

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



March 7, 2022

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
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 Scheduled date of filing quarterly securities report: March 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 Nine Months Ended January 31, 2022

(May 1, 2021 to January 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 | % |
| Nine months ended | | | | | | | | |
| January 31, 2022 | 4,688 | 11.9 | 369 | 162.6 | 374 | 95.7 | 262 | 107.5 |
| January 31, 2021 | 4,189 | (15.5) | 140 | (78.3) | 191 | (70.6) | 126 | (72.5) |

| | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Nine months ended | | |
| January 31, 2022 | 15.55 | - |
| January 31, 2021 | 7.50 | - |

(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, 2022 | 6,611 | 5,948 | 90.0 |
| As of April 30, 2021 | 6,465 | 5,825 | 90.1 |

(Reference) Equity: As of January 31, 2022: ¥5,948 million

As of April 30, 2021: ¥5,825 million

2. Dividends

| | Annual dividends | | | | |
|--|------------------|-----------------|-----------------|-------------|-------------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended April 30, 2021 | Yen - | Yen 0.00 | Yen - | Yen 7.00 | Yen 7.00 |
| Fiscal year ending April 30, 2022 | - | 0.00 | - | | |
| Fiscal year ending April 30, 2022 (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, 2022 (May 1, 2021 to April 30, 2022)

(% 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 | 6,326 | 9.6 | 441 | 59.0 | 445 | 34.8 | 312 | 38.7 | 18.57 |

(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, 2022: 17,464,000 shares

April 30, 2021: 17,464,000 shares

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

January 31, 2022: 657,657 shares

April 30, 2021: 615,057 shares

3) Average number of shares during the period:

Nine months ended January 31, 2022: 16,852,977 shares

Nine months ended January 31, 2021: 16,844,885 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 during first three quarters

During the first 3 quarters of this consolidated fiscal year, a trend towards subsiding coronavirus infections was seen as a result of progress in vaccination and other factors, and the government relaxed its restrictions on activities. However beginning from December 2021, the arrival of the highly infectious Omicron strain started a new wave of growing infections. A new quasi-state of emergency has been declared, and the future remains very uncertain.

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 January 2022, we invested in a venture fund which invests primarily in the key areas of XR and 3D.

Beginning from the fiscal year beginning May 1, 2021, the memorial design business was renamed the funeral business, the personal publishing business was renamed the photo book business, and the aerial imaging business was renamed the aerial display business.

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 compared to the same period in the previous year. Under these conditions, we experienced success with sales activities utilizing our strengths, such as stable image processing technologies and focus restoration tool, and there was steady growth in new contracts for processing photos of the deceased. We also focused on expanding sales of our “tsunagoo” DX service for the funeral industry. As a result, there was a steady recovery in income from our primary business of processing photos of the deceased, as well as a recovery in hardware sales and sales of frames, paper, and other supplies.

In terms of profit and loss, despite the increase of personnel cost and advertising expenses for participating exhibitions, there was an increase in sales due to higher occupancy rate of operation center. These factors resulted in higher profits compared with the same period in the previous fiscal year.

As a result, 3Q sales were 2,018,409 thousand yen (110.6% year-on-year), and 3Q segment income was 517,234 thousand yen (117.7% 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, although our primary product of wedding photo albums continues to be severely affected by wedding ceremony delays, miniaturization and other effects from the coronavirus pandemic, weddings with coronavirus measures were held, primarily in rural areas, and the market recovered better than expected. Therefore, there was steady growth in sales of photo albums for studios, and sales were higher than the same period in the previous fiscal year. In addition, in order to adapt to the pandemic environment, we endeavored to revitalize the market by expanding our online seminars, online and video streaming, and by enhancement of software and holding events such as “life-size photo contests”.

The general consumer market continues to face difficult conditions of lower chance and needs of photo book resulting from the effects of voluntary restrictions on activities such as traveling and events due to the coronavirus pandemic. The same trends can be seen in “My Book” and OEM supply as well. Despite the difficult conditions, we worked to stimulate demand through various campaigns, effective advertising, use of SNS, and other means. We also conducted promotions of seasonal products such as calendars and graduation albums.

