

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



December 9, 2022

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: December 14, 2022

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly 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 Six Months Ended October 31, 2022

(May 1, 2022 to October 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	%
Six months ended								
October 31, 2022	3,160	7.8	137	21.1	150	28.1	103	29.4
October 31, 2021	2,930	13.4	113	-	117	-	80	-

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
October 31, 2022	6.20	-
October 31, 2021	4.76	-

(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 October 31, 2022	6,638	5,824	87.7
As of April 30, 2022	6,896	6,020	87.3

(Reference) Equity: As of October 31, 2022: ¥5,824 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
	6,890	8.8	450	2.3	490	8.2	348	4.6	20.68

(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: 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):

October 31, 2022: 17,464,000 shares

April 30, 2022: 17,464,000 shares

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

October 31, 2022: 842,257 shares

April 30, 2022: 657,657 shares

3) Average number of shares during the period:

Six months ended October 31, 2022: 16,721,532 shares

Six months ended October 31, 2021: 16,852,391 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 Two 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.

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 ink, paper, and frames. There were also strong sales of systems for printing photos of the deceased and devices for outdoor displays. 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 system stability and convenience, while also reinforcing our sales operations.

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, Q2 sales were 1,443,666 thousand yen (112.8% year-on-year), and Q2 segment income was 312,020 thousand yen (104.1% 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 same period in the previous fiscal year. We were highly active in this area. 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. The same trends can be seen in “My Book” and OEM supply as well, and this resulted in lower sales than the same period of the previous fiscal year. Despite the difficult conditions, we conducted variety of promotions and campaigns, and also released “My Book New Year Greeting” as a new service.

In terms of profit and loss, although there were an increase in the cost of raw materials and utility expenses, we saw an increase in segment income resulting from our success in controlling general expenses, and especially from an increase the operating rate of our factory.

As a result, sales were 1,668,521 thousand yen (104.6% year-on-year), and segment income was 282,940 thousand yen (114.2% 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 continued verification testing, a display at an art museum, and use at memorial events. Overseas, although sales activities were greatly limited in China market due to the effects of the Zero-COVID policy, sales activities are returning to normal in the North America, Europe, and Middle East regions. In addition to providing support to agents in each region for participating in exhibitions, we also coordinated with our agents to provide new proposals for elevator modules and automotive applications. In particular in the Middle East, there is strong demand for large-size glass ASKA3D plates for signage applications, and we focused on capturing orders for these projects.

In the areas of production and development, we are working to stabilize production, increase supply, and reduce costs for both glass and plastic plates by outsourcing production operations. We are carrying out stable production of 1 m² glass ASKA3D plates and developing 310 mm plastic ASKA3D plate products. At our technical development center, we are focusing in particular on development of bonding technologies, aiming to establish manufacturing technologies for medium-size ASKA3D plates.

In terms of sales, the results were down slightly from the same period of the previous fiscal year due to delays in important projects – primarily overseas – as a result of limits on sales activities due to the coronavirus pandemic.

In terms of profit and loss, although there was an increase in advertising expenses due to the larger number of exhibitions, 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 51,157 thousand yen (89.6% year-on-year), and segment loss was 161,274 thousand yen (compared to a loss of 170,851 thousand yen in the same period of the previous fiscal year).

As results of the above, sales were 3,160,445 thousand yen (107.8% compared to the same period of the previous fiscal year), ordinary income was 150,177 thousand yen (128.1% compared to the same period of the previous fiscal year) and net income was 103,723 thousand yen (129.4% compared to the same period of the previous fiscal year).

(2) Overview of the Financial Status

1, Assets, liabilities, and net assets

(Assets)

Current assets at the end of this second quarter decreased by 257,906 thousand yen from the end of the previous fiscal year to reach 6,638,328 thousand yen. Despite an increase in products of 84,403 thousand yen and an increase in products in progress of 33,536 thousand yen, this decrease was primarily due to a decrease in cash and savings of 397,605 thousand yen.

