



**Consolidated Financial Results for the Nine Months
Ended September 30, 2022 [Japanese GAAP]**

November 9, 2022

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 9, 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 Nine Months Ended September 30, 2022 (January 1, 2022 - September 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 | % |
| Nine months ended | | | | | | | | |
| September 30, 2022 | 7,990 | 39.6 | 649 | (42.5) | 812 | (32.7) | 622 | (39.9) |
| September 30, 2021 | 5,723 | 44.2 | 1,129 | 62.8 | 1,206 | 67.2 | 1,034 | 59.2 |

(Note) Comprehensive income: Nine months ended September 30, 2022: 1,228 million yen (4.0%)
 Nine months ended September 30, 2021: 1,181 million yen (86.7%)

| | Net income per share | Net income per share (diluted) |
|--------------------|----------------------|--------------------------------|
| Nine months ended | yen | yen |
| September 30, 2022 | 16.48 | 15.40 |
| September 30, 2021 | 27.74 | 25.57 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|--------------------------|--------------|-------------|--------------|
| | million yen | million yen | % |
| As of September 30, 2022 | 10,353 | 7,816 | 75.5 |
| As of December 31, 2021 | 8,395 | 6,586 | 78.4 |

(Reference) Shareholders' Equity As of September 30, 2022 7,816 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: No

※ 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 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)

| | | | |
|--|-------------------|-------------------------|-------------------|
| Third Quarter of the Fiscal Year ended December 2022 | 37,753,000 shares | As of December 31, 2021 | 37,733,500 shares |
|--|-------------------|-------------------------|-------------------|

② Number of treasury shares at the end of the period

| | | | |
|--|------------|-------------------------|------------|
| Third 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)

| | | | |
|--|-------------------|--|-------------------|
| Third Quarter of the Fiscal Year ended December 2022 | 37,742,509 shares | First Quarter of the Fiscal Year ended December 2021 | 37,305,298 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, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements" on page 4 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 Nine Months Ended September 30, 2022

(1) Explanation of Consolidated Financial Results

During the third quarter of the consolidated fiscal year, the Japanese economy has resumed its earlier economic activities while maintaining a state of full preparedness for infection control amid the prolonged effects of the spread of COVID-19 infection. On the other hand, the economic outlook in Japan and abroad remains uncertain due to the protracted situation in Ukraine, supply shortages of raw materials, as well as the ongoing depreciation of the yen against the backdrop of global interest rate adjustments and other factors.

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 107, ARPU was 5,098 thousand yen, and net sales were 6,907,537 thousand yen in the third quarter of the current fiscal year due to an increase in orders from existing customers and continued growth in numbers of new customers. In the "Talent Platform" service, sales were 1,082,783 thousand yen while companies' willingness to hire is on a recovery trend.

As a result, for the third quarter of the current consolidated fiscal year, net sales were 7,990,321 thousand yen (up 39.6% year-on-year), gross profit was 3,731,869 thousand yen (up 26.7% year-on-year), operating income was 649,826 thousand yen (down 42.5% year-on-year), ordinary income was 812,021 thousand yen (down 32.7% year-on-year), and net income attributable to owners of the parent was 622,145 thousand yen (down 39.9% 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 third quarter of the current fiscal year were 10,353,812 thousand yen, an increase of 1,958,313 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 1,344,652 thousand yen in cash and cash equivalent as a result of borrowing funds, an increase of 125,192 thousand yen in accounts receivable - trade as a result of an increase in sales of "Creative & Engineering," an increase of 163,294 thousand yen in buildings and structures as a result of relocation of the head office, and an increase of 52,283 thousand yen in investment securities.

(Liabilities)

Total liabilities at the end of the third quarter of the current fiscal year were 2,537,340 thousand yen, an increase of 727,850 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 726,000 thousand yen in short-term loans payable.

(Net Assets)

Net assets at the end of the third quarter of the current fiscal year were 7,816,472 thousand yen, an increase of 1,230,463 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase in retained earnings of 622,145 thousand yen resulting from the recording of net income attributable to shareholders of the parent company and 587,376 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 Second Quarter of the Fiscal Year Ending December 31, 2022" on August 10, 2022.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Unit: thousand yen)

