

Financial Results Report for Q2 of the Fiscal Year Ending March 2021

SUNCORPORATION

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1. Outline of financial results

Highlight by Business Segment for Q2 of FY March 2021

(Unit Million yen)

	Net Sales	Operating Profit	%	Description
Mobile Data Solutions	9,214	△330	—	Sales and orders for mobile forensic equipment and related services grew steadily, resulting in an 8.5% YoY increase in sales. Segment loss was lower due to the elimination of one-time expenses generated from issuing preferred shares through a third-party allotment by a subsidiary.
Entertainment-Related	1,993	136	6.8	Net Sales & Operating profit were decreased YoY due to the decreased amount of control board sales and consigned development sales, while the segment profit was secured by improving the efficiency of the Pachinko hall system business.
New IT Business Related	742	31	4.2	【M2M】 Net Sales were increased thanks to the increased M2M products sales. In addition, the business became profitable due to the improved cost efficiency. 【AR】 The loss decreased as the costs decreased, thanks to the shift to focus software development.
Others	107	27	25.2	【Game contents】 Net sales were decreased YoY, due to the termination of old app sales, having attempted to expand the business into the overseas market. The business became profitable because the expenses were reduced by enhancing the work efficiency.
Corporate ex.	—	△464	—	—
Total	12,049	△599	—	—

1. Outline of financial results

Consolidated PL for Q1 of FY March ended 2021 (YoY)

(Unit Million yen)

	FY March 2020 Q2	FY March 2021 Q2	Difference (%)	Description
Net Sales	12,130	12,049	△0.7	Entertainment business sales were decreased, due to COVID-19 crisis.
COGS	4,024 33.2%	3,551 29.5%	△11.8 △3.7 P	
Gross Profit	8,106 66.8%	8,497 70.5%	+4.1 +3.7 P	Gross profit increased due to a relative increase in high-margin development projects.
SGA ex. Include R&D	9,846 81.2%	9,097 75.5%	△7.6 △5.7 P	Expenses (generated from issuing preferred shares by Cellebrite through a third-party allotment) decreased in the previous quarter.
R&D ex.	3,176 26.2%	3,380 28.1%	+6.4 +1.9 P	
Operating profit	△1,740 △14.3%	△599 △5.0%	— +9.3 P	Expenses in relation to the third party allotment and labor cost decreased due to COVID-19 crisis
Ordinary profit	△1,654 △13.6%	△541 △4.5%	— +9.1 P	—
Net loss attributable to SUN CORPORATION	△1,497 △12.3%	△547 △4.5%	— +7.8 P	

1. Outline of financial results

Business segments information

(Unit Million yen)

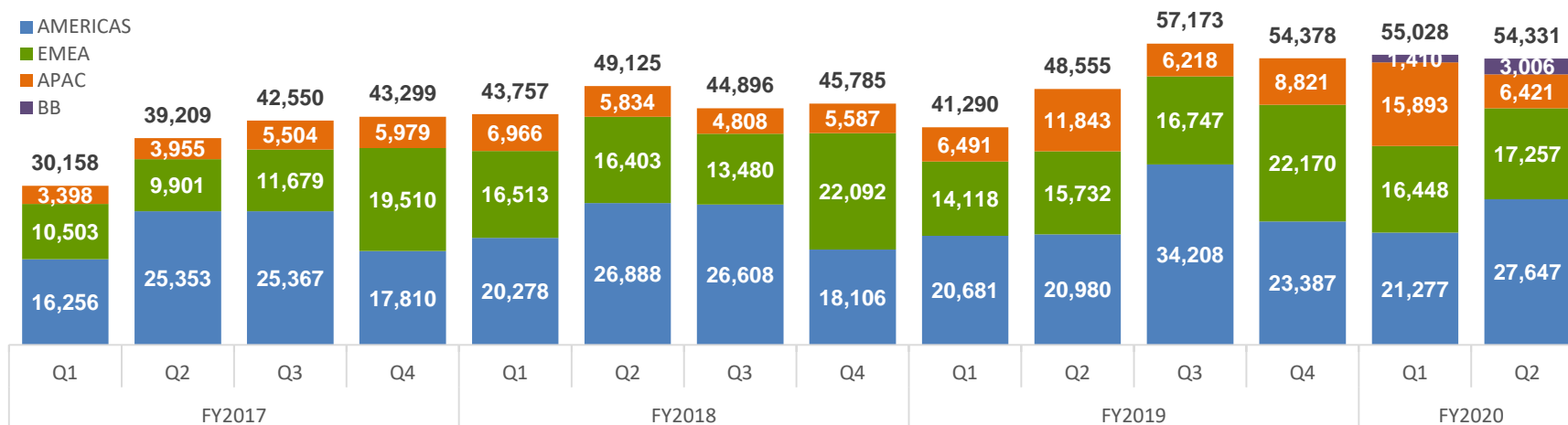
		FY March 2020 Q2	FY March 2021 Q2	Difference (%)
Mobile data solutions	Net Sales	8,491	9,214	+8.5
	Operating Profit	△1,273	△330	—
	Ratio(%)	—	—	—P
Entertainment-related	Net Sales	2,794	1,993	△28.7
	Operating Profit	242	136	△43.8
	Ratio(%)	8.7	6.8	△21.8P
New IT business-related	Net Sales	698	742	+6.3
	Operating Profit	△206	31	—
	Ratio(%)	—	—	—P
Others	Net Sales	156	107	△31.4
	Operating Profit	△41	27	—
	Ratio(%)	—	25.2	—P
Corporate Expenses	Operating Profit	△461	△464	—
Total	Net Sales	12,130	12,049	△0.7
	Operating Profit	△1,740	△599	—
	Ratio(%)	—	—	—P

