



**Consolidated Financial Results for the Three Months
Ended March 31, 2023 [Japanese GAAP]**

May 10, 2023

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: May 10, 2023
 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, 2023 (January 1, 2023 - March 31, 2023)

(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, 2023	3,049	17.1	476	55.8	611	244.7	407	202.1
March 31, 2022	2,604	42.9	305	(26.7)	177	(54.7)	134	(59.5)

(Note) Comprehensive income: Three months ended March 31, 2023: 470 million yen (36.2%)
 Three months ended March 31, 2022: 345 million yen ((19.5)%)

	Net income per share	Net income per share (diluted)
Three months ended March 31, 2023	10.71 yen	10.07 yen
March 31, 2022	3.57 yen	3.33 yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
As of March 31, 2023	13,505 million yen	8,211 million yen	60.8%
As of December 31, 2022	9,675 million yen	7,736 million yen	80.0%

(Reference) Shareholders' Equity As of March 31, 2023 8,211 million yen
 As of December 31, 2022 7,736 million yen

2. Cash Dividends

	Cash dividends per share for the fiscal year (yen)				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Year ending December 31, 2022	— yen	0.00 yen	— yen	0.00 yen	0.00 yen
Year ending December 31, 2023	—				
Year ending December 31, 2023 (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, 2023 (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
FY2023	12,087	12.4	1,200	33.0	1,372	19.9	1,047	27.1	27.60

(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 2023	38,009,700 shares	As of December 31, 2022	37,956,400 shares
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② Number of treasury shares at the end of the period

First Quarter of the Fiscal Year ended December 2023	106 shares	As of December 31, 2022	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 2023	37,991,219 shares	First Quarter of the Fiscal Year ended December 2022	37,736,999 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 4 of the attached materials for the conditions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecast.

(Change in the unit of presentation for monetary amounts)

Previously, the amounts of accounts and other items presented in the Company's quarterly consolidated financial statements were presented in thousands of yen, but effective from the first quarter of the current consolidated fiscal year and the first quarter of the current consolidated cumulative period, the Company has changed to present such amounts in millions of yen. In order to facilitate comparisons, the amounts for the previous consolidated fiscal year and the first quarter of the previous consolidated cumulative period are also presented in millions of yen.

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1. Qualitative Information on the Consolidated Financial Results for the Three Months Ended March 31, 2023

(1) Explanation of Consolidated Financial Results

During the first quarter of the current fiscal year, the Japanese economy showed signs of a gradual pickup in economic and social activities due to the easing of restrictions on activities and overseas travel amidst continued warnings about the spread of the new coronavirus infection. However, the future outlook remains uncertain due to the protracted situation in Ukraine, soaring resource prices and global inflation.

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 114, ARPU was 4,841 thousand yen, and net sales were 2,611 million yen (up 12.8% year-on-year) 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 437 million yen (up 51.8% year-on-year).

As a result, in the first quarter of the current consolidated fiscal year, net sales were 3,049 million yen (up 17.1% year-on-year), gross profit was 1,599 million yen (up 28.0% year-on-year), operating income was 476 million yen (up 55.8% year-on-year), ordinary income was 611 million yen (up 244.7% year-on-year), and net income attributable to owners of the parent was 407 million yen (up 202.1% 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 13,505 million yen, an increase of 3,830 million yen compared to the end of the previous fiscal year. This was mainly due to a 3,818 million yen increase in cash and deposits resulting from borrowing of funds and a 149 million yen increase in accounts receivable due to an increase in sales in the "Creative & Engineering" segment.

(Liabilities)

Total liabilities at the end of the first quarter of the current fiscal year were 5,293 million yen, an increase of 3,355 million yen compared to the end of the previous fiscal year. This was mainly due to an increase in short-term loans payable of 3,297 million yen.

