

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



September 6, 2023

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, 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 Three Months Ended July 31, 2023

(May 1, 2023 to July 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	%
Three months ended								
July 31, 2023	1,609	4.3	28	(45.1)	34	(38.6)	22	(40.5)
July 31, 2022	1,543	5.2	52	24.3	56	32.0	38	35.6

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
July 31, 2023	1.38	-
July 31, 2022	2.30	-

(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 July 31, 2023	6,724	5,938	88.3
As of April 30, 2023	7,134	6,203	86.9

(Reference) Equity: As of July 31, 2023: ¥5,938 million

As of April 30, 2023: ¥6,203 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended April 30, 2023	Yen -	Yen 0.00	Yen -	Yen 9.00	Yen 9.00
Fiscal year ending April 30, 2024	-				
Fiscal year ending April 30, 2024 (Forecast)		0.00	-	7.00	7.00

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

3. Non-Consolidated Financial Results Forecast for the Fiscal Year Ending April 30, 2024 (May 1, 2023 to April 30, 2024)

(% 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
	7,330	5.1	495	(15.4)	505	(18.3)	353	(26.7)	21.28

(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: No

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, 2023: 17,464,000 shares

April 30, 2023: 17,464,000 shares

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

July 31, 2023: 1,022,257 shares

April 30, 2023: 842,257 shares

3) Average number of shares during the period:

Three months ended July 31, 2023: 16,570,421 shares

Three months ended July 31, 2022: 16,784,101 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 a downturn in the numbers of funerals held nationwide was seen compared to the previous year, there was strong growth in our primary business area of services processing photos of the deceased as a consequence of steadily acquiring new contracts with funeral companies through our marketing operations. As a result, there was a steady increase in sales of supply products such as frames and paper.

We have renovated the service site of our “tsunagoo” service, which was released in the funeral market as part of our “funeral tech” services utilizing IT technologies. We exhibited at the Funeral Business Fair that was held in June, and focused our promotions primarily on the advantages of “tsunagoo” and on our focus restoration technologies.

In terms of income, due to the excessive workload on operators in the Image Processing Division, we engaged in active staff recruitment. We also implemented a raise in base salary as of the end of the previous fiscal year. As a result, there was a slight decrease in segment income.

As a result, Q1 sales were 718,673 thousand yen (106.6% year-on-year), and Q1 segment income was 119,732 thousand yen (90.0% 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 has overcome the negative effects of the coronavirus pandemic and 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 quarter in the previous fiscal year. Initiatives included holding online seminars, exhibiting at PHOTONEXT2023, and adding new functions to our “Grandpic” data delivery system.

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 and increased personnel cost, the positive effect of several improvements and decreasing depreciation were large factors driving an increase in segment income.

As a result, Q1 sales were 858,013 thousand yen (101.3% year-on-year), and Q1 segment income was 159,454 thousand yen (106.7% 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, we exhibited at the 13th Content Tokyo 2023 Advanced Digital Technology Expo in June, demonstrating ideas of remote customer reception system using the life-size characters and an aerial arcade game. We also installed a

demonstration system in the media center at the G7 Summit that was held in Hiroshima, and have had success in installing systems in corporate reception areas. Overseas, marketing activities returned mostly to normal even at our China agent, which had suffered the effects of the coronavirus pandemic for a prolonged period. In May, we exhibited at the InfoComm Asia 2023 exhibition held in Bangkok, Thailand. Through our Middle East agent, we proceeded with installation of an aerial display at a bank in Kuwait. Sales have centered primarily on our glass ASKA3D plates, with the results exceeding those from the first quarter of the previous year.

In terms of production and development, we made progress in production trials of plastic 310 mm size ASKA3D plates, and conducted production development using materials with superior environmental performance. At our technical development center, we also challenged ourselves in trials to gradually increase the sizes of our glass ASKA3D plates.

In terms of profit and loss, segment loss was higher than the same quarter in the previous fiscal year due to our participation in domestic exhibitions, advertising expenses and quality control, and patent-related expenses.

As a result, Q1 sales were 34,372 thousand yen (148.0% year-on-year), and Q1 segment loss was 86,792 thousand yen (compared to a loss of 76,542 thousand yen in the same quarter of the previous fiscal year).

As results of the above, sales were 1,609,174 thousand yen (104.3% compared to the same quarter of the previous fiscal year). In terms of profits, there was a cost increase in company-wide expenses, establishment of “XLab” for new business development, and information technology and system-related expenses. As a result, ordinary income was 34,741 thousand yen (61.4% year-on-year) and net income was 22,932 thousand yen (59.5% year-on-year).

