

Non-Consolidated Financial Results
for the Fiscal Year Ended April 30, 2021
[Japanese GAAP]



June 11, 2021

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 Annual General Meeting of Shareholders: July 27, 2021
 Scheduled date of commencing dividend payments: July 28, 2021
 Scheduled date of filing annual securities report: July 28, 2021
 Availability of supplementary briefing material on annual financial results: Available
 Schedule of annual financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Non-Consolidated Financial Results for the Fiscal Year Ended April 30, 2021
(May 1, 2020 to April 30, 2021)

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

| | Net sales | | Operating income | | Ordinary income | | Profit | |
|-------------------|-------------|--------|------------------|--------|-----------------|--------|-------------|--------|
| Fiscal year ended | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| April 30, 2021 | 5,773 | (12.2) | 277 | (60.9) | 330 | (53.4) | 225 | (55.0) |
| April 30, 2020 | 6,575 | 4.4 | 709 | (18.4) | 710 | (18.6) | 501 | (16.2) |

| | Basic earnings per share | Diluted earnings per share | Rate of return on equity | Ordinary income to total assets | Operating income to net sales |
|-------------------|--------------------------|----------------------------|--------------------------|---------------------------------|-------------------------------|
| Fiscal year ended | Yen | Yen | % | % | % |
| April 30, 2021 | 13.39 | - | 3.9 | 5.1 | 4.8 |
| April 30, 2020 | 29.79 | - | 9.0 | 11.0 | 10.8 |

(Reference) Equity in earnings of affiliated companies: Fiscal year ended April 30, 2021: ¥- million
 Fiscal year ended April 30, 2020: ¥- million

(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 | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of April 30, 2021 | 6,465 | 5,825 | 90.1 | 345.75 |
| As of April 30, 2020 | 6,607 | 5,750 | 87.0 | 341.45 |

(Reference) Equity: As of April 30, 2021: ¥5,825 million
 As of April 30, 2020: ¥5,750 million

(3) Non-Consolidated Cash Flows

| | Cash flow from operating activities | Cash flow from investing activities | Cash flow from financing activities | Cash and cash equivalents at end of period |
|-------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|
| Fiscal year ended | Million yen | Million yen | Million yen | Million yen |
| April 30, 2021 | 359 | (335) | (169) | 1,410 |
| April 30, 2020 | 849 | (774) | (187) | 1,555 |

2. Dividends

| | Annual dividends | | | | | Total dividends (Annual) | Dividend payout ratio | Dividends to net assets |
|--|------------------|-----------------|-----------------|----------|-------|--------------------------|-----------------------|-------------------------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| Fiscal year ended April 30, 2020 | - | 0.00 | - | 10.00 | 10.00 | 168 | 33.6 | 3.0 |
| Fiscal year ended April 30, 2021 | - | 0.00 | - | 7.00 | 7.00 | 117 | 52.3 | 2.0 |
| Fiscal year ending April 30, 2022 (Forecast) | - | 0.00 | - | 7.00 | 7.00 | | 59.1 | |

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 |
|-----------|-------------|-----|------------------|-----|-----------------|--------|-------------|--------|--------------------------|
| Full year | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| | 6,270 | 8.6 | 285 | 2.7 | 285 | (13.9) | 200 | (11.3) | 11.87 |

As the Company manages its financial results at an annual base, the financial results forecast for the first half is not disclosed.

* Notes:

(1) 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

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

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

April 30, 2021: 17,464,000 shares
April 30, 2020: 17,464,000 shares

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

April 30, 2021: 615,057 shares
April 30, 2020: 623,057 shares

3) Average number of shares during the period:

Fiscal year ended April 30, 2021: 16,845,874 shares
Fiscal year ended April 30, 2020: 16,840,976 shares

* These financial results are outside the scope of audit 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 Fiscal Year

During this fiscal year, the economy of Japan continued to face harsh conditions including deteriorating corporate profits and stagnating personal consumption caused by the global coronavirus pandemic and the initial state of emergency. The future remains extremely uncertain as there are signs of renewed growth in coronavirus infections.

