



Consolidated Financial Results for the Fiscal Year
ended December 31, 2022 [Japanese GAAP]

February 8, 2023

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 of annual general meeting of shareholders: March 30, 2023
 Scheduled date for filing the annual report: March 31, 2023
 Scheduled date for commencement of dividend payment: –
 Availability of supplementary briefing material on annual 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 Fiscal Year Ended December 31, 2022 (January 1, 2021- December 31, 2022)

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

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company	
	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2022	10,745	33.8	902	(36.1)	1,144	(27.3)	823	(36.7)
December 31, 2021	8,030	49.6	1,411	59.2	1,574	69.9	1,301	61.8

(Note) Comprehensive income: Fiscal year ended December 31, 2022: 1,132 million yen ((24.3%))
 Fiscal year ended December 31, 2021: 1,496 million yen (96.5%)

Fiscal year ended	Net income per share	Net income per share (diluted)	Return on equity	Ordinary income to total assets	Operating income to net sales
	yen	yen	%	%	%
December 31, 2022	21.81	20.40	11.5	12.7	8.4
December 31, 2021	34.79	32.16	22.4	21.5	17.6

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of December 31, 2022	9,675	7,736	80.0	203.83
As of December 31, 2021	8,395	6,586	78.4	174.53

(Reference) Shareholders' Equity As of December 31, 2022 7,736 million yen
 As of December 31, 2021 6,585 million yen

(3) Consolidated Cash Flows

Fiscal year ended	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of fiscal year
	million yen	million yen	million yen	million yen
December 31, 2022	807	(1,287)	(62)	3,287
December 31, 2021	1,187	(1,387)	(180)	3,734

2. Cash Dividends

	Cash dividends per share for the fiscal year (yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended December 31, 2021	yen —	yen 0.00	yen —	yen 0.00	yen 0.00
Fiscal year ending December 31, 2022	—	0.00	—	0.00	0.00
Fiscal year ending December 31, 2023 (forecast)	—	0.00	—	0.00	0.00

	Total cash dividends paid	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	million yen	%	%
Fiscal year ended December 31, 2021	—	—	—
Fiscal year ending December 31, 2022	—	—	—
Fiscal year ending December 31, 2023 (forecast)		—	

3. Consolidated Financial Forecast for the Fiscal Year ending December 31, 2022 (January 1, 2023 - December 31, 2023) (% 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	12,087	12.4	1,200	33.0	1,372	19.9	1,047	27.1	27.60

(Note) Since the Company manages its operations on an annual basis, the consolidated financial forecast for the second quarter (accumulated) is omitted. For details, please refer to "1. Overview of Operating Results, etc. (4) Future Outlook" on page 3 of the attached materials.

※ Notes

(1) Significant changes in subsidiaries during the current fiscal year

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

(2) 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

(3) Number of shares outstanding (common shares)

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

Fiscal Year ended December, 2022	37,956,400 shares	Fiscal Year ended December, 2021	37,733,500 shares
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② Number of treasury stocks at the end of the period

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

Fiscal Year ended December, 2022	37,779,120 shares	Fiscal Year ended December, 2021	37,408,883 shares
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(Reference) Overview of Non-consolidated Financial Results

1. None-consolidated Financial Forecast for the Fiscal Year ending December 31, 2022 (January 1, 2022 - December 31, 2022)

(1) Non-consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal Year ended December, 2021	7,903	20.7	266	(18.1)	217	(35.6)	89	(64.2)
Fiscal Year ended December, 2020	6,549	49.9	325	120.3	337	141.8	249	146.3

	Net income per share	Net income per share (diluted)
	yen	yen
December 31, 2022	2.36	2.21
December 31, 2021	6.66	6.16

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
As of December 31, 2022	5,389	4,140	76.8	109.08
As of December 31, 2021	5,070	4,022	79.3	106.60

(Reference) Shareholders' Equity As of December 31, 2022 4,140 million yen
As of December 31, 2021 4,022 million yen

※ The report is not subject to annual audit 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 on 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 " (4) Future Outlook" 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.

The Company periodically discloses the progress of management indices, etc. in its quarterly financial results presentation materials.

