

Consolidated Financial Results for the Nine Months Ended January 31, 2024 [Japanese GAAP]



March 11, 2024

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: March 14, 2024
 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. Consolidated Financial Results for the Nine Months Ended January 31, 2024 (May 1, 2023 to January 31, 2024)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
January 31, 2024	5,201	-	336	-	356	-	232	-
January 31, 2023	-	-	-	-	-	-	-	-

(Note) Comprehensive income: For the nine months ended January 31, 2024: ¥250 million [-%]
 For the nine months ended January 31, 2023: ¥ - million [-%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
January 31, 2024	14.07	-
January 31, 2023	-	-

(Note) Diluted earnings per share is not presented as there were no potential shares. Since the quarterly consolidated financial results are prepared from the nine months ended January 31, 2024, figures for the fiscal year ended April 30, 2023 and percentage changes from the previous corresponding period are not shown.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of January 31, 2024	6,866	6,166	89.8
As of April 30, 2023	-	-	-

(Reference) Equity: As of January 31, 2024: ¥6,166 million
 As of April 30, 2023: ¥ - million

(Note) Since the quarterly consolidated financial results are prepared from the nine months ended January 31, 2024, figures as of April 30, 2023 are not shown.

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. 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 attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	7,090	-	444	-	469	-	310	-	18.81

(Note) Revision to the financial results forecast announced most recently: Yes

- (Notes) 1. The Company transitioned to a consolidated accounting from the nine months ended January 31, 2024. For details, please refer to “Notice Regarding Announcement of Consolidated Financial Forecast Due to Transition to Consolidated Accounting” announced today.
2. Since the quarterly consolidated financial results are prepared from the nine months ended January 31, 2024, percentage changes from the previous corresponding period are not shown.

* Notes:

- (1) Changes in significant subsidiaries during the period: No
(Changes in specified subsidiaries resulting in the change in scope of consolidation)
Newly included: – company (–)
Excluded: – company (–)
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes
- (3) 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
- (4) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):
January 31, 2024: 17,464,000 shares
April 30, 2023: 17,464,000 shares
- 2) Total number of treasury shares at the end of the period:
January 31, 2024: 1,007,057 shares
April 30, 2023: 842,257 shares
- 3) Average number of shares during the period:
Nine months ended January 31, 2024: 16,492,290 shares
Nine months ended January 31, 2023: 16,688,269 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 Three Quarters

Because the Asukanet Group is creating quarterly consolidated financial statements beginning from the third quarter of this consolidated fiscal year, we have not performed comparative analysis with the same period in the previous consolidated fiscal year or with the previous consolidated 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.

In December 2023, we acquired shares in BET Co., Ltd., which operates a virtual “liver” (online streamer) business, and it became a subsidiary of our company. Because the deemed acquisition date for BET Co., Ltd. is December 31, 2023, it is consolidated only in the balance sheet for this third quarter of this consolidated fiscal year.

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 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. Sales of output systems for photos of the deceased and other hardware completed the cycle of replacement purchase demand, and sales were somewhat stable during these three quarters. We have renovated the service site of our “tsunagoo” service, which has faced difficulty in acquiring new customers despite the expanding use of this technology by existing clients.

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, Q3 sales were 2,405,477 thousand yen, and Q3 segment income was 532,257 thousand yen.

(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, after 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, such as explanation session of business materials and videos of product processing.”

In the general consumer market, due to a delay in the recovery of overseas travel and a slow recovery from the decline in photo output, current conditions continued to be difficult, particularly in the OEM division. Under these difficult conditions, we carried out a variety of campaigns and photo contests, a program for “My

Book New Year's Cards," and promotions for calendars and graduation albums as seasonal products.

In terms of income, we achieved a certain level of cost reductions as a result of work mechanization and KAIZEN activities, however the increased burden of fixed expenses resulting from a declining operating rate and the effects of higher costs due to rising material prices and other factors resulted in a difficult struggle for segment income.

With the acquisition of BET Co., Ltd. as a subsidiary and the deployment of a virtual "liver" (online streamer) business, we have also started plans for providing photo goods and other products. We also recorded expenses related to advisors and other matters that were generated as a result of acquiring a subsidiary during this consolidated third quarter. Because the deemed acquisition date for BET Co., Ltd. is December 31, 2023, it is not included in the results for these consolidated first three quarters.

As a result, Q3 sales were 2,687,473 thousand yen, and Q3 segment income was 515,561 thousand yen.

(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 terms of sales, we are conducting sales centered on our own company's sales operations in Japan and on agents overseas. In Japan, we have received steady orders for signage and aerial operation orders, however overseas progress continues to be delayed particularly for orders in the Middle East and North America, and sales fell below expectations. In addition to supporting participation in exhibitions by our North American agent, we also engaged in other initiatives such as reinforcing the sales staff and strengthening the quality assurance system.

In terms of production and development, we are working to increase the size of glass plates at our research and development center, and have delivered some progress. For plastic plates, we are repeating trials for stable production using superior environmentally-friendly materials.

In terms of profit and loss, as a result of fewer mistakes and an increase in more profitable orders, gross profit was higher. However personnel expenses increased as a result of reinforcing our staff, and there were also increases in R&D expenses and patent-related expenses.

As a result, Q3 sales were 113,912 thousand yen, and Q3 segment loss was 234,838 thousand yen.

As results of the above, consolidated sales were 5,201,946 thousand yen, ordinary income was 356,336 thousand yen and net income attributable to parent company was 232,079 thousand yen.