1. Outline of financial results

(Reference) Total amount of orders at Cellebrite

(Unit USD K)

DI	FY March 2018	%	FY March 2019	%	FY March 2020	%	FY March 2020 Q2	%	FY March 2021 Q2	%
Total	129,498	100.0	171,721	100.0	201,102	100.0	89,637	100.0	109,359	100.0
AMERICAS	69,790	53.9	91,518	53.3	99,256	49.4	41,661	46.5	48,924	44.7
EMEA	42,377	32.7	57,163	33.3	68,473	34.0	29,642	33.0	33,705	30.8
APAC	17,330	13.4	23,040	13.4	33,373	16.6	18,334	20.5	22,314	20.4
BB	0	0.0	0	0.0	0	0.0	0	0.0	4,416	4.1



AMERICAS (Nth, MID&STH America), EMEA (Europe &Africa), APAC (Asia/ Oceania)

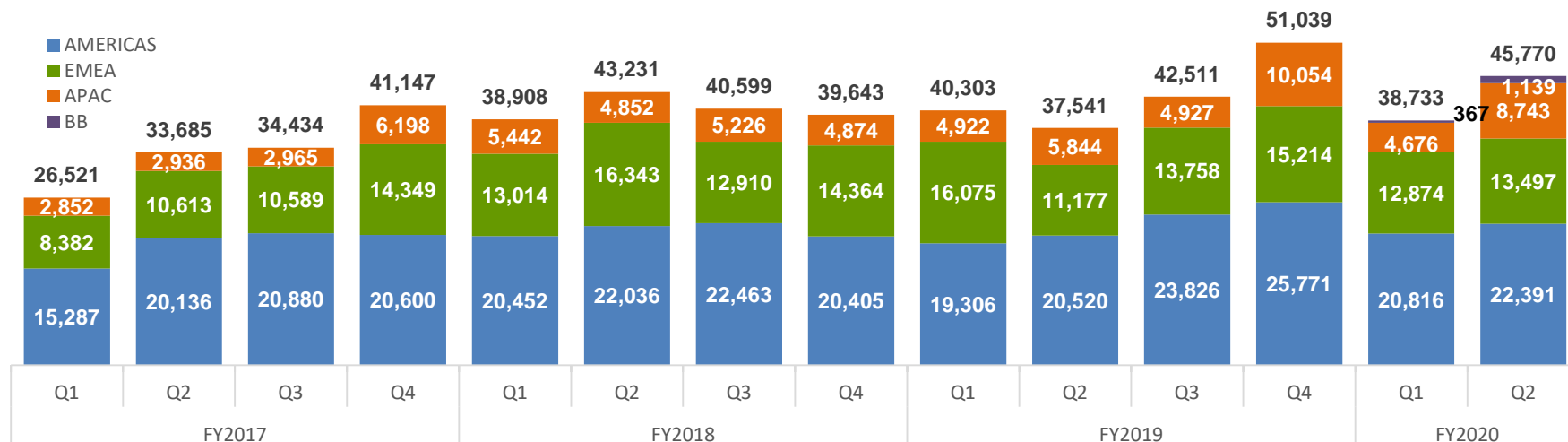
Created based on the monthly Financial Report of Cellebrite. Therefore, no accounting adjustments have been made.