○	TABLE OF CONTENTS	
1.	Overview of Operating Results, etc.	2
	(1) Overview of Consolidated Operating Results for the Period	2
	(2) Overview of Consolidated Financial Position for the Period	2
	(3) Overview of Consolidated Cash Flow for the Period	3
	(4) Future Outlook	3
2.	Basic Policy for adopting Accounting Standards	3
3.	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 Changes in Equity	8
	(4) Consolidated Statements of Cash Flows	10
	(5) Notes on the Consolidated Financial Statements	11
	(Notes on Going-Concern Assumptions)	11
	(Changes in Accounting Policies)	11
	(Change in accounting estimate)	11
	(Additional Information)	11
	(Segment Information, etc.)	11
	(Per Share Information)	13
	(Significant Subsequent Events)	13

1. Overview of Operating Results, etc.

(1) Overview of Consolidated Operating Results for the Period

Although the number of new cases of COVID-19 infection in Japan remained at a high level, economic activity during the current fiscal year showed a steady recovery due to measures to ease restrictions on activities and overseas travel. However, the future outlook remains uncertain due to sharp fluctuations in exchange rates and soaring resource prices resulting from the situation in Russia and Ukraine.

In such a business environment, the Group has developed two service lines within the single segment of "Digital Creative Studio Business" service to provide the services necessary to meet the challenges of our clients: "Creative & Engineering" service to create digital products together with our clients, and "Talent Platform" service 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 110, ARPU was 5,064 thousand yen, and net sales were 9,275,342 thousand yen (up 35.7% year-on-year) in the current fiscal year end due to an increase in orders from existing clients as well as from new clients.

In the "Talent Platform" service, sales were 1,469,725 thousand yen (up 22.7% year-on-year) as companies' willingness to recruit is on a recovery trend.

As a result, for the current consolidated fiscal year, net sales were 10,745,068 thousand yen (up 33.8% year-on-year), operating income was 902,057 thousand yen (down 36.1% year-on-year), ordinary income was 1,144,434 thousand yen (down 27.3% year-on-year), and net income attributable to shareholders of the parent company was 823,977 thousand yen (down 36.7% year-on-year).

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

(2) Overview of Consolidated Financial Position

(Assets)

Total current assets at the end of the current fiscal year were 7,919,401 thousand yen, an increase of 811,200 thousand yen compared to the end of the previous fiscal year. This was mainly due to a 534,750 thousand yen increase in cash and cash equivalent and a 176,632 thousand yen increase in notes and accounts receivable - trade and contract assets, resulting from an increase in "Creative & Engineering" sales and borrowing of funds.

Total noncurrent assets were 1,755,611 thousand yen, an increase of 468,313 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 141,653 thousand yen in building and structures due to the relocation of the head office.

As a result, total assets at the end of the current fiscal year were 9,675,012 thousand yen, an increase of 1,279,513 thousand yen compared to the end of the previous fiscal year.

(Liabilities)

Total current liabilities at the end of the current fiscal year were 1,605,792 thousand yen, an increase of 89,310 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase in short-term loans payable of 180,000 thousand yen as a result of fund borrowing.

Total noncurrent liabilities were 332,389 thousand yen, an increase of 39,382 thousand yen from the end of the previous fiscal year. This was mainly due to an increase in asset retirement obligations of 57,733 thousand yen resulting from the relocation of the head office.

As a result, total liabilities at the end of the current fiscal year were 1,938,182 thousand yen, an increase of 128,692 thousand yen compared to the end of the previous fiscal year.

(Net Assets)

Net assets at the end of the current fiscal year were 7,736,830 thousand yen, an increase of 1,150,821 thousand yen compared to the end of the previous fiscal year. This was mainly due to an increase of 823,977 thousand yen in retained earnings resulting from the recording of net income attributable to shareholders of the parent company.

(3) Overview of Consolidated Cash Flow

Cash and cash equivalent (hereinafter referred to as "net cash") at the end of the current fiscal year decreased by 446,985 thousand yen compared to the end of the previous fiscal year to 3,287,302 thousand yen. The status of each cash flow and their factors are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 807,276 thousand yen (1,187,904 thousand yen in the previous fiscal year). This was due to the recording of 1,076,673 thousand yen in income before income taxes and minority interests, depreciation of 67,761 thousand yen related to business PCs and office interior expenses, and amortization of goodwill of 70,343 thousand yen, while there were factors such as a 175,802 thousand yen increase in accounts receivable - trade and contract assets and 133,377 thousand yen decrease in contract liabilities.