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.

During this fiscal year, we released the web childbirth announcement service “e-tayori” which connects “congratulations” and “thank you”. Also, we established a technical development center for the aerial imaging business in Sagamihara, Kanagawa Prefecture.

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

(1) Memorial design service business

In this business, during the first half of the year we faced a difficult struggle for income from processing photos of the deceased due to the effects of the coronavirus pandemic, however business gradually recovered beginning from the second half. There was also a decline in sales of funeral production tools due to the trend toward smaller funeral sizes. Sales of equipment for printing photos of the deceased were also difficult as customers chose to delay replacing their equipment. On the other hand, our efforts to strengthen inside sales for the “tsunagoo” service, which connects the chief mourner and funeral participants, succeeded in producing a steady increase in the number of contracts and number of uses.

As a new project, we worked to strengthen the “tsunagoo” functions, for example by adding the new “inori” remembrance service that is unrestricted by time and place. We also continued to make improvements to the focus restoration tool that we have introduced, aiming to improve the processing quality for photos of the deceased.

In terms of profit and loss, despite the reduction of advertising expenses and travel and transportation expenses, there was an increase in personnel expenses resulting from the higher number of employees involved in image processing, and a temporary increase in expenses resulting from the relocation of our Kanto region operations center which was done in order to reduce fixed costs. These factors resulted in lower profits compared with the same period in the previous fiscal year.

As a result, sales were 2,492,188 thousand yen (97.4% compared to the previous fiscal year), and segment income was 616,970 thousand yen (93.4% compared to the previous fiscal 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, our primary business of wedding photo albums saw difficult sales due to the many delayed weddings and other effects of the coronavirus pandemic. There were strong sales of products for architectural photography and studio photography, however these are not enough to cover the decline in sales for wedding-related photography. We also conducted online seminars and updated our ordering tools and other services.

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. The same trends were also seen in OEM supply.

In terms of income, we succeeded in reducing advertising expenses, travel and transportation expenses, and delivery expense, and we also restructured our production workplace personnel. However there were large effects on our production system of company-operated plants which resulted 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 3,157,864 thousand yen (80.8% compared to the previous fiscal year), and segment income was 471,074 thousand yen (51.0% compared to the previous fiscal 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, the business environment suffered from a slowdown in the signage market – particularly overseas – as a result of the coronavirus pandemic. However on the production side, we continued working to resolve process issues and worked to increase our supply capacity. In the future, we will increase production and reduce costs for ASKA3D plates through the use of outside production, and will expand sales for signage applications. At the same time, at the technical development center that we opened in June 2020 in order to shift mass-production technologies for glass ASKA3D plates in-house, we carried out repeated production of prototype products and succeeded in production of small-size plates with a consistent level of quality. In the future, we will accelerate research and development for stabilizing and improving quality, and for increasing plate size.

For plastic ASKA3D plates, much attention is being given to the use of aerial imaging for touchless operations. We received numerous inquiries and proceeded with sample sales for the use of plates incorporated into customer products. We succeeded in development of the 250 mm square plates for which there was strong demand, and began supplying samples. In the future, we will work to acquire mass-production orders for plates that will be incorporated in customer products.

In the area of marketing, in addition to sales through our own marketing activities in the Japan market, we are also conducting sales through agents in three locations in overseas markets. The coronavirus pandemic has resulted in numerous difficulties including canceled exhibitions, delays in progress on various projects, and restrictions on marketing activities. On the other hand, we have seen growing numbers of product installations and verification tests, as well as cases of commercialization by business partners, and we are continuing to make progress in acquiring orders.

In terms of profit and loss, despite the reduction of advertising expenses and travel and transportation expenses, the higher R&D expenses for improvements to ASKA3D plates and the establishment of a technical development center resulted in higher advance expenses during this fiscal year.

