

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



December 8, 2023

Company name: Asukanet Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 2438

URL: <https://www.asukanet.co.jp>

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Scheduled date of filing quarterly securities report: December 14, 2023

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, 2023

(May 1, 2023 to October 31, 2023)

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

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
October 31, 2023	3,251	2.9	90	(34.2)	104	(30.7)	65	(36.4)
October 31, 2022	3,160	7.8	137	21.1	150	28.1	103	29.4

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
October 31, 2023	3.99	-
October 31, 2022	6.20	-

(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, 2023	6,986	5,997	85.8
As of April 30, 2023	7,134	6,203	86.9

(Reference) Equity: As of October 31, 2023: ¥5,997 million

As of April 30, 2023: ¥6,203 million

2. Dividends

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	7,330	5.1	495	(15.4)	505	(18.3)	353	(26.7)	21.28

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Accounting policies adopted specially for the preparation of quarterly financial statements: Yes

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

October 31, 2023: 17,464,000 shares

April 30, 2023: 17,464,000 shares

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

October 31, 2023: 1,007,057 shares

April 30, 2023: 842,257 shares

3) Average number of shares during the period:

Six months ended October 31, 2023: 16,509,964 shares

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

* These quarterly financial results are outside the scope of quarterly review procedures by a certified public accountant or an audit corporation.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that the Company believes are reasonable, and actual results may differ significantly from these forecasts due to a wide range of factors.

4. Overview of Business Results

(1) Overview of Business Results for this Consolidated First Two Quarters

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.

On December 4, we acquired shares in BET Co., Ltd., which operates the virtual “liver” (online streamer) agency “Razz Production,” and it became a subsidiary of our company. The details are as listed in “Notes – Significant Subsequent Events.”

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

(Funeral business)

In this business, although a downturn in the numbers of funerals held nationwide was seen compared to the previous year, there was strong growth in our primary business area of services processing photos of the deceased as a consequence of steadily acquiring new contracts with funeral companies through our marketing operations. As a result, there was a steady increase in sales of supply products such as ink, paper, and frames. However sales of output systems for photos of the deceased and other hardware completed the cycle of replacement purchase demand, and sales were somewhat lower than the same period in the previous fiscal year.

We have renovated the service site of our “tsunagoo” service, which faced difficulty in acquiring new customers, however use of this technology by existing clients is expanding.

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

As a result, Q2 sales were 1,514,562 thousand yen (104.9% year-on-year), and Q2 segment income was 288,597 thousand yen (92.5% 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, in the second quarter we saw the effects from a rebound decline in demand for our primary business of wedding photo albums, following an increase in ceremonies that had been put off due to the coronavirus pandemic during the previous year. However due to strong sales of studio photo albums such as for family photos and photos of children, sales were higher than the same period in the previous fiscal year. Initiatives included holding online seminars, exhibiting at PHOTONEXT2023, and conducting the “Life-Size Baby Photo Awards 2023” and “Life-Size Pet Photo Awards 2023.”

However in the general consumer market, although there was a continuing recovery in domestic travel, there was a delay in the recovery of overseas travel and a slow recovery from the decline in photo output, and conditions continued to be difficult, particularly in the OEM division. Sales fell below the level of the same period in the previous fiscal year. For *My Book*, we released new products and actively carried out a variety of campaigns, however it appears that time will be required for a recovery to pre-pandemic levels.

In terms of income, although we were affected by the soaring prices of raw materials and increased personnel cost, the positive effect of several improvements and decreasing depreciation were large factors

driving an increase in segment income.

As a result, Q2 sales were 1,664,564 thousand yen (99.8% year-on-year), and Q2 segment income was 285,306 thousand yen (100.8% year-on-year).

(Aerial display business)

This business is aiming to create a market through new image and video expressions utilizing aerial imaging technologies. We are developing, manufacturing, and selling both glass and plastic “ASKA3D plates” that utilize our original technologies to project images in mid-air.

In the area of marketing, we are carrying out sales centered on our Marketing Division in Japan, and centered on our agents overseas. In Japan, we exhibited at two events in Japan and obtained potential customers. Reinforcement of our sales system delivered results, and we saw a definite increase in domestic sales. However overseas, while sales activities at our China agent have mostly returned to normal and we have achieved some results including installation of self-operated terminals at Chinese banks, in other areas project delays are continuing and the results were below expectations. Sales were higher than the same period in the previous fiscal year, centering primarily on sales of glass ASKA3D plates.

In terms of production and development, we made progress in production trials of ASKA3D plates using materials with superior environmental performance, and those were well received at the exhibitions we participated in. We conducted production development at our technical development center, and we also challenged ourselves in trials to gradually increase the sizes of our glass ASKA3D plates. We also reinforced the structure of quality control to stabilize the supply of products.

In terms of profit and loss, segment loss was higher than the same period in the previous fiscal year due to our participation in exhibitions, advertising expenses and quality control, and expenses for research and development of new materials.