(Cash flows from investing activities)

Net cash used in investing activities during the current fiscal year, was 1,287,890 (1,387,543 thousand yen in the previous fiscal year). This was mainly due to such decreasing factors as payments into time deposits of 4,741,555 thousand yen and purchase of investment securities of 181,559 thousand yen, while there were such increasing factors as proceeds from withdrawal of time deposits of 3,996,567 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities during the current fiscal year, was 62,438 thousand yen (180,728 thousand yen in the previous fiscal year). This was due to factors such as a repayment of long-term loans payable of 259,576 thousand yen and other negative factors, while there was an inflow of short-term loans payable of 180,000 thousand yen.

(4) Future Outlook

(1) Creative & Engineering

In this service line, we provide creative and engineering support to Japanese clients for business idea creation, product development, and continuous product growth, and generate revenue through quasi-delegate contracts or subcontracting contracts with the clients. Quasi-delegated contracts that last for more than three months are classified as stock-type, while quasi-delegated contracts and subcontracted contracts that last for less than three months are classified as flow-type.

Stock-type sales consist of the number of customers multiplied by ARPU, and the number of customers and ARPU for the year are set based on the actual results of orders received through the fiscal year ending December 31, 2022. The number of new customers is on an increasing trend due to strengthened lead generation and lead nurturing, and since this trend is expected to continue in the fiscal year ending December 31, 2023, the number of stock-type customers at the end of the fiscal year ending December 31, 2023 is expected to increase by 23 companies from the previous fiscal year to 133 companies (up 20.9% year-on-year). On the other hand, considering the market conditions in the fiscal year ended December 31, 2022, we expect a certain decrease in ARPU of existing customers, and therefore, ARPU for the fiscal year ending December 31, 2023 will decrease by 228 thousand yen from the fiscal year ended December 31, 2022 to 4,836 thousand yen (down 4.5% year-on-year). As a result, net sales for this service line for the fiscal year ending December 31, 2023 are expected to be 10,371,916 thousand yen (up 11.8% year-on-year).

(2) Talent Platform

In this service line, we discover and train IT human resources in Japan and overseas and supports clients in their promotion of digitalization in terms of human resources. The demand of hiring IT professional is on the rise, and we expect this trend to continue in the fiscal year ending December 31, 2023, so we are forecasting sales of 1,715,374 thousand yen (up 16.7% year-on-year) for this service line in the fiscal year ending December 31, 2023.

Based on the status of each of the service lines mentioned above, we forecast the following consolidated financial results for the fiscal year ending December 31, 2023: net sales of 12,087,290 thousand yen (up 12.4% year on year), operating income is expected to be 1,200,088 thousand yen (up 33.0% year-on-year), ordinary income is expected to be 1,372,972 thousand yen (up 19.9% year-on-year), and net income attributable to shareholders of the parent company is expected to be 1,047,475 thousand yen (up 27.1% year-on-year).

2. Basic Policy for adopting Accounting Standards

In consideration of the comparability of consolidated financial statements and intercompany comparability, the Group's policy for the time being is to prepare consolidated financial statements under Japanese GAAP.

Concerning the adoption of IFRS, the Group intends to respond appropriately in consideration of various domestic and international circumstances.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and cash equivalent	5,729,288	6,264,038
Notes and accounts receivable - trade	988,840	—
Notes and accounts receivable - trade and contract assets	—	1,165,473
Work in process	101,177	67,271
Other	306,407	446,263
Allowance for doubtful accounts	(17,513)	(23,645)
Total current assets	7,108,200	7,919,401
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures	174,962	351,687
Accumulated depreciation	(132,764)	(167,837)
Buildings and structures (Net)	42,197	183,850
Machinery and equipment	233,501	282,454
Accumulated depreciation	(173,977)	(199,207)
Machinery and equipment (Net)	59,523	83,246
Total property, plant and equipment	101,720	267,097
Intangible assets		
Goodwill	597,035	526,692
Other	2,920	51,474
Total intangible assets	599,956	578,167
Investments and other assets		
Investment securities	409,578	513,150
Deferred tax assets	33,713	61,642
Other	167,012	396,249
Allowance for doubtful accounts	(24,682)	(60,695)
Total investments and other assets	585,621	910,346
Total noncurrent assets	1,287,298	1,755,611
Total assets	8,395,499	9,675,012