As a result, sales were 124,221 thousand yen (112.2% compared to the previous fiscal year), and segment loss was 272,628 thousand yen (compared to a loss of 236,097 thousand yen in the previous fiscal year).

As a result of the above, sales were 5,773,644 thousand yen (87.8% compared to the previous fiscal year). In terms of income, due to a decrease in segment income in the personal publishing service business, ordinary income was 330,836 thousand yen (46.6% compared to the previous fiscal year) and net income was 225,503 thousand yen (45.0% compared to the previous fiscal year).

(2) Overview of the Financial Status during this Fiscal Year

(Overall situation)

Total assets at the end of this fiscal year decreased by 142,338 thousand yen to reach 6,465,349 thousand yen. This decrease was primarily due to a decrease in cash and deposits of 145,728 thousand yen. The equity ratio also increased by 3.1 points from the end of the previous fiscal year to reach 90.1%.

(Current assets)

Current assets at the end of this fiscal year decreased by 50,578 thousand yen from the end of the previous fiscal year to reach 3,071,195 thousand yen. While there was an increase of 50,716 thousand yen in work in progress, this decrease was primarily due to a decrease in cash and deposits of 145,728 thousand yen.

(Fixed assets)

Fixed assets at the end of this fiscal year decreased by 91,760 thousand yen to reach 3,394,153 thousand yen. This decrease was primarily due to a decrease in investments and other assets of 80,552 thousand yen resulting from cancellation of insurance.

(Current liabilities)

Current liabilities at the end of this fiscal year decreased by 216,748 thousand yen from the end of the previous fiscal year to reach 633,121 thousand yen. This decrease was primarily due to a decrease of 71,700 thousand yen in income taxes payable and a decrease of 100,000 thousand yen in the provision for directors' retirement benefits.

(Fixed liabilities)

Fixed liabilities at the end of this fiscal year decreased by 804 thousand yen from the end of the previous fiscal year to reach 6,628 thousand yen.

(Net assets)

Net assets at the end of this fiscal year increased by 75,213 thousand yen from the end of the previous fiscal year to reach 5,825,599 thousand yen. This increase was primarily due to an increase of 57,093 thousand yen in retained earnings.

(3) Overview of cash flows in this fiscal year

Despite a decrease in capital investment, as a result of the decline in net income, cash and cash equivalents (hereafter referred to as "Funds") at the end of this fiscal year decreased by 145,728 thousand yen from the end of the previous fiscal year to reach 1,410,088 thousand yen.

(Cash flows from operating activities)

Net Funds acquired as a result of operating activities during this fiscal year was 359,336 thousand yen (compared to 849,178 thousand yen acquired during the previous fiscal year). The primary factors affecting this result were pre-tax net income of 328,082 thousand yen and depreciation expenses of 411,169 thousand yen on one hand, and the payment of 169,181 thousand yen in income taxes on the other.

(Cash flows from investing activities)

Net Funds expended as a result of investment activities during this fiscal year was 335,819 thousand yen (compared to 774,047 thousand yen expended during the previous fiscal year). This was primarily due to the acquisition of 350,105 thousand yen in tangible fixed assets.

(Cash flows from financing activities)

Net Funds expended as a result of financing activities during this fiscal year was 169,864 thousand yen (compared to 187,583 thousand yen expended during the previous fiscal year). This was primarily due to the payment of 168,915 thousand yen in dividends.

(4) Future Outlook

Information about the future outlook and about the risks associated with the coronavirus pandemic is provided below. Beginning from the fiscal year ending April 30, 2022, the memorial design business will be renamed the funeral business, the personal publishing business will be renamed the photo book business, and the aerial imaging business will be renamed the aerial display business. Each of these businesses is listed below using their new names.

In the outlook for the next fiscal year, we expect extremely difficult conditions as a result of factors including the prolonged slowdown caused by the COVID-19 outbreak.