(Liabilities)

Liabilities at the end of this second quarter decreased by 61,405 thousand yen from the end of the previous fiscal year to reach 814,043 thousand yen. This was primarily due to a decrease in income taxes payable of 70,200 thousand yen.

(Net assets)

Net assets at the end of this second quarter decreased by 196,500 thousand yen from the end of the previous fiscal year to reach 5,824,285 thousand yen. This was primarily due to an increase in treasury stock of 189,465 thousand yen.

2, Overview of cash flows in this fiscal year

The balance of cash and cash equivalents (hereafter referred to as “cash”) at the end of this second quarter declined by 397,605 thousand yen from the end of the previous fiscal year to reach 1,596,572 thousand yen.

(Cash flows from operating activities)

Net cash gained as a result of operating activities during the consolidated first two quarters was 82,660 thousand yen (compared to a gain of 320,279 thousand yen in the same period of the previous fiscal year). Despite an increase in inventory of 117,545 thousand yen, this increase was primarily due to net income of 150,177 thousand yen and depreciation of 201,089 thousand yen.

(Cash flows from investing activities)

Net cash expended as a result of investing activities during the consolidated first two quarters was 171,575 thousand yen (compared to a gain of 55,771 thousand yen in the same period of the previous fiscal year). This was primarily due to payment of 140,497 thousand yen for acquisition of tangible fixed assets and payment of 30,149 thousand yen for acquisition of intangible assets.

(Cash flows from financing activities)

Net cash expended as a result of financing activities during the consolidated first two quarters was 314,519 thousand yen (compared to an expenditure of 118,306 thousand yen in the same period of the previous fiscal year). This was primarily due to payment of 117,379 thousand yen in dividends and payment of 196,421 thousand yen in treasury stock.

(3) Future Outlook

There are no changes to the future outlook for the fiscal year ending April 2023 that were announced on June 10, 2022.

5. Financial Statements for the Fiscal Year

(1) Balance sheet

(Units: 1,000s yen)

	Previous fiscal year (Ended April 30, 2022)	Current 2nd quarter (ended Oct. 31, 2022)
Asset		
Current assets		
Cash and deposits	1,999,178	1,601,572
Accounts receivable-trade	836,041	846,043
Merchandise and products	304,090	388,494
Work in progress	169,022	202,559
Raw materials and supplies	84,426	84,031
Others	43,589	50,076
Allowance for doubtful accounts	(2,810)	(3,219)
Total current assets	3,433,537	3,169,558
Fixed assets		
Tangible fixed assets		
Building (net)	906,630	898,419
Machinery and equipment (net)	522,592	503,401
Land	844,060	844,060
Others (net)	183,767	196,477
Total tangible fixed assets	2,457,050	2,442,359
Intangible fixed assets	208,440	224,709
Investments and other assets		
Investment securities	587,437	590,686
Others	209,768	211,015
Total investments and other assets	797,206	801,701
Total fixed assets	3,462,698	3,468,769
Total assets	6,896,235	6,638,328
Liabilities		
Current liabilities		
Accounts payable-trade	182,892	156,778
Accounts payable-other	197,458	209,195
Income taxes payable	131,400	61,200
Provision for bonuses	161,620	180,500
Others	191,216	196,226
Total current liabilities	864,587	803,900
Fixed liabilities		
Provision for retirement benefits	5,351	5,351
Others	5,510	4,791
Total fixed liabilities	10,862	10,143
Total liabilities	875,449	814,043
Net assets		
Shareholders' equity		
Capital stock	490,300	490,300
Capital surplus	619,556	624,486
Total retained earnings	5,196,424	5,182,504
Treasury stock	(298,392)	(487,857)
Total shareholders' equity	6,007,889	5,809,433
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	12,896	14,851
Total valuation and translation adjustments	12,896	14,851
Total net assets	6,020,785	5,824,285
Total liabilities and net assets	6,896,235	6,638,328

(2) Profit and loss statement for two quarters

(unit:1000s yen)