(2) Overview of the Financial Status during this Quarter

Assets at the end of this first quarter decreased by 410,036 thousand yen from the end of the previous fiscal year to reach 6,724,822 thousand yen. This was primarily due to a decrease in cash and savings of 417,920 thousand yen.

Liabilities at the end of this first quarter decreased by 145,589 thousand yen from the end of the previous fiscal year to reach 786,172 thousand yen. This was primarily due to a decrease in corporate tax payable of 67,400 thousand yen and a provision for bonuses of 100,500 thousand yen.

Net assets at the end of this first quarter decreased by 264,447 thousand yen to reach 5,938,650 thousand yen. Despite an increase in quarterly profit of 22,932 thousand yen, this was primarily due to a decrease of 149,595 thousand yen in payment of dividends from surplus and 149,417 thousand yen in treasury stock acquisition.

(3) Future Outlook

There are no changes to the future outlook for the fiscal year ending April 2024 that were announced on June 9, 2023.

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

(1) Balance sheet

(Units: 1,000s yen)

	Previous fiscal year (Ended April 30, 2023)	End of current Q1 (Ended July 31, 2023)
Asset		
Current assets		
Cash and deposits	2,049,027	1,631,106
Accounts receivable-trade	886,554	819,124
Merchandise and products	477,047	550,806
Work in progress	185,485	158,002
Raw materials and supplies	89,298	89,559
Others	60,002	51,375
Allowance for doubtful accounts	(1,793)	(2,154)
Total current assets	3,745,622	3,297,820
Fixed assets		
Tangible fixed assets		
Buildings, net	873,048	861,604
Machinery and equipment, net	415,124	417,903
Land	844,060	844,060
Others net	184,668	214,446
Total tangible fixed assets	2,316,903	2,338,015
Intangible fixed assets	219,310	220,911
Total investments and other assets		
Investment securities	634,410	646,800
Others	218,613	221,275
Total investment and others	853,023	868,075
Total fixed assets	3,389,237	3,427,002
Total assets	7,134,859	6,724,822
Liabilities		
Current liabilities		
Accounts payable-trade	187,109	167,640
Accounts payable-other	208,545	239,839
Income taxes payable	87,200	19,800
Provision for bonuses	193,800	93,300
Others	245,681	256,629
Total of current liabilities	922,337	777,210
Fixed liabilities		
Provision for retirement benefits	5,351	5,248
Others	4,072	3,713
Total fixed liabilities	9,424	8,961
Total liabilities	931,761	786,172
Net assets		
Shareholders' equity		
Capital stock	490,300	490,300
Capital surplus	624,486	624,486
Retained earnings	5,561,278	5,434,615
Treasury stock	(487,857)	(637,274)
Total shareholders' equity	6,188,207	5,912,127
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	14,890	26,522
Total valuation and translation adjustments	14,890	26,522
Total net assets	6,203,097	5,938,650
Total liabilities and net assets	7,134,859	6,724,822

(2) Profit and loss statement

(Units: 1000s yen)

	First quarter of the previous fiscal year (May 1, 2022 – July 31, 2022)	First quarter of the current fiscal year (May 1, 2023 – July 31, 2023)
Net Sales	1,543,046	1,609,174
Cost of sales	825,993	891,673
Gross profit	717,052	717,501
Selling, general, and administrative expenses	664,725	688,786
Operating income	52,327	28,714
Non-operating income		
Interest received	600	1,213
Dividends received	600	675
Commissions received	77	67
Exchange gain	2,749	4,026
Others	524	509
Total non-operating income	4,552	6,491
Non-operating expenses		
Expense for purchasing treasury stocks	293	448
Others	—	16
Total non-operating expenses	293	465
Ordinary income	56,586	34,741
Extraordinary losses		
Loss from retirement of fixed assets	0	73
Total extraordinary income	0	73
Net income before taxes	56,586	34,667
Income taxes	18,047	11,735
Net income	38,538	22,932

[Segment information]

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

First quarter of the current fiscal year (May 1, 2023 – July 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	718,673	856,669	33,832	1,609,174	—	1,609,174
Inter-segment internal sales and transfers	—	1,343	540	1,883	(1,883)	—
Total	718,673	858,013	34,372	1,611,058	(1,883)	1,609,174
Segment income (loss)	119,732	159,454	(86,792)	192,394	(163,679)	28,714

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