As a result, although sales for the general consumer market were difficult, we were able to steadily grow sales in the professional photographer market thanks to a faster recovery in the wedding market and strong sales of photo albums for studios.

In terms of profit and loss, we had a large increase in segment income by succeeding in controlling general expense, such as delivery expense and rent, and in increasing operating rate of our own factory.

As a result, 3Q sales were 2,549,709 thousand yen (112.1% year-on-year), and 3Q segment income was 488,081 thousand yen (172.9% 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 have been steadily extending our record, including successful sales of products to manufacturers, introduction by local governments, and demonstration tests at convenience stores and apartment buildings. Overseas, recovery from the pandemic has been slower than initially expected, and although some restrictions on business activities remain, we exhibited jointly with a North America dealer at the CES2022 IT exhibition, and provided support for product development and order acquisition to meet the needs of each area where we have dealers, specifically North America, the Middle East, and China.

In the areas of production and development, we are working to stabilize production and improve yield for both glass and plastic plates. In particular for glass plates, we accelerated cost reduction and production of larger-size plates with new production equipment by outsourcing. At the technical development center, we are challenging ourselves to achieve internal production of glass plates, and have expanded both floor space and the number of production machines. We are working for stable production of the basic small plates, and are also creating prototypes of large plates that are composed of multiple small plates connected together.

In terms of sales, we achieved higher sales due to the increase in overseas sales of glass ASKA3D plates.

In terms of profit and loss, segment loss increased due to the higher advertising expense by participating exhibitions, higher R&D expenses and depreciation at a technical development center resulted in higher expenses during this quarter and higher segment losses.

As a result, 3Q sales were 120,935 thousand yen (135.1% year-on-year), and 3Q segment loss was 238,835 thousand yen (compared to a loss of 190,836 thousand yen in the period of same quarters of the previous fiscal year).

As results of the above, sales were 4,688,999 thousand yen (111.9% compared to the same quarters of the previous fiscal year). In terms of income, increase in segment income in the photo book business resulted in ordinary income was 374,338 thousand yen (195.7% compared to the same quarters of the previous fiscal year) and net income was 262,120 thousand yen (207.5% compared to the same quarters of the previous fiscal year).

(2) Overview of the Financial Status

Assets at the end of this third quarter increased by 146,138 thousand yen from the end of the previous fiscal year to reach 6,611,488 thousand yen. Despite a decrease in the cash and savings of 105,733 thousand yen, this was primarily due to an increase of 88,092 thousand yen as an account receivables, an increase of 93,218 thousand yen as merchandise and products and an increase of 50,815 thousand yen as investment securities.

Liabilities at the end of this third quarter increased by 23,718 thousand yen from the end of the previous fiscal year to reach 663,469 thousand yen. This was primarily due to an increase in corporate tax payable of 76,600 thousand yen, despite a decrease of a provision for bonuses of 68,910 thousand yen.

Net assets at the end of this third quarter increased by 122,419 thousand yen from the end of the previous fiscal year to reach 5,948,018 thousand yen. This was primarily due to an increase of 262,120 thousand yen as a net income, despite a decrease of 117,942 thousand yen as a result of dividend payments.

(3) Future Outlook

Based on the results of the consolidated first 3 quarters of this fiscal year, we have revised the forecast that were announced on June 11, 2021 in the results forecast for the fiscal year ending April 30, 2022. Please refer to the announcement on March 7, 2022 for your reference.

5. Financial Statements for the First Three Quarters

(1) Balance sheet

(Units: 1,000s yen)

