

**Non-Consolidated Financial Results
for the Nine Months Ended January 31, 2023
[Japanese GAAP]**



March 6, 2023

Company name: Asukanet Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2438
 URL: <https://www.asukanet.co.jp>
 Representative: Yuji Matsuo, Representative Director & President
 Contact: Kenya Kono, Senior Managing Director & CFO
 Phone: +81-82-850-1200
 Scheduled date of filing quarterly securities report: March 14, 2023
 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 Nine Months Ended January 31, 2023

(May 1, 2022 to January 31, 2023)

(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	%
Nine months ended								
January 31, 2023	5,200	10.9	483	30.8	497	32.9	349	33.2
January 31, 2022	4,688	11.9	369	162.6	374	95.7	262	107.5

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
January 31, 2023	20.93	-
January 31, 2022	15.55	-

(Note) Diluted earnings per share is not presented as there were no potential shares.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of January 31, 2023	6,846	6,069	88.6
As of April 30, 2022	6,896	6,020	87.3

(Reference) Equity: As of January 31, 2023: ¥6,069 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	-	0.00	-		
Fiscal year ending April 30, 2023 (Forecast)				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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	7,000	10.6	640	45.5	670	48.0	470	41.2	28.16

(Note) Revision to the financial results forecast announced most recently: Yes

* 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):

January 31, 2023: 17,464,000 shares

April 30, 2022: 17,464,000 shares

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

January 31, 2023: 842,257 shares

April 30, 2022: 657,657 shares

3) Average number of shares during the period:

Nine months ended January 31, 2023: 16,688,269 shares

Nine months ended January 31, 2022: 16,852,977 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 these Three Quarters of the Fiscal Year

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.

In December 2012, we concluded a capital and business partnership with REXIT Co., Ltd., a start-up company operating DX services for the wedding market.

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 a recovery in the holding of funerals themselves. Revenue from our primary business area – processing photos of the deceased – resulted in greater growth. In addition to the steady acquisition of new contracts through our sales activities, this was a result of the increasing number of funerals held nationwide. As a result, there was a steady increase in sales of supplies such as paper and frames. At the same time, in order to increase the number of new contracts in our “tsunagoo” DX service for the funeral industry, we worked to improve function, while also reinforcing our sales operations via online seminars and other means.

In terms of income, personnel expenses were higher as a result of actively increasing personnel, primarily in the Image Processing Division which was previously inadequately staffed. In addition, there was an increase in recruitment costs, transportation costs, and other expenses. However there was a large contribution from the increase in sales, resulting in an increase in segment income.

As a result, sales during the cumulative first three quarters were 2,343,744 thousand yen (116.1% year-on-year), and segment income was 575,896 thousand yen (111.3% year-on-year).

(Photo book business)

This business operates *AsukaBook* for the professional photography market, and *MyBook* for the general 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, although our primary product of wedding photo albums continues to be severely affected by the coronavirus pandemic, weddings incorporating measures to prevent coronavirus infections were held, and the market trended towards recovery. Therefore, there was steady growth in sales of photo albums for studios, and sales were higher than the plan. In addition to the “8th Life-Size Photo Awards” to commemorate the 20th anniversary of our *AsukaBook* brand of photo albums for professional photographers, we also held the “Pet Life-Size Photo Awards” and “Album Design Awards”.

The general domestic consumer market continues to face difficult conditions of reduced opportunities and demand for photo albums resulting from the effects of voluntary restrictions on activities such as overseas traveling and events, as well as wearing masks, due to the coronavirus pandemic. However, a recovery can be seen in “My Book” despite the difficult conditions. We conducted variety of promotions and campaigns, and also released “My Book New Year Greeting” as a new service, and promoted products such as seasonal calendars graduation albums.

As a result, although conditions in the general consumer market were difficult, we were able to steadily grow sales as a result of strong sales in the professional photographers market.

In terms of income, although there were increases in costs due to higher material costs and rising prices of utilities, segment income increased as a result of efficient operation of our production system and a recovery in the operating rate.

As a result, sales were 2,733,237 thousand yen (107.2% year-on-year), and segment income was 583,290 thousand yen (119.5% 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. In Japan and overseas, we expanded our record of successful installations at locations including Shuri Castle Information Center and a hospital facility in Turkey though some large signage orders in the Middle East were not received due to problems with the installation environment. We are providing maximum possible support for high-potential verification testing projects in applications such as shop payment terminals, however a certain amount of time will be required. Sales activities are in the process of returning to normal everywhere except for the China market. In January of this year, we exhibited jointly with our North American agent at CES2023, one of the largest IT exhibitions in the world. The near futuristic feel and entertainment possibilities of aerial displays using ASKA3D plates were highly rated by the visitors.

In production and development areas, we are working to stabilize production and increase sizes through outside production of both glass and plastic plates, and we have achieved results. At our technical development center, we are focusing our development themes on production of medium-sized glass plates, and are working to resolve production issues such as improving the accuracy of small-sized plates and establishing technologies for connecting plates together. Although we have not yet reached the mass production trial stage, we are planning to sell prototype products to our agents during this fiscal year.

In terms of sales, due to sales of the dies necessary for sale and manufacture of glass ASKA3D plates used primarily for signage purposes, sales were higher than the same period of the previous fiscal year.

In terms of profit and loss, although there was an increase in advertising expenses due to the larger number of exhibitions and an increase in travel expenses due to sales activities, segment loss was smaller than the same period in the previous fiscal year as a result of controlling R&D costs by focusing R&D on key areas.

As a result, sales were 128,579 thousand yen (106.3% year-on-year), and segment loss was 224,894 thousand yen (compared to a loss of 238,835 thousand yen in the same period of the previous fiscal year).

