



**Consolidated Financial Results for the Six Months
Ended June 30, 2022 [Japanese GAAP]**

August 10, 2022

Company name Sun* Inc.
 Stock Exchange listing Tokyo
 Code 4053 URL <http://sun-asterisk.com/>
 Representative (Title) CEO (Name) Taihei Kobayashi
 Contact (Title) Director (Name) Yusuke Hattori TEL 03 (6419) 7655
 Scheduled date for filing the quarterly report: August 10, 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 Six Months Ended June 30, 2022 (January 1, 2022 - June 30, 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	%
Six months ended June 30, 2022	5,195	43.0	459	(41.3)	457	(45.5)	339	(52.8)
June 30, 2021	3,632	34.7	782	42.6	839	48.8	718	43.5

(Note) Comprehensive income: Six months ended June 30, 2022: 836 million yen (1.9%)
 Six months ended June 30, 2021: 820 million yen (70.1%)

	Net income per share	Net income per share (diluted)
Six months ended	yen	yen
June 30, 2022	8.98	8.39
June 30, 2021	19.37	17.76

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of June 30, 2022	10,588	7,422	70.1
As of December 31, 2021	8,395	6,586	78.4

(Reference) Shareholders' Equity As of June 30, 2022 7,422 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	–	0.00			
Year ending December 31, 2022 (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, 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	10,853	35.1	866	(38.6)	1,058	(32.7)	769	(40.9)	20.37

(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): 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 (4) Notes to Consolidated Financial Statements (Application of Special Accounting Treatment in Preparing Quarterly Consolidated Financial Statements)" on page10 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: Yes

④ Restatement: None

(4) Number of shares outstanding (common shares)

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

Second Quarter of the Fiscal Year ended December 2022	37,742,300 shares	As of December 31, 2021	37,733,500 shares
---	-------------------	-------------------------	-------------------

② Number of treasury shares at the end of the period

Second Quarter of the Fiscal Year ended December 2022	106 shares	As of December 31, 2021	106 shares
---	------------	-------------------------	------------

③ Average number of shares during the period (Cumulative total for the quarter)

Second Quarter of the Fiscal Year ended December 2022	37,739,064 shares	First Quarter of the Fiscal Year ended December 2021	37,117,047 shares
---	-------------------	--	-------------------

※ 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, (4) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements" on page 3 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 Cash Flow	3
(4) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements	3
2. Consolidated Financial Statements and Primary Notes	4
(1) Consolidated Balance Sheet	4
(2) Consolidated Statements of Income and Comprehensive Income	6
Consolidated Statements of Income	6
Consolidated Statements of Comprehensive Income	7
(3) Consolidated Statements of Cash Flows.....	8
(4) Notes on the Consolidated Financial Statements	9
(Notes on Going-Concern Assumptions)	9
(Notes in Case of Significant Changes to Shareholders' Equity).....	9
(Changes in Accounting Policies).....	9
(Change in accounting estimate).....	9
(Application of Special Accounting Treatment in Preparing Quarterly Consolidated Financial Statements) ..	10
(Additional Information).....	10
(Segment Information, etc.)	10

1. Qualitative Information on the Consolidated Financial Results for the Six Months Ended June 30, 2022

(1) Explanation of Consolidated Financial Results

During the first half of the consolidated fiscal year under review, the number of new cases of COVID-19 infections showed a downward trend compared to its temporary peak, and there were signs of a gradual recovery in economic and social activities, but geopolitical risks such as the protracted situation in Ukraine have also become apparent, and domestic and overseas economic trends remain uncertain.

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 105, ARPU was 5,089 thousand yen, and net sales were 4,511,932 thousand yen in the second 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 683,716 thousand yen as a partial recovery in companies' willingness to hire began to emerge.

As a result, for the first half of the current consolidated fiscal year, net sales were 5,195,648 thousand yen (up 43.0% year-on-year), gross profit was 2,424,179 thousand yen (up 27.9% year-on-year), operating income was 459,524 thousand yen (down 41.3% year-on-year), ordinary income was 457,355 thousand yen (down 45.5% year-on-year), and net income attributable to owners of the parent was 339,038 thousand yen (down 52.8% year on year).

Segment information is omitted because Group operates in a single segment.

(2) Explanation of Consolidated Financial Position

(Assets)

Total assets at the end of the first quarter of the current fiscal year were 10,588,392 thousand yen, an increase of 2,192,893 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 1,656,026 thousand yen in cash and cash equivalent as a result of borrowing funds, an increase of 72,466 thousand yen in accounts receivable - trade as a result of an increase in sales of "Creative & Engineering," an increase of 152,442 thousand yen in buildings and structures as a result of relocation of the head office, and an increase of 101,335 thousand yen in investment securities.

(Liabilities)

Total liabilities at the end of the first quarter of the current fiscal year were 3,165,415 thousand yen, an increase of 1,355,925 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 1,272,000 thousand yen in short-term loans payable.