Our company is operating a business that is consistent with the current times in which services are customized to meet individual needs even for minimum lot sizes, and aims to capture stable demand. Although we have constructed strong business models in both the funeral business and photo book business, we recognize that the effects of the coronavirus pandemic are an issue facing a recovery in sales. In the aerial display business where we are challenging ourselves and working to create a new market, more time has been required to achieve profitability than we initially expected. However there has been strong interest in the use of aerial imaging operations, and we will make use of this opportunity to achieve a large leap forward. We will also continue to challenge ourselves in the development of new business and services.

The coronavirus pandemic has had a large effect on society, and there is the possibility that customer needs in our areas of business may undergo large permanent changes. We recognize that it is important to develop products and services that can respond quickly to such changes in customer needs.

The following constitute the basis for the expected effects of the COVID-19 outbreak on each business area and the results forecast for the fiscal year ending April 30, 2022.

In the funeral business, funerals are currently small in size and sales of funeral production tools and related products have

declined. We are expecting that funeral formats will return to normal, however, sales of those funeral products will be still weak. In the photo book business, orders for the wedding albums that are our main product in the professional photographer market declined as weddings were postponed. We are expecting that these conditions will continue through the second quarter of the coming fiscal year and that demand will begin to return starting from the third quarter. The environment in the consumer market will be negative until the second quarter of the fiscal year ending April 30, 2022, with fewer opportunities for photography as people refrain from traveling and attending events. In the aerial display business, although COVID-19 has increased the focus on aerial imaging for achieving touchless operations, our marketing activities were restricted due to issues such as the need to refrain from business travel, particularly overseas business travel. Consequently we have planned for the risk that projects may be delayed and progress on new marketing may be limited. Our expectation is that the signage market, which has been subdued as a result of to the pandemic, will become active again starting from the second half of the fiscal year ending April 30, 2022.

Based on these difficult conditions, we will be taking the following actions in each business area.

In the funeral business, we will prominently promote the superiority that comes from our strength in image processing technologies and the application of focus correction tools utilizing the latest technologies in order to develop new customers and increase unit prices for existing customers. We will also reinforce our inside sales functions and work to expand the presence of “tsunagoo” and other new services.

In the photo book business, we will continue to challenge new markets such as architectural photography and studio photography. At the same time, we will launch new products, conduct online seminars, and reinforce our data delivery service for the professional photographer market, aiming to deepen our connections with customers. In terms of production, we will carry out capital investment including replacing printing machines and introducing inspection equipment as we work to strengthen the *MyBook* brand in consumer markets.

In the aerial display business, we will expand sales of plastic ASKA3D plates for incorporation into customer products that provide touchless operations, and will work to acquire mass production orders for plastic ASKA3D plates. With the glass ASKA3D plates intended for signage applications, we will focus on orders as the signage market recovers. In overseas sales, we will carry out efficient marketing activities in collaboration with our agents, and will expand our network of overseas agents. For outside production of glass ASKA3D plates, we will add production equipment, reduce costs, and strengthen production capacity. At the technical development center which began operating last year, we will invest in the equipment and expand the floor space which are devoted to developing production technologies. Although this will result in higher R&D costs, we intend to accelerate research and development for production of large-size plates.

Based on the above, in the forecast for the year ending April 30, 2022, with consideration for the effects of the COVID-19 pandemic, capital expenditure for new printing machines in the photo book business, and higher R&D expenses at the technical development center in the aerial display business, we are forecasting sales of 6,270 million yen (108.6% compared to the current year), operating income of 285 million yen (102.7%), ordinary income of 285 million yen (86.1%), and net income of 200 million yen (88.7%).

Although we have incorporated the above assumptions regarding changes and effects on demand resulting from the coronavirus pandemic, there are many uncertain elements, and any change in these assumed conditions potentially may also affect the business forecast. The aerial display business and other new business areas also involve technological research and marketing that we have not engaged in before, and many uncertain elements are involved in its commercialization.

Note: The above forecast was created based on information available at the time this material was released, and actual results may differ from the forecast values due to a variety of factors.