(Net Assets)

Net assets at the end of the first quarter of the current fiscal year were 8,211 million yen, an increase of 475 million yen compared to the end of the previous fiscal year. This was mainly due to a 407 million yen increase in retained earnings resulting from net income attributable to parent company shareholders and a 62 million 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, 2022" on February 8, 2023.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Unit: million yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and cash equivalent	6,264	10,082
Notes and accounts receivable - trade and contract assets	1,165	1,314
Work in process	67	49
Other	446	399
Allowance for doubtful accounts	△23	△18
Total current assets	7,919	11,827
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures	351	357
Accumulated depreciation	△167	△181
Buildings and structures (Net)	183	175
Machinery and equipment	282	301
Accumulated depreciation	△199	△201
Machinery and equipment (Net)	83	99
Total property, plant and equipment	267	275
Intangible assets		
Goodwill	526	509
Other	51	48
Total intangible assets	578	557
Investments and other assets		
Investment securities	513	481
Deferred tax assets	61	61
Other	396	411
Allowance for doubtful accounts	△60	△109
Total investments and other assets	910	844
Total noncurrent assets	1,755	1,678
Total assets	9,675	13,505

(Unit: million yen)

	As of December 31, 2022	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	273	279
Short-term loans payable	180	3,477
Current portion of long-term loans payable	56	51
Accounts payable - other	73	46
Accrued expenses	331	275
Income taxes payable	96	123
Contract liabilities	194	172
Provisions for bonuses	89	227
Other	310	275
Total current liabilities	1,605	4,929
Noncurrent liabilities		
Long-term loans payable	43	30
Asset retirement obligations	90	93
Deferred tax liabilities	82	84
Other	115	156
Total noncurrent liabilities	332	364
Total liabilities	1,938	5,293
Net assets		
Shareholders' equity		
Capital stock	1,713	1,715
Capital surplus	1,698	1,700
Retained earnings	3,876	4,283
Treasury stock	△0	△0
Total shareholders' equity	7,287	7,698
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14	15
Foreign currency translation adjustment	435	497
Total accumulated other comprehensive income	449	513
Stock subscription rights	0	0
Total net assets	7,736	8,211
Total liabilities and net assets	9,675	13,505

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated statements of income for the Three months ended March 31, 2023)

(Unit: thousand yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Net sales	2,604	3,049
Cost of sales	1,386	1,489
Gross profit	1,217	1,559
Selling, general and administrative expenses	912	1,083
Operating income	305	476
Non-operating income		
Interest income	6	102
Foreign exchange gains	—	34
Gain on sales of investment securities	—	4
Other	0	1
Total non-operating income	6	142
Non-operating expense		
Interest expenses	1	3
foreign exchange loss	130	—
Other	2	4
Total non-operating expense	134	7
Ordinary income	177	611
Extraordinary gains		
Gain of sales of fixed assets	0	0
Total extraordinary gains	0	0
Extraordinary losses		
Head office relocation cost	0	—
Loss on valuation of investment securities	—	26
Loss on valuation of investments in affiliates	—	57
Loss on valuation of investments in capital	—	8
Total extraordinary losses	0	92
Income before income taxes	177	520
Income taxes	42	113
Quarterly net income	134	407
Quarterly net income attributable to shareholders of parent company	134	407

(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	134	407
Other comprehensive income		
Valuation difference on available-for-sale securities	7	1
Foreign currency translation adjustments	203	62
Total other comprehensive income	210	63
Comprehensive income	345	470
(Details)		
Attributable to owners of the Company	345	470
Attributable to non-controlling interests	—	—

(3) Notes on the Consolidated Financial Statements

(Notes on Going-Concern Assumptions)

There are no applicable items.

(Notes in the event of significant changes in the amount of shareholders' equity)

Not applicable.

(Changes in Accounting Policies)

(Application of the Guidance on Accounting Standard for Measurement of Fair Value)

The "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, enacted on June 17, 2021. hereinafter referred to as the "Guidance on Fair Value Calculation Standards") was applied from the beginning of the first quarter of the current fiscal year, and the new accounting policy prescribed by the Guidance on Accounting Standard for Measurement of Fair Value will be applied prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Guidance on Accounting Standard for Measurement of Fair Value. This change has no impact on the quarterly financial statements.

(Adoption of accounting methods specific to the preparation of quarterly consolidated financial statements)

(Calculation of tax expense)

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

However, in cases where the calculation of tax expenses using such estimated effective tax rate would significantly lack rationality, the statutory effective tax rate is used.

(Segment Information, etc.)

(Segment Information)

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

(Significant Subsequent Events)

Not applicable.