As a result, Q2 sales were 75,625 thousand yen (147.8% year-on-year), and Q2 segment loss was 164,789 thousand yen (compared to a loss of 161,274 thousand yen in the same quarters of the previous fiscal year).

As results of the above, sales were 3,251,417 thousand yen (102.9% compared to the same quarter of the previous fiscal year). In terms of profits, there was a cost increase in company-wide expenses and decrease in profit in the funeral business division. As a result, ordinary income was 104,048 thousand yen (69.3% year-on-year) and net income was 65,942 thousand yen (63.6% year-on-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 148,399 thousand yen from the end of the previous fiscal year to reach 6,986,460 thousand yen. Despite an increase in products of 144,338 thousand yen, this decrease was primarily due to a decrease in cash and savings of 376,221 thousand yen.

(Liabilities)

Liabilities at the end of this second quarter increased by 57,235 thousand yen from the end of the previous fiscal year to reach 988,997 thousand yen. Despite a decrease in unpaid corporate tax of 40,800 thousand yen, this was primarily due to an increase in unpaid expenses of 168,433 thousand yen.

(Net assets)

Net assets at the end of this second quarter decreased by 205,634 thousand yen from the end of the previous fiscal year to reach 5,997,463 thousand yen. This was primarily due to an increase in treasury stock of 139,941 thousand yen and in dividend payment of 149,595 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 376,221 thousand yen from the end of the previous fiscal year to reach 1,667,805 thousand yen.

(Cash flows from operating activities)

Net cash gained as a result of operating activities during the consolidated first two quarters was 77,784 thousand yen (compared to a gain of 82,660 thousand yen in the same period of the previous fiscal year). Despite an increase in inventory of 75,536 thousand yen, this decrease was primarily due to net income of 97,341 thousand yen and depreciation of 182,200 thousand yen.

(Cash flows from investing activities)

Net cash expended as a result of investing activities during the consolidated first two quarters was 158,704 thousand yen (compared to an expenditure of 171,575 thousand yen in the same period of the previous fiscal year). This was primarily due to payment of 109,854 thousand yen for acquisition of tangible fixed assets and payment of 37,821 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 299,915 thousand yen (compared to an expenditure of 314,519 thousand yen in the same period of the previous fiscal year). This was primarily due to payment of 149,331 thousand yen in dividends and payment of 149,865 thousand yen in treasury stock.

(3) Future Outlook

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

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

(1) Balance sheet

(Units: 1,000s yen)

	Previous fiscal year (Ended April 30, 2023)	End of current Q2 (Ended Oct. 31 2023)
Assets		
Current assets		
Cash and deposits	2,049,027	1,672,805
Accounts receivable-trade	886,554	874,845
Merchandise and products	477,047	621,385
Work in progress	185,485	107,138
Raw materials and supplies	89,298	98,843
Others	60,002	54,091
Allowance for doubtful accounts	(1,793)	(2,095)
Total current assets	3,745,622	3,427,014
Fixed assets		
Tangible fixed assets		
Buildings, net	873,048	849,625
Machinery and equipment, net	415,124	547,623
Land	844,060	844,060
Others net	184,668	226,590
Total tangible fixed assets	2,316,903	2,467,900
Intangible fixed assets	219,310	212,637
Total investments and other assets		
Investment securities	634,410	651,235
Others	218,613	227,673
Total investment and others	853,023	878,908
Total fixed assets	3,389,237	3,559,455
Total assets	7,134,859	6,986,460
Liabilities		
Current liabilities		
Accounts payable-trade	187,109	182,716
Accounts payable-other	208,545	376,979
Income taxes payable	87,200	46,400
Provision for bonuses	193,800	182,800
Others	245,681	191,853
Total of current liabilities	922,337	980,748
Fixed liabilities		
Provision for retirement benefits	5,351	4,894
Others	4,072	3,354
Total fixed liabilities	9,424	8,248
Total liabilities	931,761	988,997
Net assets		
Shareholders' equity		
Capital stock	490,300	490,300
Capital surplus	624,486	626,380
Retained earnings	5,561,278	5,477,625
Treasury stock	(487,857)	(627,799)
Total shareholders' equity	6,188,207	5,966,507
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	14,890	30,955
Total valuation and translation adjustments	14,890	30,955
Total net assets	6,203,097	5,997,463
Total liabilities and net assets	7,134,859	6,986,460

(2) Profit and loss statement

(Units: 1000s yen)

	First two quarters of the previous fiscal year (May 1, 2022 – Oct. 31, 2022)	First two quarters of the current fiscal year (May 1, 2023 – Oct. 31, 2023)
Net sales	3,160,445	3,251,417
Cost of sales	1,714,196	1,816,678
Gross profit	1,446,248	1,434,739
Selling, general, and administrative expenses	1,308,770	1,344,339
Operating income	137,478	90,400
Non-operating income		
Interest received	1,159	2,518
Dividends received	600	675
Commissions received	173	145
Foreign exchange gains	8,884	8,717
Others	2,469	2,489
Total non-operating income	13,286	14,546
Non-operating expenses		
Loss from investment entity	—	450
Expense for purchasing treasury stocks	587	448
Total non-operating expenses	587	898
Ordinary income	150,177	104,048
Extraordinary losses		
Loss from retirement of fixed assets	0	6,706
Total extraordinary income	0	6,706
Net income before taxes	150,177	97,341
Income taxes	46,453	31,399
Net income	103,723	65,942