1. Outline of financial results

(Reference) Net Sales at Cellebrite

(Unit KUSD)

DI	FY March 2018	%	FY March 2019	%	FY March 2020	%	FY March 2020 Q2	%	FY March 2021 Q2	%
Total	111,345	100.0	149,399	100.0	171,186	100.0	77,844	100.0	84,503	100.0
AMERICAS	63,461	57.0	82,821	55.4	89,423	52.2	39,826	51.2	43,207	51.1
EMEA	33,892	30.4	46,318	31.0	56,016	32.7	27,252	35.0	26,371	31.2
APAC	13,992	12.6	20,260	13.6	25,747	15.0	10,766	13.8	13,419	15.9
BB	0	0.0	0	0.0	0	0.0	0	0.0	1,506	1.8



Created based on the monthly Financial Report of Cellebrite. Therefore, no accounting adjustments have been made.

1. Outline of financial results

Consolidated B/S (YoY)

(Unit Million yen)

	The end of March, 2020	FY ending March 2021 Q2	Change (%)	Description
Total Assets	42,870	42,496	△0.8	—
Current Assets	35,422 82.6%	35,078 82.5%	△0.9 △0.1 P	Decreased in notes and accounts receivable-trade
Cash and deposit	26,390 61.6%	26,851 63.1%	+1.7 +1.5 P	—
Inventory	1,317 3.1%	1,418 3.3%	+7.6 +0.2 P	—
Fix Assets	7,448 17.4%	7,418 17.4%	△0.4 +0.0 P	—
Current Liabilities	22,410 52.3%	22,380 52.6%	△0.1 +0.3 P	Payment made, in relation to the acquisition of BlackBag ¥ -1,944 million
Fix Liabilities	1,855 4.3%	1,840 4.3%	△0.8 +0.0 P	—
Net Assets	18,605 43.4%	18,275 43.0%	△1.7 △0.4 P	Decreased in retained earnings due to net loss attributable to shareholders of the parent company

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Consolidated performance forecast for FY ending March 2021

Our consolidated performance forecast has not been determined for the fiscal year ending March 2021

Impact from Covid-19 crisis

✓ Mobile data solutions

Due to the lockdowns in major countries such as US and European countries, sales have been stagnant and exhibitions and sales activities in US have been postponed, which may have a significant impact on the business, resulting in decreased orders and sales. If COVID-19 positive cases are found in the team, regular software updates may not be feasible.

✓ Entertainment-related

Under the state of emergency in Japan, pachinko halls have been requested to close their halls for a while. It may cause sales of the pachinko/pachinko slot machines and parlor equipment to be decreased. If COVID-19 positive cases are found in the team, sales of consigned development projects may decline, due to limited resources.

✓ New IT business related

In the M2M business, meetings with customers have been postponed, which resulted in slowing down sales activities. Therefore, sales may decline.

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3. Business Strategies of SUNCORP group

Roadmap (FY 2017/3- FY2023/3 Consolidated Net Sales)

