

Non-Consolidated Financial Results
for the Nine Months Ended January 31, 2021
[Japanese GAAP]



March 8, 2021

Company name: Asukanet Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2438
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 Scheduled date of filing quarterly securities report: March 12, 2021
 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, 2021
(May 1, 2020 to January 31, 2021)

(1) Non-Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
January 31, 2021	4,189	(15.5)	140	(78.3)	191	(70.6)	126	(72.5)
January 31, 2020	4,954	5.9	649	(7.1)	651	(7.2)	460	(4.1)

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
January 31, 2021	7.50	-
January 31, 2020	27.32	-

(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, 2021	6,225	5,726	92.0
As of April 30, 2020	6,607	5,750	87.0

(Reference) Equity: As of January 31, 2021: ¥5,726 million

As of April 30, 2020: ¥5,750 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended April 30, 2020	Yen -	Yen 0.00	Yen -	Yen 10.00	Yen 10.00
Fiscal year ending April 30, 2021	-	0.00	-		
Fiscal year ending April 30, 2021 (Forecast)				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, 2021 (May 1, 2020 to April 30, 2021)

(% 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
	5,775	(12.2)	200	(71.8)	250	(64.8)	164	(67.2)	9.76

(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):

January 31, 2021: 17,464,000 shares

April 30, 2020: 17,464,000 shares

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

January 31, 2021: 615,057 shares

April 30, 2020: 623,057 shares

3) Average number of shares during the period:

Nine months ended January 31, 2021: 16,844,885 shares

Nine months ended January 31, 2020: 16,840,987 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 Fiscal Year

During the first 3 quarters of this fiscal year, the economy of Japan continued to face harsh conditions including deteriorating corporate profits and stagnating personal consumption as a result of the slowdown in economic activity caused by the global coronavirus pandemic. Although the initial state of emergency was later terminated and there was a gradual resumption of economic activity, a new state of emergency was declared in January 2021 and the future remains extremely uncertain.

Asukanet operates three business areas, each with different positioning and characteristics. They are (1) the memorial design service 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 personal publishing 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 imaging business, which is utilizing unique, recently-developed technologies aiming to create a new market and achieve dreams.

In January 2021, we released the web childbirth announcement service “e-tayori” which connects “congratulations” and “thank you”.

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

(1) Memorial design service business

In this business, the coronavirus pandemic is continuing to limit the size of funerals, and although income from processing photos of the deceased has recovered, sales of videos and other funeral production services continue to face difficult conditions. In this economic environment, customers are putting off replacing equipment, and equipment sales face a difficult struggle. Segment income was down from the same period in the previous fiscal year.

We have added the new “inori” remembrance service that is unrestricted by time and place as part of our “tsunagoo” service that connects the bereaved and mourners. “Tsunagoo” is one type of our “funeral tech” that has brought extensive use of IT technologies to the funeral market. We are continuing to improve the functions of “inori” and are focusing on expanding sales. Market penetration is continuing steadily, with more than 50,000 uses of our death announcement service that utilizes “tsunagoo”. We are also utilizing “tsunagoo” as an opportunity to acquire new contracts for processing photos of the deceased.

In terms of income, despite a reduction in advertising expenses, travel and transportation expenses, the decline in sales, coupled with an increase in personnel costs for image processing operators as well as one-time cost for relocation of Kanto Operation Center due to reduction of fixed expense, resulted in a decline in segment income.

As a result, sales were 1,825,298 thousand yen (95.3% year-on-year), and segment income was 439,520 thousand yen (87.9% year-on-year).

(2) Personal publishing service 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, in addition to our own marketing activities, we also conducted online seminars and updated our ordering tools and other services. However our primary business of wedding photo albums saw difficult sales due to the many delayed weddings and other effects of the coronavirus pandemic. However there were strong sales of products for architectural photography and studio photography.

In the general consumer market, we conducted the “MyBook” 20th anniversary campaign, as well as effective advertising and use of SNS. We also conducted promotions for seasonal products such as calendars and graduation albums. As a result, sales of photo albums intended to record the growth of children were relatively strong. However sales of photo albums intended to commemorate travel and events struggled due to the effects of the coronavirus pandemic. In OEM supply as well, sales were down as a result of fewer

opportunities to take photographs due to voluntary restrictions on travel and events.