5. Financial Statements for the Fiscal Year

(1) Balance sheet

(Units: 1,000s yen)

| | Previous fiscal year (Ended April 30, 2020) | Current fiscal year (Ended April 30, 2021) |
|---------------------------------------|--|---|
| Asset | | |
| Current assets | | |
| Cash and deposits | 1,960,817 | 1,815,088 |
| Receivable notes | 12,158 | — |
| Accounts receivable-trade | 785,875 | 775,996 |
| Merchandise and products | 190,796 | 220,028 |
| Work in progress | 49,083 | 99,800 |
| Raw materials and supplies | 98,238 | 86,770 |
| Advanced payment | 27,906 | 32,011 |
| Others | 1,248 | 45,718 |
| Allowance for doubtful accounts | (4,351) | (4,218) |
| Total current assets | 3,121,774 | 3,071,195 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Building | 1,372,631 | 1,448,017 |
| Accumulated depreciation | (466,762) | (518,700) |
| Buildings, net | 905,868 | 929,317 |
| Structures | 26,606 | 26,606 |
| Accumulated depreciation | (12,876) | (14,042) |
| Structures (net) | 13,729 | 12,563 |
| Machinery and equipment | 1,562,081 | 1,769,091 |
| Accumulated depreciation | (1,113,456) | (1,301,195) |
| Machinery and equipment, net | 448,625 | 467,896 |
| Vehicles | 10,158 | 2,182 |
| Accumulated depreciation | (6,160) | (1,111) |
| Vehicles (net) | 3,997 | 1,071 |
| Tools, equipments, and fixtures | 413,315 | 452,384 |
| Accumulated depreciation | (261,686) | (269,114) |
| Tools, equipments, and fixtures (net) | 151,628 | 183,270 |
| Land | 844,060 | 844,060 |
| Construction in progress | 67,613 | 16,176 |
| Total tangible fixed assets | 2,435,524 | 2,454,356 |
| Intangible fixed assets | | |
| Patents etc. | 13,644 | 10,165 |
| Software | 193,348 | 213,201 |
| Others | 14,580 | 1,375 |
| Total intangible fixed assets | 221,573 | 224,742 |
| Total investments and other assets | | |
| Investment securities | 523,634 | 533,204 |
| Capital | 10 | 10 |
| Long term advanced payment | 8,743 | 12,315 |
| Deferred tax assets | 142,655 | 96,303 |
| Others | 153,773 | 73,220 |
| Total investment and others | 828,816 | 715,054 |
| Total fixed assets | 3,485,914 | 3,394,153 |
| Total assets | 6,607,688 | 6,465,349 |

(Units: 1,000s yen)

| | Previous fiscal year (Ended April 30, 2020) | Current fiscal year (Ended April 30, 2021) |
|---|--|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 167,630 | 163,342 |
| Accounts payable-other | 162,859 | 146,716 |
| Accrued expense | 81,281 | 81,929 |
| Income taxes payable | 87,100 | 15,400 |
| Advance payment | 41,704 | 15,766 |
| Deposit | 13,230 | 18,552 |
| Provision for bonuses | 150,900 | 153,650 |
| Officer retirement benefit | 100,000 | — |
| Others | 45,163 | 37,763 |
| Total current liabilities | 849,870 | 633,121 |
| Fixed liabilities | | |
| Provision for retirement benefits | 6,009 | 5,351 |
| Others | 1,423 | 1,277 |
| Total fixed liabilities | 7,432 | 6,628 |
| Total liabilities | 857,303 | 639,750 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 490,300 | 490,300 |
| Capital surplus | | |
| Capital reserves | 606,585 | 606,585 |
| Other capital surplus | — | 7,737 |
| Total capital surplus | 606,585 | 614,322 |
| Retained earnings | | |
| Legal retained earnings | 1,693 | 1,693 |
| Other retained earnings | | |
| Retained earnings | 4,922,770 | 4,979,863 |
| Total retained earnings | 4,924,463 | 4,981,556 |
| Treasury stock | (269,031) | (265,577) |
| Total shareholders' equity | 5,752,316 | 5,820,602 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | (1,930) | 4,997 |
| Total valuation and translation adjustments | (1,930) | 4,997 |
| Total net assets | 5,750,385 | 5,825,599 |
| Total liabilities and net assets | 6,607,688 | 6,465,349 |

