

**Non-Consolidated Financial Results
for the Three Months Ended July 31, 2022
[Japanese GAAP]**



September 6, 2022

Company name: Asukanet Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2438

URL: <https://www.asukanet.co.jp>

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Scheduled date of filing quarterly securities report: September 14, 2022

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Not available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Non-Consolidated Financial Results for the Three Months Ended July 31, 2022

(May 1, 2022 to July 31, 2022)

(1) Non-Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
July 31, 2022	1,543	5.2	52	24.3	56	32.0	38	35.6
July 31, 2021	1,466	16.4	42	-	42	-	28	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
July 31, 2022	2.30	-
July 31, 2021	1.69	-

(Note) The change from the previous corresponding period in ordinary income for the three months ended July 31, 2021 is not presented as it exceeds 1,000%.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of July 31, 2022	6,564	5,843	89.0
As of April 30, 2022	6,896	6,020	87.3

(Reference) Equity: As of July 31, 2022: ¥5,843 million

As of April 30, 2022: ¥6,020 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended April 30, 2022	Yen -	Yen 0.00	Yen -	Yen 7.00	Yen 7.00
Fiscal year ending April 30, 2023	-				
Fiscal year ending April 30, 2023 (Forecast)		0.00	-	8.00	8.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Non-Consolidated Financial Results Forecast for the Fiscal Year Ending April 30, 2023 (May 1, 2022 to April 30, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	6,890	8.8	450	2.3	490	8.2	348	4.6	20.68

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Accounting policies adopted specially for the preparation of quarterly financial statements: Yes

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

July 31, 2022: 17,464,000 shares

April 30, 2022: 17,464,000 shares

2) Total number of treasury shares at the end of the period:

July 31, 2022: 752,657 shares

April 30, 2022: 657,657 shares

3) Average number of shares during the period:

Three months ended July 31, 2022: 16,784,101 shares

Three months ended July 31, 2021: 16,848,943 shares

* These quarterly financial results are outside the scope of quarterly review procedures by a certified public accountant or an audit corporation.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that the Company believes are reasonable, and actual results may differ significantly from these forecasts due to a wide range of factors.

4. Overview of Business Results

(1) Overview of Business Results for this Consolidated First Quarter

Asukanet operates three business areas, each with different positioning and characteristics. They are (1) the funeral business, which adds digital processing and remote output services for photos of the deceased to a funeral business that is largely unaffected by economic trends, (2) the photo book business, which provides ideas for new photo output methods that allow users to create complete photo collections beginning from just a single book, and (3) the aerial display business, which is utilizing unique, recently-developed technologies aiming to create a new market and achieve dreams.

Following is an overview of the business results for each segment. The result figures for each segment include internal inter-segment sales.

(Funeral business)

In this business, although funerals continue to be reduced in size as a result of the coronavirus pandemic, there was an increase in the holding of funerals themselves. In addition, we gained contracts with new funeral companies, resulting in a recovery in our primary business areas – processing photos of the deceased, and videos and other funeral production services. This also led to an increase in sales of tools and equipment for funeral photo production.

We have strengthened the functions of our “tsunagoo” service, which was released in the funeral market as part of our “funeral tech” services utilizing IT technologies. These improvements include links with services aimed at resolving problems involving inheritance, real estate, and other matters facing the bereaved. We exhibited at the Funeral Business Fair exhibition in June, with promotions centered on the advantages of “tsunagoo”.

In terms of income, based on the excessive workload on operators in the Image Processing Division during the previous fiscal year, we engaged in active staff recruitment. We also increased R&D expenses aimed at further improving our focus restoration technology and increased advertising expenses including expenses for participation in exhibitions. As a result, there was a slight decrease in segment income.

As a result, Q1 sales were 674,069 thousand yen (107.5% year-on-year), and Q1 segment income was 133,016 thousand yen (98.0% year-on-year).

(Photo book business)

This business operates *AsukaBook* for the professional photography market in Japan, and *MyBook* for the general Japanese consumer market. We are also engaged in OEM supply of photo albums and photo prints based on photos that were taken with smartphones.