| | As of December 31, 2021 | As of September 30, 2022 |
|---|----------------------------|-----------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalent | 5,729,288 | 7,084,940 |
| Notes and accounts receivable - trade | 988,840 | — |
| Notes, accounts receivable, and contract assets | — | 1,114,033 |
| Work in process | 101,177 | 54,309 |
| Other | 306,407 | 459,879 |
| Allowance for doubtful accounts | (17,513) | (22,718) |
| Total current assets | 7,108,200 | 8,690,444 |
| Noncurrent assets | | |
| Tangible assets | | |
| Buildings and structures | 174,962 | 338,256 |
| Accumulated depreciation | (132,764) | (170,929) |
| Buildings and structures (Net) | 42,197 | 167,327 |
| Machinery and equipment | 233,501 | 277,434 |
| Accumulated depreciation | (173,977) | (199,962) |
| Machinery and equipment (Net) | 59,523 | 77,472 |
| Total noncurrent tangible assets | 101,720 | 244,799 |
| Intangible assets | | |
| Goodwill | 597,035 | 544,278 |
| Other | 2,920 | 53,430 |
| Total intangible assets | 599,956 | 597,709 |
| Investments and other assets | | |
| Investment securities | 409,578 | 461,861 |
| Deferred tax assets | 33,713 | 32,317 |
| Other | 167,012 | 388,327 |
| Allowance for doubtful accounts | (24,682) | (61,647) |
| Total investments and other assets | 585,621 | 820,859 |
| Total noncurrent assets | 1,287,298 | 1,663,368 |
| Total assets | 8,395,499 | 10,353,812 |
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 229,563 | 269,844 |
| Short-term loans payable | — | 726,000 |
| Current portion of long-term loans payable | 140,732 | 78,660 |
| Accounts payable - other | 61,019 | 28,137 |
| Accrued expenses | 268,280 | 240,154 |
| Income taxes payable | 207,564 | 31,126 |
| Advance received | 278,746 | — |
| Contract liabilities | — | 127,505 |
| Provisions for bonuses | 50,689 | 331,605 |
| Others | 279,886 | 372,613 |
| Total current liabilities | 1,516,482 | 2,205,647 |
| Noncurrent liabilities | | |
| Long-term loans payable | 218,622 | 113,999 |
| Asset retirement obligations | 32,637 | 88,228 |
| Deferred tax liabilities | — | 8,121 |
| Other | 41,748 | 121,345 |
| Total noncurrent liabilities | 293,007 | 331,693 |
| Total liabilities | 1,809,490 | 2,537,340 |

(Unit: thousand yen)

| | As of December 31, 2021 | As of September 30, 2022 |
|---|----------------------------|-----------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,704,244 | 1,705,025 |
| Capital surplus | 1,689,244 | 1,690,025 |
| Retained earnings | 3,052,192 | 3,674,338 |
| Treasury stock | (272) | (272) |
| Total shareholders' equity | 6,445,409 | 7,069,116 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,091 | 22,473 |
| Foreign currency translation adjustment | 137,223 | 724,599 |
| Total accumulated other comprehensive income | 140,314 | 747,073 |
| Stock subscription rights | 284 | 282 |
| Total net assets | 6,586,008 | 7,816,472 |
| Total liabilities and net assets | 8,395,499 | 10,353,812 |

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated statements of income for the Nine Months Ended September 30, 2022)

(Unit: thousand yen)

| | Nine months ended September 30, 2021 | Nine months ended September 30, 2022 |
|---|---|---|
| Net sales | 5,723,571 | 7,990,321 |
| Cost of sales | 2,779,078 | 4,258,452 |
| Gross profit | 2,944,493 | 3,731,869 |
| Selling, general and administrative expenses | 1,814,569 | 3,082,043 |
| Operating income | 1,129,923 | 649,826 |
| Non-operating income | | |
| Interest income | 55,370 | 130,120 |
| Foreign exchange income | 15,664 | 29,053 |
| Grant income | 1,942 | 4,870 |
| Gain on valuation of investment securities | 5,011 | 3,120 |
| Other | 905 | 474 |
| Total non-operating income | 78,893 | 167,639 |
| Non-operating expense | | |
| Interest expenses | 1,103 | 4,853 |
| Share issuance costs | 460 | — |
| Loss on valuation of investment securities | 526 | — |
| Other | 0 | 591 |
| Total non-operating expense | 2,090 | 5,444 |
| Ordinary income | 1,206,726 | 812,021 |
| Extraordinary gains | | |
| Gain on sales of fixed assets | — | 69 |
| Total extraordinary gains | — | 69 |
| Extraordinary losses | | |
| Head office transfer cost | — | 16,908 |
| Loss on valuation of investment securities | — | 51,287 |
| Loss on disposal of fixed assets | — | 0 |
| Total extraordinary losses | — | 68,196 |
| Income before income taxes | 1,206,726 | 743,894 |
| Income taxes | 171,864 | 121,749 |
| Quarterly net income | 1,034,862 | 622,145 |
| Quarterly net income attributable to shareholders of parent company | 1,034,862 | 622,145 |

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated statements of comprehensive income for the Nine Months Ended September 30, 2022)

(Unit: thousand yen)

| | Nine months ended September 30, 2021 | Nine months ended September 30, 2022 |
|---|---|---|
| Net income | 1,034,862 | 622,145 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,915 | 19,382 |
| Foreign currency translation adjustments | 143,381 | 587,376 |
| Total other comprehensive income | 146,296 | 606,758 |
| Comprehensive income | 1,181,158 | 1,228,903 |
| (Details) | | |
| Attributable to owners of the Company | 1,181,158 | 1,228,903 |
| 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 third 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.

(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 nine 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.