

Consolidated Financial Results for the Six Months Ended October 31, 2024 [Japanese GAAP]



December 9, 2024

Company name: Asukanet Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2438
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 Scheduled date of filing semi-annual securities report: December 13, 2024
 Scheduled date of commencing dividend payments: -
 Availability of supplementary briefing material on financial results: Available
 Schedule of financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended October 31, 2024 (May 1, 2024 to October 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	%
Six months ended								
October 31, 2024	3,402	-	15	-	19	-	2	-
October 31, 2023	-	-	-	-	-	-	-	-

(Note) Comprehensive income: For the six months ended October 31, 2024: ¥1 million [-%]
 For the six months ended October 31, 2023: ¥ - million [-%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
October 31, 2024	0.14	-
October 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 six months ended October 31, 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 October 31, 2024	6,696	5,855	87.4
As of April 30, 2024	7,090	6,156	86.8

(Reference) Equity: As of October 31, 2024: ¥5,855 million
 As of April 30, 2024: ¥6,156 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended April 30, 2024	Yen -	Yen 0.00	Yen -	Yen 7.00	Yen 7.00
Fiscal year ending April 30, 2025	-	0.00			
Fiscal year ending April 30, 2025 (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, 2025 (May 1, 2024 to April 30, 2025)

(% 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
	7,720	9.7	520	16.2	535	12.9	324	51.4	19.73

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

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included: – company (–)

Excluded: – company (–)

(2) Accounting policies adopted specially for the preparation of semi-annual 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):

October 31, 2024: 17,464,000 shares

April 30, 2024: 17,464,000 shares

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

October 31, 2024: 1,323,546 shares

April 30, 2024: 1,007,657 shares

3) Average number of shares during the period:

Six months ended October 31, 2024: 16,225,753 shares

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

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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

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

(1) Overview of business results for this consolidated quarter of the year.

During the current interim consolidated accounting period, the Japanese economy has been gradually picking up speed due to improved personal consumption backed by a recovery in the employment and income environments, strong inbound demand, and a growth in business performance of export-oriented companies due to the depreciation of the yen. On the other hand, the future outlook remained uncertain due to such factors as uncertainty over the situations in Ukraine and the Middle East, and stagnating consumer confidence caused by prolonged high prices.

Under these circumstances, 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 segment, the Company steadily promoted the acquisition of new customers through its own sales activities, and its mainstay image processing revenues grew steadily. Hardware sales, such as systems for outputting posthumous photographs and signage equipment, were also strong. The Company took advantage of trade shows and other events to propose new products such as “long collages” and products utilizing ASKA 3D plates.

Although the acquisition of new contracts has been slower than expected for the “tsunagoo” service, which was released in the funeral market as part of our “funeral tech” services utilizing IT technologies, we are receiving orders for offerings, condolence messages, and other items using “tsunagoo” and we feel it is gaining traction.

In terms of profit, segment profit exceeded expectations as a result of efforts to secure an appropriate gross profit margin on product sales and to improve productivity in image processing operations amid an increase in cloud usage fees and various software usage fees.

As a result, net sales totaled 1,576,417 thousand yen and segment income totaled 304,893 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 market for professional photographers, sales of photo books for weddings, our mainstay product, were lower than expected due to a rebound decline from the earlier increase in weddings following the recovery from the COVID-19 pandemic, as well as sluggish sales in general, especially in the month of June. Efforts have been made to enhance the functionality of the data delivery system and hold real-world seminars and other events. Although we have started selling AI image processing retouching software, we are in the process of uncovering potential customers while awaiting functional improvements to meet the demands of many customers.

The general consumer market is also struggling as the environment remains difficult, but there are signs that the market has bottomed out to a certain extent. In addition to implementing various campaigns, *MyBook* has been preparing for orders for seasonal products such as New Year's cards, calendars, and graduation albums. In the virtual business field, we are continuing

our support for our consolidated subsidiary BET Co., Ltd., and have produced results including expanded sales of fan goods. The Orizuru VTuber Festival was held in Hiroshima in August 2024, and we conducted a variety of events such as experience-type fan meetings using the xLab (Cross Lab) facility in Ginza.

In terms of profit, segment income was affected by soaring raw material prices and rising labor costs, as well as a decline in the utilization ratio due mainly to lower-than-expected sales of photo books for weddings, which caused segment income to suffer.

As a result, net sales totaled 1,739,324 thousand yen and segment income was 191,766 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.