In the professional photographers market, our primary business of wedding photo albums saw difficult sales due to the effects of the coronavirus pandemic. However, we can also see a trend toward recovery. There were strong sales of studio photography for family photos and photos of children. Sales were also higher compared with the same period in the previous fiscal year. Other programs that we carried out included the release of new products, exhibiting at the PHOTO NEXT exhibition, and holding three types of photo awards including pet photo awards.

In the general consumer market, business was affected by voluntary restrictions on activities such as traveling and events due to the coronavirus pandemic, and also by a reduction in opportunities for taking photos resulting from the constant mask wearing. Difficult conditions are continuing for both our company’s *MyBook* brand and OEM, and sales were down from the same quarter of the previous fiscal year.

In terms of income, although we were affected by the soaring prices of raw materials, the operating rate recovered at our factory as a result of growing sales, and the resulting increase in gross profit was a large factor driving an increase in segment income.

As a result, Q1 sales were 847,232 thousand yen (106.0% year-on-year), and Q1 segment income was 149,430 thousand yen (122.1% year-on-year).

(Aerial display business)

This business is aiming to create a market through new image and video expressions utilizing aerial imaging technologies. We are developing, manufacturing, and selling both glass and plastic “ASKA3D plates” that utilize our original technologies to

project images in mid-air.

In the area of marketing, we are carrying out sales centered on our Marketing Division in Japan, and centered on our agents overseas. We exhibited at CONTACTLESS TECH JAPAN in June and proposed specific applications together with collaborating companies. We have already obtained a significant amount of results from installation and verification testing for applications such as ticket selling machines and elevator operation panels. However there have been large effects from restrictions on our business activities resulting from the COVID-19 pandemic. Our China agent has been virtually unable to operate as a result of the country's Zero COVID policy, and projects at other overseas agents have been extended or delayed. As a result, we faced a difficult struggle for sales, particularly in overseas markets, and the results were down from the same quarter in the previous fiscal year.

In the areas of production and development, we are working to stabilize production, improve supply and cost reduction for both glass and plastic plates. The prospects for production of outsourced large-size glass ASKA3D plates have become visible to some extent. For plastic ASKA3D plates as well, we are developing plates that are a size larger than the existing plates. At our technical development center, progress was also made in bonding technologies for glass ASKA3D plates of medium and smaller sizes.

In terms of profit and loss, despite higher advertising expenses, segment loss was on the same level as the same quarter in the previous fiscal year due to our success in controlling R&D expenses and patent-related expenses.

As a result, Q1 sales were 23,223 thousand yen (58.6% year-on-year), and Q1 segment loss was 76,542 thousand yen (compared to a loss of 76,727 thousand yen in the same quarter of the previous fiscal year).

As results of the above, sales were 1,543,046 thousand yen (105.2% compared to the same quarter of the previous fiscal year). In terms of profits, there was an increase in company-wide expenses resulting from the establishment of a Marketing Promotion Division intended to reinforce our cross-business marketing functions. However despite these higher expenses, higher segment income in the photo book business was the primary factor behind ordinary income of 56,586 thousand yen (132.0% year-on-year) and net income of 38,538 thousand yen (135.6% year-on-year).

(2) Overview of the Financial Status during this Quarter

Assets at the end of this first quarter decreased by 331,483 thousand yen from the end of the previous fiscal year to reach 6,564,752 thousand yen. This was primarily due to a decrease in cash and savings of 365,097 thousand yen.

Liabilities at the end of this first quarter decreased by 154,139 thousand yen from the end of the previous fiscal year to reach 721,310 thousand yen. This was primarily due to a decrease in corporate tax payable of 105,500 thousand yen and a provision for bonuses of 73,220 thousand yen.

Net assets at the end of this first quarter decreased by 177,344 thousand yen to reach 5,843,441 thousand yen. This was primarily due to a decrease of 117,644 thousand yen in payment of dividends from surplus and 97,799 thousand yen in treasury stock acquisition, and was despite an increase in quarterly profit of 38,538 thousand yen.

(3) Future Outlook

There are no changes to the future outlook for the fiscal year ending April 2023 that were announced on June 10, 2022.