(2) Overview of the Financial Status

1. Assets, liabilities, and net assets

(Assets)

Total consolidated assets at the end of this third quarter of this fiscal year reached 6,866,454 thousand yen. This includes 1,228,677 thousand yen in cash and deposits, 983,917 thousand yen in accounts receivable, 835,547 thousand yen in buildings and 844,060 thousand yen in land.

(Liabilities)

Total consolidated liabilities at the end of this third quarter of this year reached 700,391 thousand yen. This includes 148,968 thousand yen in accounts payable, and 183,954 thousand yen in unpaid expenses.

(Net assets)

Total consolidated net assets at the end of this third quarter of this fiscal year reached 6,166,062 thousand yen. This includes 490,300 thousand yen in capital stock, 626,380 thousand yen in capital surplus, 5,643,762 thousand yen in retained earnings, and -627,799 thousand yen in treasury stock.

2. Overview of future outlook in this fiscal year

Asukanet has shifted to consolidated accounting beginning from the third quarter of the fiscal year ending April 30, 2024. For details, please refer to “Notice of Correction to Consolidated Results Forecast and Individual Results Forecasts Resulting from the Start of Consolidated Accounting” released on this date.

The above forecasts were created based on the information available at the time these materials were released, and the actual results may differ from the forecast values depending on a variety of future factors.

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

(1) Consolidated Balance sheet

(Units: 1,000s yen)

	End of current Q3 (Ended Jan. 31 2024)
Assets	
Current assets	
Cash and deposits	1,228,677
Accounts receivable-trade	983,917
Merchandise and products	654,456
Work in progress	71,035
Raw materials and supplies	95,848
Others	50,446
Allowance for doubtful accounts	-2,842
Total current assets	3,081,539
Fixed assets	
Tangible fixed assets	
Buildings, net	835,547
Machinery and equipment, net	501,922
Land	844,060
Others net	205,955
Total tangible fixed assets	2,387,486
Intangible fixed assets	
Goodwill	308,533
Others	198,930
Total intangible fixed assets	507,463
Total investments and other assets	
Investment securities	664,059
Others	225,905
Total investment and others	889,964
Total fixed assets	3,784,914
Total assets	6,866,454
Liabilities	
Current liabilities	
Accounts payable-trade	148,968
Accounts payable-other	183,954
Income taxes payable	60,087
Provision for bonuses	92,140
Others	207,541
Total of current liabilities	692,692
Fixed liabilities	
Provision for retirement benefits	4,704
Others	2,994
Total fixed liabilities	7,699
Total liabilities	700,391

(Units: 1,000s yen)

End of current Q3
(Ended Jan. 31 2024)

Net assets	
Shareholders' equity	
Capital stock	490,300
Capital surplus	626,380
Retained earnings	5,643,762
Treasury stock	-627,799
Total shareholders' equity	6,132,643
Valuation and translation adjustments	
Valuation difference on available-for-sale securities	33,419
Total valuation and translation adjustments	33,419
Total net assets	6,166,062
Total liabilities and net assets	6,866,454

(2) Consolidated Profit and loss statement

(Units: 1000s yen)

	First three quarters of the consolidated fiscal year (May 1, 2023 – Jan. 31, 2024)
Net sales	5,201,946
Cost of sales	2,816,481
Gross profit	2,385,465
Selling, general, and administrative expenses	2,048,970
Operating income	336,494
Non-operating income	
Interest received	3,828
Dividends received	1,575
Commissions received	221
Insurance gain	4,462
Exchange gain	7,891
Others	2,760
Total non-operating income	20,740
Non-operating expenses	
Loss from investment entity	450
Expense for purchasing treasury stocks	448
Total non-operating expenses	898
Ordinary income	356,336
Extraordinary losses	
Loss from retirement of fixed assets	7,917
Total extraordinary losses	7,917
Net income before taxes	348,419
Income taxes etc.	116,340
Total income taxes	116,340
Net income	232,079
Net income attributable to parent company	232,079

(Units: 1000s yen)

First three quarters of the
consolidated fiscal year
(May 1, 2023 – Jan. 31, 2024)

Net income	232,079
Other comprehensive income	
Valuation difference on available-for-sale securities	18,528
Total other comprehensive income	18,528
Quarterly comprehensive income	250,608
(Breakdown)	
Net comprehensive income attributable to parent company	250,608

(Segment information)

Cumulative first three quarters of the current fiscal year (May 1, 2023 – Jan. 31, 2024)

Information related to the amounts of consolidated 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	2,405,477	2,683,096	113,372	5,201,946	—	5,201,946
Inter-segment internal sales and transfers	—	4,377	540	4,917	(4,917)	—
Total	2,405,477	2,687,473	113,912	5,206,863	(4,917)	5,201,946
Segment income (loss)	532,257	515,561	(234,838)	812,980	(476,486)	336,494

(Business merger issue)

(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)

December 31, 2023 (assumed 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) Results period of acquired corporation included in the quarterly consolidated profit and loss statement for the consolidated first three quarters

Because the deemed acquisition date is December 31, 2023, and the difference from the third consolidated quarter settlement date is less than three months, only the balance sheet has been consolidated. As a result, the results of the acquired corporation are not included in the quarterly consolidated profit and loss statement for the first consolidated three quarters.

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

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

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

Remuneration to advisors, fees, etc. 37,854 thousand yen

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

① Amount of generated goodwill

308,533 thousand yen

② Cause of generation

Primarily expected excess earning power resulting from future business growth

③ Depreciation method and depreciation period

Straight-line method over eight years

(Significant post-balance sheet events)

Not applicable

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