(Unit: thousand yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	229,563	273,062
Short-term loans payable	—	180,000
Current portion of long-term loans payable	140,732	56,000
Accounts payable - other	61,019	73,788
Accrued expenses	268,280	331,520
Income taxes payable	207,564	96,995
Advance received	278,746	—
Contract liabilities	—	194,146
Provisions for bonuses	50,689	89,435
Other	279,886	310,844
Total current liabilities	1,516,482	1,605,792
Noncurrent liabilities		
Long-term loans payable	218,622	43,778
Asset retirement obligations	32,637	90,370
Deferred tax liabilities	—	82,789
Other	41,748	115,451
Total noncurrent liabilities	293,007	332,389
Total liabilities	1,809,490	1,938,182
Net assets		
Shareholders' equity		
Capital stock	1,704,244	1,713,171
Capital surplus	1,689,244	1,698,171
Retained earnings	3,052,192	3,876,170
Treasury stock	(272)	(272)
Total shareholders' equity	6,445,409	7,287,241
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,091	14,142
Foreign currency translation adjustment	137,223	435,183
Total accumulated other comprehensive income	140,314	449,326
Stock subscription rights	284	262
Total net assets	6,586,008	7,736,830
Total liabilities and net assets	8,395,499	9,675,012

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated statements of income for the fiscal year ended December 31, 2022)

(Unit: thousand yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Net sales	8,030,849	10,745,068
Cost of sales	3,969,129	5,668,853
Gross profit	4,061,720	5,076,214
Selling, general and administrative expenses	2,650,452	4,174,157
Operating income	1,411,268	902,057
Non-operating income		
Interest income	137,679	194,663
Foreign exchange gains	11,021	100,906
Grant income	4,442	4,870
Gain on sales of investment securities	5,011	3,120
Other	9,052	9,612
Total non-operating income	167,207	313,173
Non-operating expense		
Interest expenses	1,697	5,459
Bad debt expense	—	41,544
Listing-related expense	—	18,000
Share issuance costs	460	—
Loss on valuation of investment securities	526	—
Other	1,452	5,792
Total non-operating expense	4,136	70,796
Ordinary income	1,574,338	1,144,434
Extraordinary gains		
Gain of sales of fixed assets	631	435
Total extraordinary gains	631	435
Extraordinary losses		
Head office relocation cost	—	16,908
Loss on valuation of investment securities	—	51,287
Loss on disposal of fixed assets	—	0
Impairment loss	1,112	—
Loss on valuation of investments in capital	10,872	—
Total extraordinary losses	11,984	68,196
Income before income taxes	1,562,986	1,076,673
Income taxes - current	266,476	202,982
Income taxes – deferred	(5,045)	49,713
Total income taxes	261,431	252,695
Net income	1,301,554	823,977
Net income attributable to shareholders of parent company	1,301,554	823,977

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated statements of comprehensive income for the fiscal year ended December 31, 2022)

(Unit: thousand yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Net income	1,301,554	823,977
Other comprehensive income		
Valuation difference on available-for-sales- securities	4,441	11,051
Foreign currency translation adjustments	190,979	297,960
Total other comprehensive income	195,421	309,011
Comprehensive income	1,496,976	1,132,989
(Details)		
Attributable to shareholders of parent company	1,496,976	1,132,989
Attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Equity

Previous fiscal year ended December 31, 2021 (from January 1, 2020 to December 31, 2022)

(Unit: thousand yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stocks	Total shareholders' equity
Balance at beginning of fiscal year	1,668,460	1,653,460	1,750,638	—	5,072,558
Changes of items during fiscal year					
Issuance of new shares	35,784	35,784			71,569
Net income attributable to owners of parent			1,301,554		1,301,554
Acquisition of treasury stock				(272)	(272)
Net changes of items other than shareholders' equity					
Total changes of items during fiscal year	35,784	35,784	1,301,554	(272)	1,372,850
Balance at end of fiscal year	1,704,244	1,689,244	3,052,192	(272)	6,445,409