On the sales front, we are promoting sales in Japan mainly through our own sales force and overseas mainly through distributors. In Japan, we made efforts to follow up on the exhibitions we participated in during the first quarter. In addition, a department store in Tokyo installed our powerful 5-serial aerial wall signage system. Strengthening of our sales structure was also successful, and we achieved a certain level of sales in Japan. Overseas, we are restructuring and expanding our distributor network, and have established distributors in Singapore, South Korea, and Thailand. Although sales of large plates for the Asian market contributed to sales through the cooperation of our own sales force and overseas distributors, the acquisition of projects through overseas distributors was delayed in general, resulting in lower-than-expected sales.

In terms of manufacturing and development, we have been developing manufacturing using materials with superior environmental performance, and at our own Technical Development Center, we have been improving quality and stabilizing manufacturing of medium-sized products, and have achieved a certain level of results. In addition, we have continued to strengthen our quality control system for mass production projects.

In terms of profit and loss, although personnel expenses for specialized personnel to expand overseas distributors and strengthen the quality control system increased, the Company strived to improve gross profit margins for each project and appropriately controlled advertising and R&D expenses.

As a result, net sales totaled 89,183 thousand yen and segment loss was 151,865 thousand yen.

As a result of the above, net sales for the current interim consolidated accounting period totaled 3,402,169 thousand yen. In terms of profit, ordinary income was 19,291 thousand yen and net income attributable to owners of the parent company was 2,249 thousand yen due to the severe circumstances for segment profit in the Photo Book business and an increase in cloud services and software usage fees throughout the company.

(2) Overview of financial conditions

① Assets, liabilities, and net assets

(Assets)

Assets at the end of the current interim consolidated accounting period decreased 394,338 thousand yen from the end of the previous consolidated fiscal year to 6,696,105 thousand yen. This was mainly due to a 277,506 thousand yen decrease in cash and deposits resulting from acquisition of treasury stock.

(Liabilities)

Liabilities at the end of the current interim consolidated accounting period decreased 92,975 thousand yen from the end of the previous consolidated fiscal year to 840,653 thousand yen. This was mainly due to decreases of 54,263 thousand yen in accounts payable-other and 55,028 thousand yen in income taxes payable.

(Net assets)

Net assets at the end of the current interim consolidated accounting period decreased by 301,363 thousand yen from the end of the previous consolidated fiscal year to 5,855,451 thousand yen. This was mainly due to an increase of 185,809 thousand yen in treasury stock and payment of 115,198 thousand yen in dividends.

② Overview of cashflows

Cash and cash equivalents (“cash”) at the end of the current interim consolidated accounting period decreased by 277,506 thousand yen from the end of the previous consolidated fiscal year to 1,382,508 thousand yen. The status of each cash flow and their influencing factors during the current interim consolidated accounting period are as follows.

(Cashflow from operating activities)

Net cash provided by operating activities amounted to 240,881 thousand yen during the current interim consolidated accounting period. This was mainly due to depreciation and amortization of 180,627 thousand yen, a decrease in inventories of 34,398 thousand yen, and a decrease in accounts receivable of 32,113 thousand yen.

(Cashflow from investing activities)

Funds used in investing activities amounted to 201,918 thousand yen during the current interim consolidated accounting period. This was mainly due to expenditures of 124,283 thousand yen for the purchase of tangible fixed assets, including the purchase of production equipment, and 60,521 thousand yen for the purchase of intangible fixed assets.

(Cashflow from financing activities)

Net cash used in financing activities amounted to 316,469 thousand yen during the interim consolidated accounting period. This was mainly due to cash dividends paid of 114,893 thousand yen and purchase of treasury stock of 200,857 thousand yen.

(3) Future Outlook

There are no changes to the future outlook for the consolidated fiscal year ending April 2025 that was announced on June 10, 2024.

2. Consolidated Financial Statements for the second quarter of the Fiscal Year

(1) Balance sheet

(Units: 1,000s yen)

	Previous fiscal year (Ended April 30, 2024)	End of current Q2 (Ended Oct. 31, 2024)
Asset		
Current Asset		
Cash and deposits	1,665,015	1,387,508
Accounts receivable-trade	902,010	869,896
Merchandise and products	648,580	608,747
Work in progress	68,847	77,207
Raw materials and supplies	102,728	99,801
Others	80,576	63,452
Allowance for doubtful accounts	(9,851)	(10,919)
Total current assets	3,457,907	3,095,696
Fixed assets		
Tangible fixed assets		
Buildings, net	831,048	804,051
Machinery and equipment, net	493,357	443,483
Land	844,060	844,060
Others net	177,497	218,362
Total tangible fixed assets	2,345,964	2,309,959
Intangible fixed assets		
Goodwill	298,891	279,608
Others	204,950	211,767
Total intangible fixed assets	503,842	491,376
Investment and other assets		
Investment securities	571,582	570,497
Others	211,147	228,576
Total investment and other assets	782,730	799,073
Total fixed assets	3,632,536	3,600,409
Total assets	7,090,444	6,696,105