| | Previous fiscal year end (ended April 30, 2021) | Current 3rd quarter end (ended Jan. 31, 2022) |
|---|--|--|
| Asset | | |
| Current assets | | |
| Cash and deposits | 1,815,088 | 1,709,355 |
| Accounts receivable-trade | 775,996 | 864,088 |
| Merchandise and products | 220,028 | 313,247 |
| Work in progress | 99,800 | 146,780 |
| Raw materials and supplies | 86,770 | 75,259 |
| Others | 77,730 | 44,522 |
| Allowance for doubtful accounts | (4,218) | (4,341) |
| Total current assets | 3,071,195 | 3,148,912 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings, net | 929,317 | 917,979 |
| Machinery and equipment, net | 467,896 | 522,983 |
| Land | 844,060 | 844,060 |
| Others, net | 213,081 | 183,035 |
| Total tangible fixed assets | 2,454,356 | 2,468,060 |
| Total intangible fixed assets | 224,742 | 221,741 |
| Total investments and other assets | | |
| Investment securities | 533,204 | 584,020 |
| Others | 181,849 | 188,753 |
| Total investment and others | 715,054 | 772,773 |
| Total fixed assets | 3,394,153 | 3,462,575 |
| Total assets | 6,465,349 | 6,611,488 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 163,342 | 160,827 |
| Accounts payable-other | 146,716 | 153,258 |
| Income taxes payable | 15,400 | 92,000 |
| Provision for bonuses | 153,650 | 84,740 |
| Others | 154,012 | 167,163 |
| Total current liabilities | 633,121 | 657,990 |
| Fixed liabilities | | |
| Provision for retirement benefits | 5,351 | 5,351 |
| Others | 1,277 | 127 |
| Total fixed liabilities | 6,628 | 5,479 |
| Total liabilities | 639,750 | 663,469 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 490,300 | 490,300 |
| Total capital surplus | 614,322 | 619,556 |
| Total retained earnings | 4,981,556 | 5,125,735 |
| Treasury stock | (265,577) | (298,392) |
| Total shareholders' equity | 5,820,602 | 5,937,199 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 4,997 | 10,819 |
| Total valuation and translation adjustments | 4,997 | 10,819 |
| Total net assets | 5,825,599 | 5,948,018 |
| Total liabilities and net assets | 6,465,349 | 6,611,488 |

* () means negative figure

(2) Profit and loss statement for the first three quarters

(unit:1000s yen)

| | First three quarters of the previous fiscal year (May 1, 2020 – Jan 31, 2021) | First three quarters of the current fiscal year (May 1, 2021 – Jan 31, 2022) |
|---|---|--|
| Net Sales | 4,189,007 | 4,688,999 |
| Cost of sales | 2,278,324 | 2,422,870 |
| Gross profit | 1,910,682 | 2,266,128 |
| Selling, general, and administrative expenses | 1,769,998 | 1,896,687 |
| Operating income | 140,684 | 369,441 |
| Non-operating income | | |
| Interest received | 478 | 429 |
| Dividends received | 1,275 | 1,200 |
| Commissions received | 222 | 239 |
| Insurance cancellation refund | 32,600 | — |
| Subsidy income | 14,630 | — |
| Foreign exchange profit | — | 1,660 |
| Gain on forfeiture of unclaimed dividends | 1,099 | 1,007 |
| Others | 1,207 | 476 |
| Total non-operating income | 51,513 | 5,013 |
| Non-operating expenses | | |
| Expense for acquisition of treasury stock | — | 116 |
| Foreign exchange losses | 948 | — |
| Total non-operating expenses | 948 | 116 |
| Ordinary income | 191,249 | 374,338 |
| Extraordinary income | | |
| Income from sales of fixed assets | 329 | — |
| Total extraordinary income | 329 | — |
| Extraordinary losses | | |
| Loss from sales of fixed assets | — | 708 |
| Loss from disposal of fixed assets | 3,047 | 316 |
| Total extraordinary losses | 3,047 | 1,024 |
| Net income before taxes | 188,530 | 373,313 |
| Income taxes | 62,219 | 111,192 |
| Net income | 126,311 | 262,120 |

[Segment information]

Cumulative first three quarters of the previous 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 |
|--|-------------------|---------------------|-------------------------|-----------|-------------|--|
| | Funeral business | Photo book business | Aerial display 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 |

* () means negative figure

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 |

* () means negative figure

Beginning from the fiscal year beginning May 1, 2021, the memorial design business was renamed the funeral business, the personal publishing business was renamed the photo book business, and the aerial imaging business was renamed the aerial display business. Names of the businesses changed, however, content and information unchanged as before. Names of reporting segment for previous year were renamed.

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| <p>This is the summarized translation of released report for your reference. Please refer to the original Japanese financial document.</p> |
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