	Accumulated other comprehensive income			Stock subscription rights	Total net assets
	Valuation difference on available-for-sales-securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of fiscal year	(1,350)	(53,756)	(55,107)	374	5,017,825
Changes of items during fiscal year					
Issuance of new shares					71,569
Net income attributable to owners of parent					1,301,554
Acquisition of treasury stocks					(272)
Net changes of items other than shareholders' equity	4,441	190,979	195,421	(89)	195,332
Total changes of items during fiscal year	4,441	190,979	195,421	(89)	1,568,183
Balance at end of fiscal year	3,091	137,223	140,314	284	6,586,008

Current fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Unit: thousand yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity	Total shareholders' equity
Balance at beginning of fiscal year	1,704,244	1,689,244	3,052,192	(272)	6,445,409
Changes of items during fiscal year					
Issuance of new shares	8,927	8,927			17,854
Net income attributable to owners of parent			823,977		823,977
Net changes of items other than shareholders' equity					
Total changes of items during fiscal year	8,927	8,927	823,977	—	841,831
Balance at end of fiscal year	1,713,171	1,698,171	3,876,170	(272)	7,287,241

	Accumulated other comprehensive income			Stock subscription rights	Total net assets
	Valuation difference on available-for-sales-securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of fiscal year	3,091	137,223	140,314	284	6,586,008
Changes of items during fiscal year					
Issuance of new shares					17,854
Net income attributable to owners of parent					823,977
Net changes of items other than shareholders' equity	11,051	297,960	309,011	(22)	308,989
Total changes of items during fiscal year	11,051	297,960	309,011	(22)	1,150,821
Balance at end of fiscal year	14,142	435,183	449,326	262	7,736,830

(3) Consolidated Statements of Cash Flows

(Unit: thousand yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Cash flow from operating activities		
Income (loss) before income taxes	1,562,986	1,076,673
Head office relocation cost	—	10,386
Depreciation of tangible assets	53,269	67,761
Impairment loss	1,112	—
Loss on valuation of investments in capital	10,872	—
Amortization of goodwill	25,157	70,343
(Gain) loss on devaluation of investment securities	(4,484)	48,167
Increase (decrease) in allowance for doubtful accounts	11,149	41,865
Increase (decrease) in provisions for bonuses	20,763	38,745
Interest income	(137,679)	(194,663)
Interest expenses	1,697	5,459
Gain on sales of fixed assets	(631)	(435)
Decrease (increase) in accounts receivable	(262,619)	—
Decrease (increase) in account receivables - trade and contract assets	—	(175,802)
Decrease (increase) in work in process	(53,922)	36,695
Increase (decrease) in accounts payable - trade	54,744	43,045
Decrease (increase) in other assets	(75,238)	(134,694)
Increase (decrease) in advances received	62,413	—
Increase (decrease) in contract liabilities	—	(133,377)
Increase (decrease) in accounts payable - other	(88,036)	12,379
Increase (decrease) in accrued expense	26,743	62,676
Increase (decrease) in other liabilities	(19,552)	60,019
Total	1,188,743	935,246
Interest income	137,679	194,727
Interest expense	(1,697)	(5,395)
Income taxes paid	(136,820)	(317,302)
Net cash provided by (used in) operating activities	1,187,904	807,276
Cash flow from investing activities		
Payments into time deposits	(4,211,489)	(4,741,555)
Refund from time deposits	3,368,820	3,996,567
Purchases of property, plant and equipment	(51,655)	(177,167)
Purchase of investment securities	(238,921)	(181,559)
Proceeds from sales of investment securities	10,006	3,160
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(275,095)	—
Other	10,790	(187,336)
Net cash provided by (used in) investing activities	(1,387,543)	(1,287,890)
Cash flow from financing activities		
Increase (decrease) in short-term loan	(30,000)	180,000
Proceeds from long-term loan	(221,936)	(259,576)
Payments of long-term loan	71,480	—
Proceeds from issuance of common stock	(272)	—
Payment for acquisition of treasury stock	—	17,137
Net cash provided by (used in) financing activities	(180,728)	(62,438)
Effect of exchange rate changes on cash and cash equivalent	43,793	96,066
Net increase (decrease) in cash and cash equivalent	(336,574)	(446,985)
Cash and cash equivalent at beginning of period	4,070,862	3,734,288
Cash and cash equivalent at end of period	3,734,288	3,287,302