(3) Statement of cash flows

(unit:1000s yen)

	First two quarters of the previous fiscal year (May 1, 2022 – Oct. 31, 2022)	First two quarters of the current fiscal year (May 1, 2023 – Oct. 31, 2023)
Cash flows resulting from operating activities		
Net income before taxes	150,177	97,341
Depreciation expenses	201,089	182,200
Increase (decrease) in allowance for doubtful accounts	408	302
Increase (decrease) in provision for bonuses	18,880	(11,000)
Increase (decrease) in provision for retirement	—	(457)
Interest and dividends received	(1,759)	(3,193)
Profit (loss) from investment management	—	450
Foreign exchange losses (gains)	(5,829)	(4,614)
Loss from divestiture of fixed asset	0	6,706
Decrease (increase) in notes and accounts receivable-trade	(10,002)	11,709
Decrease (increase) in inventory assets	(117,545)	(75,536)
Increase (decrease) in accounts payable-trade	(26,114)	(4,393)
Increase (decrease) in accrued consumption taxes	(27,762)	(71,362)
Others	13,026	18,285
Subtotal	194,568	146,438
Interest and dividends received	1,099	1,683
Income taxes paid	(113,007)	(70,336)
Cash flows due to operating activities	82,660	77,784
Cash flows due to investing activities		
Expenditure from time deposit	(5,000)	(5,000)
Income from withdrawal of time deposits	5,000	5,000
Purchase of tangible fixed assets	(140,497)	(109,854)
Purchase of intangible fixed assets	(30,149)	(37,821)
Collection of loans receivable	147	148
Others	(1,076)	(11,177)
Cash flows due to investing activities	(171,575)	(158,704)
Cash flows due to financing activities		
Cash dividends paid	(117,379)	(149,331)
Purchase of treasury stock	(196,421)	(149,865)
Others	(718)	(718)
Cash flows due to financing activities	(314,519)	(299,915)
Effect of exchange rate on cash and cash equivalents	5,829	4,614
Net increase (decrease) in cash and cash equivalents	(397,605)	(376,221)
Balance of cash and cash equivalents at beginning of year	1,994,178	2,044,027
Balance of cash and cash equivalents at end of year	1,596,572	1,667,805

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

Cumulative first quarter of the current fiscal year (May 1, 2023 – Oct. 31, 2023)

Information related to the amounts of sales, income, and loss for each reporting segment

(Units: 1,000s yen)

	Reporting segment				Adjustments	Amount recorded in profit and loss statement
	Funeral business	Photo book business	Aerial display business	Total		
Sales						
Sales to outside customers	1,514,562	1,661,769	75,085	3,251,417	—	3,251,417
Inter-segment internal sales and transfers	—	2,795	540	3,335	(3,335)	—
Total	1,514,562	1,664,564	75,625	3,254,753	(3,335)	3,251,417
Segment income (loss)	288,597	285,306	(164,789)	409,113	(318,713)	90,400

(Significant Subsequent Events)

Business merger resulting from acquisition

At a board of directors meeting held on November 17, 2023, Asukanet resolved to acquire shares in BET Co., Ltd. and make it a subsidiary of our company. A share transfer agreement was concluded on the same date and we acquired the shares on December 4, 2023.

(1) Overview of business merger

① Name of acquired company and its business areas

Name of acquired company: BET Co., Ltd.

Business areas: Operation of a virtual “liver” (online streaming) studio and consulting business for “liver” studios

② Primary reasons for the business merger

In addition to expected future growth as a virtual “liver” studio, there are advantages gained from synergy, including making use of the company’s knowledge regarding on-demand manufacturing in the Asukanet photo book business, and providing character goods. We also expect that applying our company’s resources including communication planning with fans and media mix development will also create new growth opportunities.

③ Merger date

December 4, 2023 (share acquisition date)

④ Legal form of merger

Acquisition of shares paid for with cash

⑤ Name of company after merger

The name will not be changed after the merger.

⑥ Share of voting rights acquired

100%

⑦ Primary basis for deciding the company to acquire

This is based on our company acquiring shares paid for with cash.

(2) Acquisition cost for acquired company breakdown by price type

Acquisition price	Cash and savings	400,000 thousand yen
Acquisition cost		400,000 thousand yen

(3) Details and amounts of primary acquisition-related expenses

Remuneration to advisors, fees, etc. 37,856 thousand yen

(4) Amount of generated goodwill, cause of generation, depreciation method, and depreciation period

Not confirmed at this time.

(5) Amounts of assets and liabilities received on date of merger, and primary details thereof

Not confirmed at this time.

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