5. Financial Statements for the first quarter of the Fiscal Year

(1) Balance sheet

(Units: 1,000s yen)

	Previous fiscal year (Ended April 30, 2022)	End of current Q1 (Ended July 31, 2022)
Asset		
Current assets		
Cash and deposits	1,999,178	1,634,081
Accounts receivable-trade	836,041	786,218
Merchandise and products	304,090	342,176
Work in progress	169,022	194,297
Raw materials and supplies	84,426	86,689
Others	43,589	44,461
Allowance for doubtful accounts	(2,810)	(2,817)
Total current assets	3,433,537	3,085,107
Fixed assets		
Tangible fixed assets		
Buildings, net	906,630	910,728
Machinery and equipment, net	522,592	488,338
Land	844,060	844,060
Others net	183,767	240,410
Total tangible fixed assets	2,457,050	2,483,539
Intangible fixed assets	208,440	201,815
Total investments and other assets		
Investment securities	587,437	587,342
Others	209,768	206,948
Total investment and others	797,206	794,290
Total fixed assets	3,462,698	3,479,644
Total assets	6,896,235	6,564,752
Liabilities		
Current liabilities		
Accounts payable-trade	182,892	168,968
Accounts payable-other	197,458	203,133
Income taxes payable	131,400	25,900
Provision for bonuses	161,620	88,400
Officer retirement benefits	191,216	224,405
Others	864,587	710,807
Fixed liabilities		
Provision for retirement benefits	5,351	5,351
Others	5,510	5,150
Total fixed liabilities	10,862	10,502
Total liabilities	875,449	721,310
Net assets		
Shareholders' equity		
Capital stock	490,300	490,300
Capital surplus	619,556	619,556
Retained earnings	5,196,424	5,117,319
Treasury stock	(298,392)	(396,191)
Total shareholders' equity	6,007,889	5,830,984
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	12,896	12,457
Total valuation and translation adjustments	12,896	12,457
Total net assets	6,020,785	5,843,441
Total liabilities and net assets	6,896,235	6,564,752

(2) Profit and loss statement

(Units: 1,000s yen)

	First quarter of the previous fiscal year (May 1, 2021 – July 31, 2021)	First quarter of the current fiscal year (May 1, 2022 – July 31, 2022)
Net Sales	1,466,562	1,543,046
Cost of sales	783,629	825,993
Gross profit	682,933	717,052
Selling, general, and administrative expenses	640,837	664,725
Operating income	42,095	52,327
Non-operating income		
Interest received	147	600
Dividends received	600	600
Commissions received	70	77
Exchange gain	—	2,749
Others	106	524
Total non-operating income	923	4,552
Non-operating expenses		
Expense for purchasing treasury stocks	—	293
Foreign exchange losses	147	—
Total non-operating expenses	147	293
Ordinary income	42,871	56,586
Extraordinary losses		
Loss from sales of fixed assets	708	—
Loss from retirement of fixed assets	48	0
Total extraordinary income	756	0
Net income before taxes	42,114	56,586
Income taxes	13,686	18,047
Net income	28,428	38,538

[Segment information]

First quarter of the previous fiscal year (May 1, 2021 – July 31, 2021)

Information related to the amounts of sales, income, and loss for each reporting segment

(Units: 1,000s yen)

	Reporting segment				Adjustments	Amount recorded in profit and loss statement
	Funeral business	Photo book business	Aerial display business	Total		
Sales						
Sales to outside customers	627,305	799,634	39,622	1,466,562	—	1,466,562
Inter-segment internal sales and transfers	—	—	—	—	—	—
Total	627,305	799,634	39,622	1,466,562	—	1,466,562
Segment income (loss)	135,758	122,378	(76,727)	181,409	(139,314)	42,095

First quarter of the current fiscal year (May 1, 2022 – July 31, 2022)

Information related to the amounts of sales, income, and loss for each reporting segment

(Units: 1,000s yen)

	Reporting segment				Adjustments	Amount recorded in profit and loss statement
	Funeral business	Photo book business	Aerial display business	Total		
Sales						
Sales to outside customers	674,069	845,753	23,223	1,543,046	—	1,543,046
Inter-segment internal sales and transfers	—	1,478	—	1,478	(1,478)	—
Total	674,069	847,232	23,223	1,544,524	(1,478)	1,543,046
Segment income (loss)	133,016	149,430	(76,542)	205,905	(153,578)	52,327

This is the summarized translation of released report for your reference.
Please refer to the original Japanese financial document.