(3) Notes on the Consolidated Financial Statements

(Notes on Going-Concern Assumptions)

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 and the related guidance is in accordance with the transitional treatment prescribed proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition 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 and accounts receivable - trade 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, the Company changed its estimate of asset retirement obligations that were recorded as restoration costs associated with building lease contracts in the current consolidated fiscal year, because new information on restoration costs has become available and more precise estimates can now be made.

The impact of this change in estimate on operating income, ordinary income, and income before income taxes and minority interests for the current consolidated fiscal year is immaterial.

(Additional Information)

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

Although the impact of the spread of COVID-19 infection remains difficult to predict the timing of convergence, etc., the Group has accounted for the spread of COVID-19 infection as not having a significant impact on accounting estimates.

(Segment Information, etc.)

[Segment information]

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

[Related information]

Previous fiscal year ended 2021 (January 1, 2021 - December 31, 2021)

1. Information by product/service

(Unit: thousand yen)

	Creative & Engineering	Talent Platform	Total
Sales to external customers	6,833,288	1,197,561	8,030,849

2. Information by region

(1) Net sales

Sales to external customers in Japan are more than 90% of net sales in the consolidated statements of income, and information by region is omitted.

(2) Property, plant, and equipment

(Unit: thousand yen)

Japan	Vietnam	Total
82,032	19,687	101,720

3. Information by major customer

This is omitted as there were no external customers whose net sales account for more than 10% of net sales in the consolidated statements of income.

Current fiscal year ended 2022 (January 1, 2022 - December 31, 2022)

1. Information by product/service

(Unit: thousand yen)

	Creative & Engineering	Talent Platform	Total
Sales to external customers	9,275,342	1,469,725	10,745,068

2. Information by region

(1) Net sales

Sales to external customers in Japan are more than 90% of net sales in the consolidated statements of income, and information by region is omitted.

(2) Property, plant, and equipment

(Unit: thousand yen)

Japan	Vietnam	Total
207,014	60,082	267,097

3. Information by major customer

This is omitted as there were no external customers whose net sales account for more than 10% of net sales in the consolidated statements of income.

[Information on Impairment of Fixed Assets by Reportable Segment]

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

[Information on Amortization and Unamortized balance of Goodwill by Reportable Segment]

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

[Information on gain on negative goodwill by reportable segment]

There are no applicable items

(Per Share Information)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Net assets per share	174.53 yen	203.83 yen
Net income per share	34.79 yen	21.81 yen
Net income per share (diluted)	32.16 yen	20.40 yen

(Note) 1. Earnings per share and earnings per share (diluted) were calculated based on the following:

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Net income per share		
Net income attributable to shareholders of the parent company (thousand yen)	1,301,554	823,977
Amount not belonging to common shareholders' (thousand yen)	—	—
Net income attributable to shareholders of the parent attributable to common stock (thousand yen)	1,301,554	823,977
Average number of shares of common stock during the fiscal year (share)	37,408,883	37,779,120
Net income per share (diluted)		
Net income adjustments attributable to owners of parent company (thousand yen)	—	—
Increase in shares of common stock (share)	3,063,470	2,620,654
(Share subscription rights (share))	(3,063,470)	(2,620,654)
Residual securities excluded in the calculation of profit after adjustment for residual securities due to the fact that these securities had no dilutive effect	—	—

2. Net assets per share were calculated based on the following:

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Total net assets on consolidated balance sheet (thousand yen)	6,586,008	7,736,830
Amount to be deducted from total net assets (thousand yen)	284	262
Amount attributable to common stock (thousand yen)	6,585,724	7,736,567
Number of common shares used for calculating net assets per share (shares)	37,733,394	37,956,294

(Significant Subsequent Events)

There are no applicable items.