(Net Assets)

Net assets at the end of the first quarter of the current fiscal year were 7,422,976 thousand yen, an increase of 836,967 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase in retained earnings of 339,038 thousand yen resulting from the recording of net income attributable to shareholders of the parent company and 476,473 thousand yen increase in foreign currency translation adjustments.

(3) Explanation of Consolidated Cash Flow

Cash and deposit (hereinafter referred to as "net cash") at the end of the second quarter of the current fiscal year decreased by 983,423 thousand yen compared to the end of the previous fiscal year to 2,750,864 thousand yen. The status of each cash flow and their factors during the second quarter of the current fiscal year are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities in the first half of the current fiscal year was 243,199 thousand yen (728,007 thousand yen in the same period of the previous year). This was mainly due to an increase of 71,214 thousand yen in notes and accounts receivable-trade and a decrease of 357,506 thousand yen in contract liabilities, despite the recording of 393,808 thousand yen in income before income taxes, 46,837 thousand yen in loss on valuation of investment securities, 166,269 thousand yen increase in allowance for bonuses, and 41,318 thousand yen in notes and accounts payable-trade.

(Cash flows from investing activities)

Net cash used in investing activities during the first half of the current fiscal year, was 2,488,764 thousand yen, (2,175,474 thousand yen used in the same period of the previous year). This was mainly due to an outflow of 3,937,193 thousand yen for payments into time deposits and 118,262 thousand yen for purchase of investment securities, and an inflow of 1,861,688 thousand yen from withdrawal of time deposits.

(Cash flows from financing activities)

Net cash used in financing activities during the first half of the current fiscal year, was 1,140,161 thousand yen (65,966 thousand yen used in the same period of the previous year) in the first half of the current fiscal year. This was due mainly to 704 thousand yen in proceeds from issuance of stock through exercise of subscription rights to shares, 2,000,000 thousand yen in proceeds from increase in short-term loans payable, 728,000 thousand yen in repayment of short-term loans payable, and 132,543 thousand yen in repayment of long-term loans payable.

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

Based on the performance trends in the second quarter of the fiscal year, we have revised our consolidated earnings forecast for the fiscal year ending December 31, 2022.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and cash equivalent	5,729,288	7,385,314
Notes and accounts receivable - trade	988,840	—
Notes, accounts receivable, and contract assets	—	1,061,307
Work in process	101,177	63,236
Other	306,407	472,486
Allowance for doubtful accounts	(17,513)	(22,234)
Total current assets	7,108,200	8,960,110
Noncurrent assets		
Tangible assets		
Buildings and structures	174,962	327,404
Accumulated depreciation	(132,764)	(157,069)
Buildings and structures (Net)	42,197	170,334
Machinery and equipment	233,501	260,520
Accumulated depreciation	(173,977)	(186,005)
Machinery and equipment (Net)	59,523	74,514
Total noncurrent tangible assets	101,720	244,848
Intangible assets		
Goodwill	597,035	561,864
Other	2,920	31,991
Total intangible assets	599,956	593,856
Investments and other assets		
Investment securities	409,578	510,913
Deferred tax assets	33,713	31,713
Other	167,012	280,245
Allowance for doubtful accounts	(24,682)	(33,295)
Total investments and other assets	585,621	789,576
Total noncurrent assets	1,287,298	1,628,281
Total assets	8,395,499	10,588,392
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	229,563	271,182
Short-term loans payable	—	1,272,000
Current portion of long-term loans payable	140,732	95,931
Accounts payable - other	61,019	96,952
Accrued expenses	268,280	265,076
Income taxes payable	207,564	59,415
Advance received	278,746	—
Contract liabilities	—	146,151
Provisions for bonuses	50,689	230,994
Others	279,886	385,176
Total current liabilities	1,516,482	2,822,880
Noncurrent liabilities		
Long-term loans payable	218,622	130,880
Asset retirement obligations	32,637	87,768
Deferred tax liabilities	—	7,946
Other	41,748	115,940
Total noncurrent liabilities	293,007	342,535
Total liabilities	1,809,490	3,165,415

(Unit: thousand yen)

	As of December 31, 2021	As of June 30, 2022
Net assets		
Shareholders' equity		
Capital stock	1,704,244	1,704,597
Capital surplus	1,689,244	1,689,597
Retained earnings	3,052,192	3,391,231
Treasury stock	(272)	(272)
Total shareholders' equity	6,445,409	6,785,153
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,091	23,842
Foreign currency translation adjustment	137,223	613,696
Total accumulated other comprehensive income	140,314	637,539
Stock subscription rights	284	283
Total net assets	6,586,008	7,422,976
Total liabilities and net assets	8,395,499	10,588,392

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated statements of income for the Six Months Ended June 30, 2022)