(2) Profit and loss statement

(unit:1000s yen)

| | Previous fiscal year (May 1, 2019-April 30, 2020) | Current fiscal year (May 1, 2020-April 30, 2021) |
|---|--|---|
| Net Sales | | |
| Sales from service | 1,696,939 | 1,703,638 |
| Product sales | 4,039,295 | 3,292,259 |
| Sales of finished goods | 839,720 | 777,747 |
| Total sales | 6,575,955 | 5,773,644 |
| Cost of sales | | |
| Cost of service | 848,149 | 879,861 |
| Cost of product sales | | |
| Stock of product at beginning of the year | 100,909 | 98,810 |
| Cost of product sales during year | 1,840,722 | 1,741,652 |
| Total | 1,941,632 | 1,840,462 |
| Transfer to other accounts | 28,184 | 18,543 |
| Stock of product at year end | 98,810 | 143,020 |
| Cost of production sales | 1,814,637 | 1,678,898 |
| Cost of goods sales | | |
| Stock of goods at beginning of the year | 72,033 | 91,986 |
| Cost of goods sales during year | 600,091 | 528,607 |
| Total | 672,124 | 620,594 |
| Transfer to other accounts | 9,492 | 16,948 |
| Stock of goods at year end | 91,986 | 77,008 |
| Cost of goods sales | 570,646 | 526,636 |
| Total cost of sales | 3,233,434 | 3,085,397 |
| Gross profit | 3,342,521 | 2,688,247 |
| Selling, general, and administrative expenses | 2,633,408 | 2,410,788 |
| Operating income | 709,112 | 277,458 |
| Non-operating income | | |
| Interest received | 597 | 129 |
| Interest from invested securities | 411 | 487 |
| Dividends received | 950 | 1,275 |
| Commissions received | 360 | 289 |
| Foreign exchange gains | — | 422 |
| Insurance cancellation refund | — | 32,600 |
| Grant income | — | 14,630 |
| Others | 1,426 | 3,542 |
| Total non-operating income | 3,746 | 53,377 |
| Non-operating expenses | | |
| Foreign exchange losses | 2,289 | — |
| Total non-operating expenses | 2,289 | — |
| Ordinary income | 710,569 | 330,836 |
| Extraordinary income | | |
| Profit from sales of fixed asset | 133 | 329 |
| Total extraordinary income | 133 | 329 |
| Extraordinary losses | | |
| Loss on retirement of fixed assets | 166 | 3,083 |
| Loss on valuation of investment securities | 14,750 | — |
| Total extraordinary losses | 14,916 | 3,083 |
| Net income before taxes | 695,787 | 328,082 |

(unit:1000s yen)

| | Previous fiscal year (May 1, 2019-April 30, 2020) | Current fiscal year (May 1, 2020-April 30, 2021) |
|---------------------------|--|---|
| Current income taxes etc. | 215,564 | 59,261 |
| Income tax adjustment | (21,415) | 43,317 |
| Income taxes | 194,148 | 102,579 |
| Net income | 501,638 | 225,503 |

