Consolidated Financial Results for the Nine Months Ended September 30, 2024 [Japanese GAAP]

November 13, 2024

Company name	Sun* Inc.			
Stock Exchange listing	Tokyo			
Code	4053	URL http://sun-asterisk.com/		
Representative	(Title)	Representative Director, Executive Director, and CEO	(Name) Taihei Kobayashi	
Contact	(Title)	Executive Officer and CFO	(Name) Yuya Fukutomi	TEL 03 (6419) 7655

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, 2024 (January 1, 2024 – September 30, 2024)

(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	
Nine months ended	million yen	%	million yen	%	million yen	%	million yen	%
September 30, 2024	9,995	7.7	1,109	(16.9)	1,231	(28.7)	902	(25.1)
September 30, 2023	9,284	16.2	1,336	105.6	1,727	112.8	1,204	93.5

(Note) Comprehensive income: Nine months ended September 30, 2024: 812 million yen (47.7%)
Nine months ended June 30, 2023: 1,553 million yen (26.4%)

	Net income per share	Net income per share (diluted)
Nine months ended	yen	yen
September 30, 2024	23.70	22.37
September 30, 2023	31.66	29.79

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of September 30, 2024	13,610	10,314	75.8
As of December 31, 2023	11,859	9,499	80.1

(Reference) Shareholders' Equity
As of June 30, 2024 10,313 million yen
As of December 31, 2023 9,297 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 ending December 31, 2023	–	0.00	–	0.00	0.00
Year ending December 31, 2024	–		–		
Year ending December 31, 2024 (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, 2024 (January 1, 2024 - December 31, 2024)

(% 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
FY2024	13,607	8.7	1,500	(15.5)	1,516	(33.5)	1,076	(31.4)	28.26

(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 (3) Notes on Quarterly 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.: None
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)

Third Quarter of the Fiscal Year ended December 2024	38,100,800	shares	As of December 31, 2023	38,075,500	shares

② Number of treasury shares at the end of the period

Third Quarter of the Fiscal Year ended December 2024	132	shares	As of December 31, 2023	132	shares

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

Third Quarter of the Fiscal Year ended December 2024	38,083,407	shares	Third Quarter of the Fiscal Year ended December 2023	38,028,502	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 2 of the attached materials for the conditions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecast.

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1. Qualitative Information on the Consolidated Financial Results for the Nine Months Ended September 30, 2024

(1) Explanation of Consolidated Financial Results

During the third quarter of the current consolidated cumulative period, the Japanese economy is recovering gradually thanks to the effects of various policies, with the employment and income environment improving. However, the economic outlook at home and abroad remains uncertain due to the impact of global monetary tightening and sudden exchange rate fluctuations.

In this business environment, in order to provide the services necessary to meet the challenges of our customers, our group has developed two service lines in the single segment of the "Digital Creative Studio Business": "Creative & Engineering," which creates digital products together with customers, and "Talent Platform," which discovers, develops, and provides the talent necessary to create digital products to customers. We are working to increase the number of customers and the average customer value as a priority issue.

In "Creative & Engineering," the number of stock-type customers in the third quarter of the current consolidated cumulative period was 128 companies, the average customer value was 5,314,000 yen, and sales were 8,535 million yen (up 5.8% year-on-year) due to continued, stable and solid orders from existing customers and a continuing increase in new customers. In the Talent Platform business, sales were 1,459 million yen (up 19.3% year-on-year).

As a result, for the third quarter consolidated cumulative period, sales were 9,995 million yen (up 7.7% year-on-year), gross profit was 5,215 million yen (up 7.8% year-on-year), operating profit was 1,109 million yen (down 16.9% year-on-year), ordinary profit was 1,231 million yen (down 28.7% year-on-year), and quarterly net profit attributable to parent company shareholders was 902 million yen (down 25.1% year-on-year).

Please note that as our group operates in a single segment, the Digital Creative Studio business, segment information is not provided.

(2) Explanation of Consolidated Financial Position

(Assets)

Total assets at the end of the third quarter of this consolidated fiscal year amounted to 13,610 million yen, up 1,751 million yen from the end of the previous consolidated fiscal year. This was mainly due to 1,578 million yen increase in cash and deposits and 349 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 third quarter of this consolidated fiscal year amounted to 3,296 million yen, up 936 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 1,200 million yen in short-term loans payable resulting from the execution of borrowings and a decrease of 214 million yen in income taxes payable resulting from the payment of income taxes.

(Net Assets)

Net assets at the end of the third quarter of this consolidated fiscal year totaled 10,314 million yen, an increase of 814 million yen from the end of the previous fiscal year. This was mainly due to an increase in retained earnings of 902 million yen resulting from net income attributable to parent company shareholders and a decrease in foreign currency translation adjustments of 90 million yen resulting from exchange rate fluctuations.