(Unit: thousand yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net sales	3,632,175	5,195,648
Cost of sales	1,737,045	2,771,469
Gross profit	1,895,129	2,424,179
Selling, general and administrative expenses	1,112,786	1,964,654
Operating income	782,342	459,524
Non-operating income		
Interest income	32,736	71,311
Foreign exchange income	24,186	—
Grant income	1,942	4,020
Other	385	570
Total non-operating income	59,250	75,902
Non-operating expense		
Interest expenses	830	3,579
Loss on valuation of investment securities	526	—
Foreign exchange loss	—	72,305
Other	461	2,187
Total non-operating expense	1,817	78,071
Ordinary income	839,775	457,355
Extraordinary gains		
Gain on sales of fixed assets	—	69
Total extraordinary gains	—	69
Extraordinary losses		
Head office transfer cost	—	16,778
Loss on valuation of investment securities	—	46,837
Loss on disposal of fixed assets	—	0
Total extraordinary losses	—	63,616
Income before income taxes	839,775	393,808
Income taxes	120,953	54,769
Quarterly net income	718,821	339,038
Quarterly net income attributable to shareholders of parent company	718,821	339,038

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated statements of comprehensive income for the Six Months Ended June 30, 2022)

(Unit: thousand yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net income	718,821	339,038
Other comprehensive income		
Valuation difference on available-for-sale securities	1,778	20,751
Foreign currency translation adjustments	100,335	476,473
Total other comprehensive income	102,114	497,224
Comprehensive income	820,936	836,263
(Details)		
Attributable to owners of the Company	820,936	836,263
Attributable to non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Unit: thousand yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Cash flow from operating activities		
Income (loss) before income taxes	839,775	393,808
Gain on sales of fixed assets	—	(69)
Head office transfer cost	—	10,386
Depreciation of tangible assets	25,069	25,469
Amortization of goodwill	5,047	35,171
Amortization of deferred assets	650	—
(Gain) loss on devaluation of investment securities	526	46,837
Increase (decrease) in allowance for doubtful accounts	8,159	12,900
Increase (decrease) in provisions for bonuses	129,667	166,269
Interest income	(32,736)	(71,311)
Interest expenses	830	3,579
Foreign exchange losses (gains)	—	(8,910)
Decrease (increase) in accounts receivable	(148,736)	—
Decrease (increase) in accounts receivable, and contract assets	—	(71,214)
Decrease (increase) in work in process	(34,031)	40,719
Increase (decrease) in accounts payable - trade	62,021	41,318
Decrease (increase) in other assets	6,708	(71,515)
Increase (decrease) in income tax payable	(46,910)	(97,780)
Increase (decrease) in advance received	18,757	—
Increase (decrease) in contract liabilities	—	(357,506)
Increase (decrease) in accounts payable - other	(6,888)	33,366
Increase (decrease) in accrued expense	(53,417)	(4,181)
Increase (decrease) in other liabilities	(4,417)	252,281
Total	770,077	379,619
Interest income	32,736	71,881
Interest expense	(830)	(3,272)
Income taxes paid	(73,974)	(205,028)
Net cash provided by (used in) operating activities	728,007	243,199
Cash flow from investing activities		
Payments into time deposits	(3,336,935)	(3,937,193)
Refund from time deposits	1,285,103	1,861,688
Purchases of property, plant and equipment	(31,443)	(116,033)
Purchase of investment securities	(90,447)	(118,262)
Other	(1,751)	(178,962)
Net cash provided by (used in) investing activities	(2,175,474)	(2,488,764)
Cash flow from financing activities		
Increase (decrease) in short-term loan	(30,000)	1,272,000
Payments of long-term loan	(101,679)	(132,543)
Proceeds from issuance of shares upon exercise of stock subscription rights	65,768	704
Other	(55)	—
Net cash provided by (used in) financing activities	(65,966)	1,140,161
Effect of exchange rate changes on cash and cash equivalent	11,820	121,979
Net increase (decrease) in cash and cash equivalent	(1,501,612)	(983,423)
Cash and cash equivalent at beginning of period	4,070,862	3,734,288
Cash and cash equivalent at end of period	2,569,250	2,750,864

(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. Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information that breaks down revenue from contracts with customers for the six months ended September 30, 2010 is not presented. The Company has not provided this information.

(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.

(Change in accounting estimate)

(Changes in estimates of useful lives and asset retirement obligations)

At a meeting of the Board of Directors held on March 16, 2022, the Company decided to relocate its headquarters. As a result, the Company has shortened the useful lives of fixed assets that are not expected to be used, and has changed the useful lives of these assets for the future.

In addition, during the second quarter of the current fiscal year, the Company changed its estimate of asset retirement obligations that had been recorded as restoration costs associated with building lease contracts, because new information on restoration costs has become available, allowing for a more precise estimate.

The impact of this change in estimate on operating income, ordinary income, and income before income taxes and minority interests for the six months ended July 30, 2022 was immaterial.

(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.