	First two quarters of the previous fiscal year (May 1, 2021 – Oct. 31, 2021)	First two quarters of the current fiscal year (May 1, 2022 – Oct. 31, 2022)
Net Sales	2,930,849	3,160,445
Cost of goods sales	1,559,284	1,714,196
Gross profit	1,371,564	1,446,248
Selling, general, and administrative expenses	1,258,030	1,308,770
Operating income	113,533	137,478
Non-operating income		
Interest received	291	1,159
Dividends received	600	600
Commissions received	155	173
Exchange gain	1,208	8,884
Gain on forfeiture of unclaimed dividends	1,007	733
Others	400	1,736
Total non-operating income	3,662	13,286
Non-operating expenses		
Acquisition cost for treasury stocks	—	587
Total non-operating expenses	—	587
Ordinary income	117,196	150,177
Extraordinary losses		
Loss on sales of fixed assets	708	—
Loss on retirement of fixed assets	48	0
Total extraordinary losses	756	0
Net income before taxes	116,439	150,177
Income taxes	36,291	46,453
Net income	80,148	103,723

(3) Statement of cash flows

(unit:1000s yen)

	First two quarters of the previous fiscal year (May 1, 2021 – Oct. 31, 2021)	First two quarters of the current fiscal year (May 1, 2022 – Oct. 31, 2022)
Cash flows resulting from operating activities		
Net income before taxes	116,439	150,177
Depreciation expenses	228,718	201,089
Increase (decrease) in allowance for doubtful accounts	(102)	408
Increase (decrease) in provision for bonuses	8,090	18,880
Interest and dividends received	(891)	(1,759)
Foreign exchange losses (gains)	(1,422)	(5,829)
Loss on sales of fixed asset	708	—
Loss on disposal of fixed assets	48	0
Decrease (increase) in notes and accounts receivable-trade	7,746	(10,002)
Decrease (increase) in inventory assets	(67,755)	(117,545)
Increase (decrease) in accounts payable-trade	(5,946)	(26,114)
Increase (decrease) in accrued consumption taxes	(7,851)	(27,762)
Others	4,012	13,026
Subtotal	281,794	194,568
Interest and dividends received	1,098	1,099
Income taxes paid	37,387	(113,007)
Cash flows due to operating activities	320,279	82,660
Cash flows due to investing activities		
Expenditure from time deposit	(5,000)	(5,000)
Income from withdrawal of time deposits	405,000	5,000
Purchase of tangible fixed assets	(270,345)	(140,497)
Sales of tangible fixed assets	667	—
Purchase of intangible fixed assets	(41,328)	(30,149)
Purchase of investment securities	(27,492)	—
Proceeds of loans	(882)	—
Collection of loans receivable	147	147
Others	(4,994)	(1,076)
Cash flows due to investing activities	55,771	(171,575)
Cash flows due to financing activities		
Cash dividends paid	(118,306)	(117,379)
Purchase of treasury stock	—	(196,421)
Others	—	(718)
Cash flows due to financing activities	(118,306)	(314,519)
Effect of exchange rate on cash and cash equivalents	1,422	5,829
Net increase (decrease) in cash and cash equivalents	259,166	(397,605)
Balance of cash and cash equivalents at beginning of year	1,410,088	1,994,178
Balance of cash and cash equivalents at end of year	1,669,255	1,596,572

[Segment information]

Cumulative first quarter of the current fiscal year (May 1, 2021 – Oct. 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	1,279,355	1,594,424	57,069	2,930,849	—	2,930,849
Inter-segment internal sales and transfers	—	—	54	54	(54)	—
Total	1,279,355	1,594,424	57,123	2,930,903	(54)	2,930,849
Segment income (loss)	299,775	247,799	(170,851)	376,723	(263,189)	113,533

Cumulative first quarter of the current fiscal year (May 1, 2022 – Oct. 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	1,443,666	1,665,621	51,157	3,160,445	—	3,160,445
Inter-segment internal sales and transfers	—	2,900	—	2,900	(2,900)	—
Total	1,443,666	1,668,521	51,157	3,163,346	(2,900)	3,160,445
Segment income (loss)	312,020	282,940	(161,274)	433,687	(296,209)	137,478

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