In terms of income, we succeeded in reducing advertising expenses, travel and transportation expenses, delivery expense and also restructured our production workplace personnel. However there were large effects from the declining operating rate that accompanied the drop in sales, and there was a large decrease in segment income.

As a result, sales were 2,274,816 thousand yen (76.8% year-on-year), and segment income was 282,227 thousand yen (39.6% year-on-year).

(3) Aerial imaging business

This business was launched in March 2011, 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.

For glass ASKA3D plates, we are working to expand our supply system, and addressed issues in the process. Based on a still limited supply capacity, we engaged in sales primarily for signage applications. We now have a target for resolving these issues and will expand our supply capacity through outside production in order to achieve stable production of large-size plates. At the same time, the technical development center that we established in order to shift mass-production technologies for glass ASKA3D plates in-house has carried out repeated production of prototype products and is aiming first to establish a production system for low-cost and small-size plates. It will then develop production technologies for large-size plates.

For plastic ASKA3D plates, in the environment of the coronavirus pandemic, much attention is being given to the use of aerial imaging for touchless operations. We received numerous inquiries and proceeded with sample sales to use the plates incorporated into products.

In the area of marketing, in addition to our sales through our own marketing activities in the Japan market, we are also conducting sales through agents in three locations in overseas markets. We have seen growing numbers of product installations and verification tests, as well as cases of commercialization by business partners. We are continuing to work to obtain medium-lot size mass production orders. We are also preparing to exhibit at the domestic exhibition Retailtech Japan.

In terms of sales, sales were higher than the same period in the previous fiscal year due to higher sales of plastic plates.

In terms of profit and loss, despite the reduction of advertizing expense and travel and transportation expense, the higher R&D expenses required for the establishment of a technical development center resulted in a larger segment loss than the same period in the previous fiscal year.

As a result, sales were 89,521 thousand yen (113.2% year-on-year), and segment loss was 190,836 thousand yen (compared to a loss of 176,127 thousand yen in the same quarter of the previous year).

As a result of the above, sales were 4,189,007 thousand yen (84.5% year-on-year). In terms of income, primarily as a result the large decline in segment income in the personal publishing business, ordinary income was 191,249 thousand yen (29.4% year-on-year) and net income was 126,311 thousand yen (27.5% year-on-year).

(2) Overview of the Financial Status

Assets at the end of this third quarter decreased by 382,263 thousand yen from the end of the previous fiscal year to reach 6,225,425 thousand yen. Despite an increase in tangible fixed assets of 53,104 thousand yen due largely to expansion of production equipment, this decrease was primarily due to the cash and savings of 506,809 thousand yen.

Liabilities at the end of this third quarter decreased by 358,405 thousand yen from the end of the previous fiscal year to reach 498,897 thousand yen. This was primarily due to a decrease in the provision for officer retirement benefits of 100,000 thousand yen, a decrease in income taxes payable of 87,100 thousand yen and a provision for bonuses of 74,600 thousand yen.

Net assets at the end of this third quarter decreased by 23,857 thousand yen from the end of the previous fiscal year to reach 5,726,528 thousand yen. This was primarily due to an increase of 126,311 thousand ye as a net income, decrease of 168,409 thousand yen as a result of dividend payments.

(3) Future Outlook

No change of the future outlook for fiscal year ending in April 2021 announced on Dec. 8 2020

5. Financial Statements for the First Three Quarters

(1) Balance sheet

(Units: 1,000s yen)