As results of the above, sales were 5,200,977 thousand yen (110.9% compared to the same period of the previous fiscal year), ordinary income was 497,398 thousand yen (132.9% compared to the same period of the previous fiscal year) and net income was 349,232 thousand yen (133.2% compared to the same period of the previous fiscal year) due to higher profit from funeral business and photobook business.

(2) Overview of the Financial Status

(Assets)

Current assets at the end of this third quarter decreased by 49,872 thousand yen from the end of the previous fiscal year to reach 6,846,362 thousand yen. Despite an increase in account receivables of 129,472 thousand yen and products in progress of 154,708 thousand yen, this decrease was primarily due to a decrease in cash and savings of 347,585 thousand yen.

(Liabilities)

Liabilities at the end of this third quarter decreased by 98,129 thousand yen from the end of the previous fiscal year to reach 777,319 thousand yen. This was primarily due to a decrease in income taxes payable of 43,800 thousand yen and in bonus allowance of 60,320 thousand yen.

(Net assets)

Net assets at the end of this third quarter increased by 48,257 thousand yen from the end of the previous fiscal year to reach 6,069,043 thousand yen. Despite a decrease in dividend payment of 117,644 thousand yen and an increase in treasury stock of 189,465 thousand yen, this was primarily due to an increase in net income of 349,232 thousand yen.

(3) Future Outlook

Please refer to the announcement regarding the “revision of our Future Outlook”, released today.

5. Financial Statements for the Fiscal Year

(1) Balance sheet

(Units: 1,000s yen)

	Previous fiscal year (Ended April 30, 2022)	Current 3rd quarter (Ended Jan. 31, 2023)
Asset		
Current assets		
Cash and deposits	1,999,178	1,651,592
Accounts receivable-trade	836,041	965,513
Merchandise and products	304,090	458,799
Work in progress	169,022	197,173
Raw materials and supplies	84,426	82,836
Others	43,589	45,954
Allowance for doubtful accounts	(2,810)	(3,594)
Total current assets	3,433,537	3,398,274
Fixed assets		
Tangible fixed assets		
Building (net)	906,630	885,102
Machinery and equipment (net)	522,592	457,051
Land	844,060	844,060
Others (net)	183,767	188,709
Total tangible fixed assets	2,457,050	2,374,924
Intangible fixed assets	208,440	225,435
Investments and other assets		
Investment securities	587,437	634,317
Others	209,768	213,410
Total investments and other assets	797,206	847,728
Total fixed assets	3,462,698	3,448,088
Total assets	6,896,235	6,846,362
Liabilities		
Current liabilities		
Accounts payable-trade	182,892	195,146
Accounts payable-other	197,458	159,513
Income taxes payable	131,400	87,600
Provision for bonuses	161,620	101,300
Others	191,216	223,975
Total current liabilities	864,587	767,535
Fixed liabilities		
Provision for retirement benefits	5,351	5,351
Others	5,510	4,432
Total fixed liabilities	10,862	9,784
Total liabilities	875,449	777,319
Net assets		
Shareholders' equity		
Capital stock	490,300	490,300
Capital surplus	619,556	624,486
Total retained earnings	5,196,424	5,428,012
Treasury stock	(298,392)	(487,857)
Total shareholders' equity	6,007,889	6,054,941
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	12,896	14,101
Total valuation and translation adjustments	12,896	14,101
Total net assets	6,020,785	6,069,043
Total liabilities and net assets	6,896,235	6,846,362

(2) Profit and loss statement for three quarters

(Unit:1000s yen)

	First three quarters of the previous fiscal year (May 1, 2021 – Jan. 31, 2022)	First three quarters of the current fiscal year (May 1, 2022 – Jan. 31, 2023)
Net Sales	4,688,999	5,200,977
Cost of goods sales	2,422,870	2,731,498
Gross profit	2,266,128	2,469,478
Selling, general, and administrative expenses	1,896,687	1,986,413
Operating income	369,441	483,065
Non-operating income		
Interest received	429	1,889
Dividends received	1,200	1,275
Commissions received	239	250
Subsidy income	—	5,727
Exchange gain	1,660	849
Gain on forfeiture of unclaimed dividends	1,007	742
Others	476	4,186
Total non-operating income	5,013	14,920
Non-operating expenses		
Acquisition cost for treasury stocks	116	587
Total non-operating expenses	116	587
Ordinary income	374,338	497,398
Extraordinary losses		
Loss on sales of fixed assets	708	—
Loss on retirement of fixed assets	316	0
Total extraordinary losses	1,024	0
Net income before taxes	373,313	497,398
Income taxes	111,192	148,165
Net income	262,120	349,232

[Segment information]

Cumulative first three quarters of the current fiscal year (May 1, 2021 – Jan. 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	2,018,409	2,549,709	120,881	4,688,999	—	4,688,999
Inter-segment internal sales and transfers	—	—	54	54	(54)	—
Total	2,018,409	2,549,709	120,935	4,689,053	(54)	4,688,999
Segment income (loss)	517,234	488,081	(238,835)	766,479	(397,038)	369,441

Cumulative first three quarters of the current fiscal year (May 1, 2022 – Jan. 31, 2023)

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	2,343,744	2,728,653	128,579	5,200,977	—	5,200,977
Inter-segment internal sales and transfers	—	4,584	—	4,584	(4,584)	—
Total	2,343,744	2,733,237	128,579	5,205,561	(4,584)	5,200,977
Segment income (loss)	575,896	583,290	(224,894)	934,291	(451,226)	483,065

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