(3) Statement of cash flows

(unit:1000s yen)

| | Previous fiscal year (May 1, 2019-April 30, 2020) | Current fiscal year (May 1, 2020-April 30, 2021) |
|--|--|---|
| Cash flows resulting from operating activities | | |
| Net income before taxes | 695,787 | 328,082 |
| Depreciation expenses | 353,806 | 411,169 |
| Increase (decrease) in allowance for doubtful accounts | 1,592 | 2,065 |
| Increase (decrease) in provision for bonuses | 6,700 | 2,750 |
| Increase (decrease) in provision for retirement benefits | — | (658) |
| Increase(decrease) in officer retirement benefit | 100,000 | (100,000) |
| Interest and dividends received | (1,547) | (1,404) |
| Interest from invested securities | (411) | (487) |
| Foreign exchange losses (gains) | 1,493 | (618) |
| Subsidy income | — | (14,630) |
| Insurance cancellation refund | — | (32,600) |
| Increase(decrease) in value of investment securities | 14,750 | — |
| Profit on sales of fixed asset | (133) | (329) |
| Loss on disposal of fixed assets | 166 | 3,083 |
| Decrease (increase) in notes and accounts receivable-trade | 29,036 | 19,619 |
| Decrease (increase) in inventory assets | (63,551) | (68,481) |
| Increase (decrease) in accounts payable-trade | (1,550) | (4,287) |
| Increase (decrease) in accrued consumption taxes | (7,833) | (7,400) |
| Others | 30,348 | (24,392) |
| Subtotal | 1,158,653 | 511,481 |
| Interest and dividends received | 2,014 | 2,406 |
| Grant received | — | 14,630 |
| Income taxes paid | (311,490) | (169,181) |
| Cash flows due to operating activities | 849,178 | 359,336 |
| Cash flows due to investing activities | | |
| Purchase of property, plant, and equipment | (548,308) | (350,105) |
| Sales of tangible fixed assets | — | 420 |
| Purchase of intangible fixed assets | (98,370) | (96,152) |
| Purchase of investment securities | (305,394) | — |
| Collection of loans receivable | — | 108,887 |
| Payments into time deposits | (405,000) | (405,000) |
| Proceeds from withdrawal of time deposits | 605,000 | 405,000 |
| Others | (21,974) | 1,132 |
| Cash flows due to investing activities | (774,047) | (335,819) |
| Cash flows due to financing activities | | |
| Cash dividends paid | (185,501) | (168,915) |
| Purchase of treasury stock | (183) | — |
| Others | (1,897) | (948) |
| Cash flows due to financing activities | (187,583) | (169,864) |
| Effect of exchange rate on cash and cash equivalents | (1,493) | 618 |
| Net increase (decrease) in cash and cash equivalents | (113,946) | (145,728) |
| Balance of cash and cash equivalents at beginning of year | 1,669,763 | 1,555,817 |
| Balance of cash and cash equivalents at end of quarter | 1,555,817 | 1,410,088 |

(4) Notes Regarding the Financial Statements

(Segment information etc.)

Information related to the amounts of sales, income or loss, assets, liabilities, and other items for each reporting segment.

Previous fiscal year (May 1, 2019 – April 30, 2020)

(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 | 2,557,535 | 3,910,014 | 108,405 | 6,575,955 | — | 6,575,955 |
| Inter-segment internal sales and transfers | — | — | 2,310 | 2,310 | (2,310) | — |
| Total | 2,557,535 | 3,910,014 | 110,715 | 6,578,265 | (2,310) | 6,575,955 |
| Segment income (loss) | 660,219 | 924,152 | (236,097) | 1,348,274 | (639,161) | 709,112 |
| Other term | | | | | | |
| Depreciation | 30,046 | 274,179 | 15,688 | 319,914 | 33,891 | 353,806 |

Current fiscal year (May 1, 2020 – April 30, 2021)

(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 | 2,492,188 | 3,157,864 | 123,591 | 5,773,644 | — | 5,773,644 |
| Inter-segment internal sales and transfers | — | — | 630 | 630 | (630) | — |
| Total | 2,492,188 | 3,157,864 | 124,221 | 5,774,274 | (630) | 5,773,644 |
| Segment income (loss) | 616,970 | 471,074 | (272,628) | 815,416 | (537,957) | 277,458 |
| Other term | | | | | | |
| Depreciation | 32,775 | 279,114 | 66,457 | 378,348 | 32,821 | 411,169 |

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