	Previous fiscal year (ended April 30, 2020)	Current 3rd quarter (ended Jan. 31, 2021)
Asset		
Current assets		
Cash and deposits	1,960,817	1,454,007
Accounts receivable-trade	798,034	830,535
Merchandise and products	190,796	186,391
Work in progress	49,083	106,756
Raw materials and supplies	98,238	88,538
Others	29,155	61,239
Allowance for doubtful accounts	(4,351)	(6,088)
Total current assets	3,121,774	2,721,380
Fixed assets		
Tangible fixed assets		
Buildings, net	905,868	940,978
Machinery and equipment, net	448,625	510,345
Land	844,060	844,060
Others, net	236,969	193,244
Total tangible fixed assets	2,435,524	2,488,629
Total intangible fixed assets	221,573	244,364
Total investments and other assets		
Investment securities	523,634	533,474
Others	305,182	237,577
Total investment and others	828,816	771,051
Total fixed assets	3,485,914	3,504,045
Total assets	6,607,688	6,225,425
Liabilities		
Current liabilities		
Accounts payable-trade	167,630	137,947
Accounts payable-other	162,859	139,642
Income taxes payable	87,100	—
Provision for bonuses	150,900	76,300
Provision for officer retirement benefit	100,000	—
Others	181,380	138,243
Total current liabilities	849,870	492,134
Fixed liabilities		
Provision for retirement benefits	6,009	5,613
Others	1,423	1,149
Total fixed liabilities	7,432	6,763
Total liabilities	857,303	498,897
Net assets		
Shareholders' equity		
Capital stock	490,300	490,300
Capital surplus	606,585	606,585
Retained earnings	4,924,463	4,890,102
Treasury stock	(269,031)	(265,577)
Total shareholders' equity	5,752,316	5,721,410
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,930)	5,118
Total valuation and translation adjustments	(1,930)	5,118
Total net assets	5,750,385	5,726,528
Total liabilities and net assets	6,607,688	6,225,425

(2) Profit and loss statement

(unit:1000s yen)

	First three quarters of the previous fiscal year (May 1, 2019 – Jan. 31, 2020)	First three quarters of the current fiscal year (May 1, 2020 – Jan. 31, 2021)
Net Sales	4,954,648	4,189,007
Cost of sales	2,413,601	2,278,324
Gross profit	2,541,046	1,910,682
Selling, general, and administrative expenses	1,891,619	1,769,998
Operating income	649,426	140,684
Non-operating income		
Interest received	770	478
Dividends received	950	1,275
Commissions received	287	222
Insurance cancellation refund	—	32,600
Subsidy income	—	14,630
Exclusion of unpaid dividend	1,224	2,306
Others	3,232	51,513
Non-operating expenses		
Foreign exchange losses	1,340	948
Others	87	—
Total non-operating expenses	1,427	948
Ordinary income	651,231	191,249
Extraordinary income		
Income from sales of fixed assets	—	329
Total extraordinary income	—	329
Extraordinary losses		
Loss from disposed fixed assets	145	3,047
Total extraordinary losses	145	3,047
Net income before taxes	651,086	188,530
Income taxes	191,052	62,219
Net income	460,034	126,311

(Additional information)

(Accounting estimate of the effects of the coronavirus pandemic)

The coronavirus pandemic is having an effect on our business, including reduced funeral sizes and a decline in orders for wedding photo albums.

In the “(Additional information) (Accounting estimate of the effects of the coronavirus pandemic)” in the financial results report from the consolidated first two quarters, we assumed that a gradual return to normal in the memorial design business would begin in the third quarter, and that a gradual return to normal in the personal publishing business would begin in the fourth quarter. We have reviewed these assumptions and they remain unchanged at the end of the consolidated first three quarters of this fiscal year.

This change in assumptions has been applied to the accounting estimate; however there is no change to the estimate conclusions from those latest announcements.

[Segment information]

Cumulative first three quarters of the previous fiscal year (May 1, 2019 – Jan. 31, 2020)

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
	Memorial design service business	Personal publishing service business	Aerial imaging business	Total		
Sales						
Sales to outside customers	1,915,859	2,962,001	76,787	4,954,648	—	4,954,648
Inter-segment internal sales and transfers	—	—	2,310	2,310	(2,310)	—
Total	1,915,859	2,962,001	79,097	4,956,958	(2,310)	4,954,648
Segment income (loss)	500,126	712,735	(176,127)	1,036,734	(387,307)	649,426

Cumulative first three quarters of the current fiscal year (May 1, 2020 – Jan. 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
	Memorial design service business	Personal publishing service business	Aerial imaging business	Total		
Sales						
Sales to outside customers	1,825,298	2,274,816	88,891	4,189,007	—	4,189,007
Inter-segment internal sales and transfers	—	—	630	630	(630)	—
Total	1,825,298	2,274,816	89,521	4,189,637	(630)	4,189,007
Segment income (loss)	439,520	282,227	(190,836)	530,911	(390,227)	140,684

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