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

In light of the trends in our business performance during the third quarter of the current fiscal year, we have revised the consolidated business forecast announced in the “Consolidated Financial Results for the Fiscal Year ended December 31, 2023” released on February 9, 2024. For details, please refer to the “Notice Concerning Revision of Earnings Forecast” released today.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Unit: million yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and cash equivalent	7,946	9,525
Notes and accounts receivable - trade and contract assets	1,422	1,771
Work in process	68	69
Other	656	491
Allowance for doubtful accounts	(45)	(40)
Total current assets	10,047	11,817
Noncurrent assets		
Property, plant, and equipment		
Buildings and structures	381	377
Accumulated depreciation	(211)	(248)
Buildings and structures (Net)	170	129
Machinery and equipment	318	100
Accumulated depreciation	(236)	(279)
Machinery and equipment (Net)	81	100
Total property, plant and equipment	252	229
Intangible assets		
Goodwill	456	431
Other	51	58
Total intangible assets	507	489
Investments and other assets		
Investment securities	489	663
Deferred tax assets	102	101
Other	634	483
Allowance for doubtful accounts	(174)	(174)
Total investments and other assets	1,051	1,073
Total noncurrent assets	1,811	1,792
Total assets	11,859	13,610

(Unit: million yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	242	175
Short-term loans payable	–	1,200
Current portion of long-term loans payable	33	8
Accounts payable - other	66	121
Accrued expenses	408	345
Income taxes payable	328	113
Contract liabilities	295	204
Provisions for bonuses	195	409
Other	463	350
Total current liabilities	2,035	2,928
Noncurrent liabilities		
Long-term loans payable	11	3
Asset retirement obligations	95	95
Deferred tax liabilities	85	88
Other	132	180
Total noncurrent liabilities	324	367
Total liabilities	2,359	3,296
Net assets		
Shareholders' equity		
Capital stock	1,717	1,718
Capital surplus	1,702	1,703
Retained earnings	5,445	6,347
Treasury stock	(0)	(0)
Total shareholders' equity	8,865	9,770
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	19	19
Foreign currency translation adjustment	614	523
Total accumulated other comprehensive income	633	543
Stock subscription rights	0	0
Total net assets	9,499	10,314
Total liabilities and net assets	11,859	13,610

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated statements of income for the Nine months ended September 30, 2024)

(Unit: million yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Net sales	9,284	9,995
Cost of sales	4,445	4,779
Gross profit	4,838	5,215
Selling, general and administrative expenses	3,502	4,105
Operating income	1,336	1,109
Non-operating income		
Interest income	319	132
Foreign exchange gain	151	0
Subsidy income	1	―
Other	7	5
Total non-operating income	226	139
Non-operating expense		
Interest expenses	6	5
Investment partnership losses	―	3
Miscellaneous losses	―	7
Other	82	0
Total non-operating expense	88	17
Ordinary income	1,727	1,231
Extraordinary gains		
Gain of sales of fixed assets	55	0
Other	1	−
Total extraordinary gains	57	0
Extraordinary losses		
Loss on valuation of investment securities	38	25
Loss on valuation of investments in affiliates	95	−
Other	99	7
Total extraordinary losses	234	32
Income before income taxes	1,551	1,199
Income taxes	347	297
Interim net income	1,204	902
Quarterly net income attributable to shareholders of parent company	1,204	902

(Consolidated statements of income for the Nine months ended September 30, 2024)

(Unit: million yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Net income	1,204	902
Other comprehensive income		
Valuation difference on available-for-sale securities	9	0
Foreign currency translation adjustments	339	(90)
Total other comprehensive income	349	(89)
Comprehensive income	1,553	812
(Details)		
Attributable to owners of the Company	1,553	812
Attributable to non-controlling interests	–	–

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going-Concern Assumptions)

Not applicable.

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

Not applicable.

(Application of Special Accounting Treatment in Preparing Quarterly Consolidated Financial Statement)

(Calculation of tax expense)

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 third quarter of the current consolidated fiscal year, and multiplying quarterly income before taxes 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.

(Notes to the quarterly consolidated cash flow statement)

We have not prepared a quarterly consolidated cash flow statement for the third quarter of the current consolidated cumulative period. However, the depreciation expenses (including amortization expenses for intangible fixed assets other than goodwill) and amortization of goodwill for the third quarter of the current consolidated cumulative period are as follows:

(Unit: million yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Depreciation and amortization	104	98
Goodwill amortization	52	54

(Segment Information, etc.)

【Segment Information】

As our group operates in a single segment, the Digital Creative Studio business, segment information is not provided.

(Significant Subsequent Events)

（Borrowing large amounts of money）

At the Board of Directors meeting held on October 16, 2024, the Company resolved to borrow from Mizuho Bank, Ltd. pursuant to a special overdraft agreement, and has borrowed as follows.

Use of Funds:	Working Capital
Lender:	Mizuho Bank, Ltd.
Total Loan Amount:	1,500 million. yen
Interest Rate:	Floating Interest Rate
Date of Loan Execution:	October 25, 2024
Repayment Method:	Installment Repayment
Repayment Deadline:	October 25, 2025
Collateral Status:	Unsecured

(Acquisition of Treasury Stock)

Sun* Inc. hereby announces that at the Board of Directors meeting held on November 13, 2024, it resolved to acquire treasury stock pursuant to the provisions of the Articles of Incorporation pursuant to Article 459, Paragraph 1 of the Companies Act.

1. Purpose of the Share Acquisition

We recognize that returning profits to shareholders is an important management issue, and our basic policy is to pay stable and continuous dividends while securing the necessary internal reserves for future business expansion and strengthening our financial position.

Currently, we are in the stage of business expansion, and with regard to internal reserves, we are prioritizing growth investments for M&A and business expansion, and strengthening our financial position, so we are not paying dividends. However, as we have made some progress in strengthening our financial position, we will acquire treasury stock in order to enhance shareholder returns and improve capital efficiency through the implementation of a flexible capital policy.

2. Details of the Acquisition

Class of shares to be acquired:	Common Stock
Total number of shares to be Acquired:	Up to 1,000,000 shares （Percentage of total number of shares issued [excluding treasury shares] 2.63%）
Total purchase price of shares to be acquired:	700,000,000 yen
Period of acquisition:	November 14, 2024 to February 28, 2025
Method of acquisition:	Purchase at the Tokyo Stock Exchange