Focusing on DI business

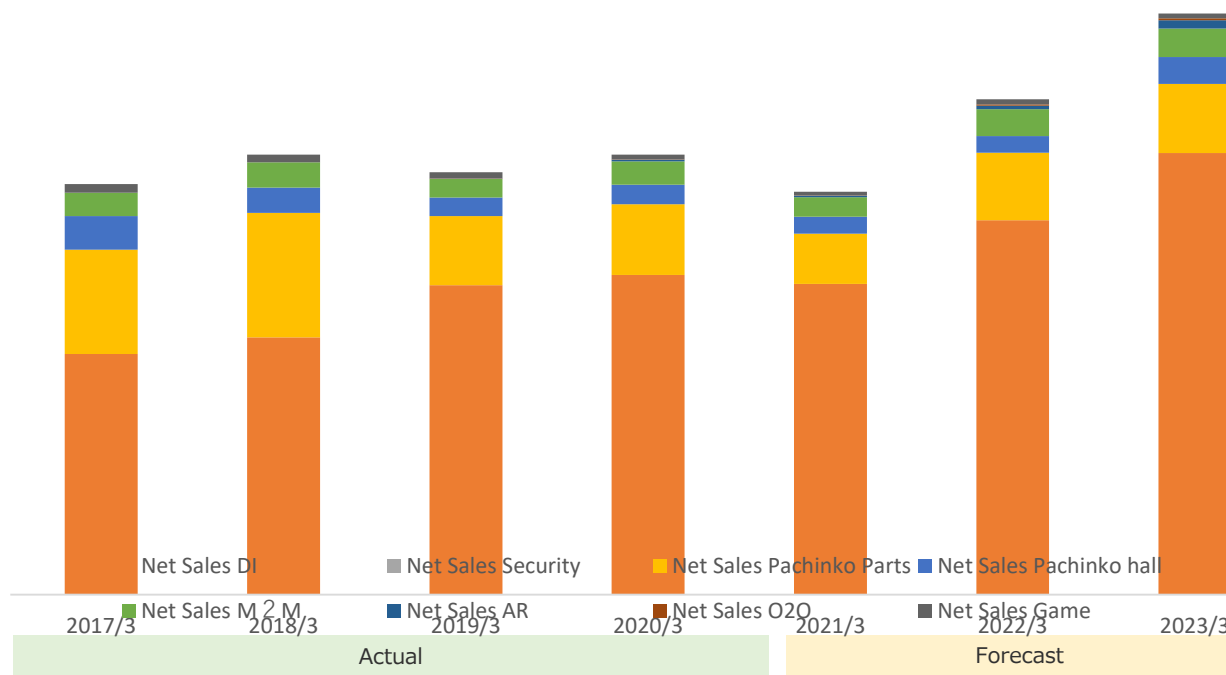
Promoting administrative improvement by improving the efficiency

Target (FY 2023/3)

Net Sales ¥35 billion

Allocating large part of resources into DI business. Focusing on the DI business as part of our group business strategies.

Net Sales



Description

- ✓ **Change in mid-term sales target due to COVID-19 crisis**
Net Sales of FY ending March 2023 **¥33 billion** (Sales are expected to decline due to the business transfer of O2O and SUNTAC.)
- ✓ **Business selection and focus**
 - The budget structure was defined basing on an aggressive strategy, prioritizing the business expansion, but in anticipation of the medium- to long-term impact of the change, the budget structure has been revised to be defensive.
 - While prioritizing the development of existing businesses, the company will continue exploring the cyber security market, making most of our network in Israel and other countries.
 - Promote administrative improvements by enhancing the efficiency in our business development process.

DI Measures (M&A for inorganic growth)

Continuing efforts toward inorganic growth

Strategies for the next FY



- ✓ Remote work was enforced due to COVID-19 crisis, which resulted in security risks being taken more seriously.
- ✓ Becoming a market leader by providing leading-edge digital intelligence solutions.
- ✓ Launching the **Connect Global Virtual Summit** to create a forum for digital research leaders, eDiscovery professionals and the DFIR community to create a safer world.

Rebuild our business portfolio

Build the business structure under the new management

Purpose

- ✓ To clarify what business to select and focus
- ✓ To improve the financial structure

Policy

- ✓ Maintain profitability of the major businesses which are our revenue source. (Mobile data, Entertainment related)
- ✓ Selective investment into M2M business and upgrade the major products.
- ✓ Attempt to maximize the synergy effect (AR, Game contents).

Execution

- ✓ Large part of SUNTAC shares held by SUN Corporation were transferred to JALCO Holdings, which resulted in SUNTAC becoming a non-subsidiary, with JALCO HD holding 86% and Sun Corporation holding 14%.
- ✓ Accelerating business improvements by our New Organization

Collaboration with other companies (AceReal Smartglasses)

Providing solution of remote work support “AceReal for docomo” Utilizing 5G and AceReal Smartglasses



Feature

- ✓ Live video and audio streaming
- ✓ Instruction manuals and images can be displayed on glasses using PC.
- ✓ Realizing higher security and lower latency by using "Cloud Direct", directly connected to the cloud platform through DoCoMo's 5G*
- ✓ No setting required and committed customer support

Major functions of AceReal Apps

- Video calls
- Displaying instruction manuals
- Check list function
- File transmission
- Video recording and playing
- Image processing and editing

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Explanatory material of Financial Results for Q2 of the Fiscal Year Ending March 2021

The business forecasts and future projections contained in this presentation are based on information available as of the date of the presentation being published. Actual results may change due to risks or uncertain factors in relation to subsequent economic circumstances, market situation, or competition.

All values less than one million yen indicated are rounded down.

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