securities	416	7,725
Foreign currency translation adjustments	96,614	203,260
Total other comprehensive income	97,030	210,985
Comprehensive income	429,673	345,716
(Details)		
Attributable to owners of the Company	429,673	345,716
Attributable to non-controlling interests	—	—

(3) Notes on the Consolidated Financial Statements

(Notes on Going-Concern Assumptions)

There are no applicable items.

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

There are no applicable items.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. since the beginning of the first quarter and recognizes revenue from goods or services which the Group promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services are transferred to a customer.

The application of the revenue recognition accounting standard, etc. follows the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the adoption of this accounting standard had no impact on profit and loss and beginning retained earnings in the first quarter of the current fiscal year. Due to the application of the revenue recognition accounting standard, "Notes and accounts receivable - trade" which was presented in "Current assets" in the consolidated balance sheet in the previous consolidated fiscal year, is presented as " Notes, accounts receivable, and contract assets" in the current consolidated first quarter, and "Advances received," which was presented in "Current liabilities" in the current consolidated first quarter is presented in "Contract liabilities" from the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous fiscal year using the new presentation.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and others effective the start of the first quarter of the current fiscal year, and has decided to apply the new accounting policy set forth by the Accounting Standard for Fair Value Measurement, etc. into the future in accordance with the transitional procedures stipulated in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This will have no impact on quarterly consolidated financial statements.

(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 first 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 associated with 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)

(Provisional Accounting Treatment Pertaining to Business Combinations)

The business combination with Trys Inc., which took place on September 15, 2021, was accounted for tentatively in the previous fiscal year but was finalized in the first quarter of the current fiscal year. There is no change in the amount due to the finalization of this provisional accounting treatment.

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

Straight-line amortization over 10 years