(Units: 1,000s yen)

	Previous fiscal year (Ended April 30, 2024)	End of current Q2 (Ended Oct. 31, 2024)
Liabilities		
Current liabilities		
Accounts payable-trade	175,134	158,098
Accounts payable-other	257,203	202,939
Income taxes payable	85,473	30,444
Provision for bonuses	184,950	187,570
Others	223,527	255,341
Total of current liabilities	926,289	834,394
Fixed assets		
Provision for retirement benefits	4,704	4,343
Others	2,635	1,916
Total fixed liabilities	7,340	6,259
Total liabilities	933,629	840,653
Net assets		
Shareholders' equity		
Capital stock	490,300	490,300
Capital surplus	626,380	624,759
Retained earnings	5,626,124	5,513,174
Treasury stock	(627,799)	(813,608)
Total shareholders' equity	6,115,005	5,814,625
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	41,808	40,825
Total valuation and translation adjustments	41,808	40,825
Total net assets	6,156,814	5,855,451
Total liabilities and net assets	7,090,444	6,696,105

(2) Consolidated Profit and loss statement

Half-year results

(Units: 1000s yen)

	First two quarters of the current fiscal year (May 1, 2024 – Oct. 31, 2024)
Net Sales	3,402,169
Cost of sales	1,958,453
Gross profit	1,443,715
Selling, general, and administrative expenses	1,427,837
Operating income	15,877
Non-operating income	
Interest received	1,511
Dividends received	950
Foreign exchange gain	436
Others	1,319
Total non-operating income	4,217
Non-operating expenses	
Expense for purchasing treasury stock	540
Loss from Investment	249
Others	13
Total non-operating expenses	803
Ordinary income	19,291
Extraordinary losses	
Loss from retirement of fixed assets	4
Total extraordinary income	4
Net half year income before tax	19,286
Income taxes	17,037
Total tax payment	17,037
Net half year income	2,249
Net income attribute to the parent company	2,249

(3) Statement of consolidated cash flows

(Units: 1000s yen)

	First two quarters of the current fiscal year (May 1, 2024 – Oct. 31, 2024)
Cash flows resulting from operating activities	
Net income before taxes	19,286
Depreciation expenses	180,627
Amortization of goodwill	19,283
Increase (decrease) in allowance for doubtful accounts	1,066
Increase (decrease) in provision for bonuses	2,620
Interest and dividends received	(2,461)
Impairment loss of investment securities	249
Loss on disposal of fixed assets	4
Decrease (increase) in notes and accounts receivable- trade	32,113
Decrease (increase) in inventory assets	34,398
Increase (decrease) in accounts payable-trade	(17,035)
Increase (decrease) in accounts payable	(21,188)
Increase (decrease) in accrued consumption taxes	(2,655)
Increase (decrease) in retirement benefit obligation	(361)
Others	63,130
Subtotal	309,079
Interest and dividends received	1,472
Income taxes paid	(69,670)
Cash flows due to operating activities	240,881
Cash flows due to investing activities	
Purchase of tangible fixed assets	(124,283)
Purchase of intangible fixed assets	(60,521)
Collection of loans receivable	106
Payments into time deposits	(5,000)
Proceeds from withdrawal of time deposits	5,000
Others	(17,219)
Cash flows due to investing activities	(201,918)
Cash flows due to financing activities	
Purchase of treasury stock	(200,857)
Cash dividends paid	(114,893)
Others	(718)
Cash flows due to financing activities	(316,469)
Net increase (decrease) in cash and cash equivalents	(277,506)
Balance of cash and cash equivalents at beginning of year	1,660,015
Balance of cash and cash equivalents at end of year	1,382,508

[Segment information]

First half of the consolidated fiscal year (May 1, 2024 – Oct. 31, 2024)

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	1,576,417	1,736,568	89,183	3,402,169	—	3,402,169
Inter-segment internal sales and transfers	—	2,755	—	2,755	(2,755)	—
Total	1,576,417	1,739,324	89,183	3,404,925	(2,755)	3,402,169
Segment income (loss)	304,893	191,766	(151,865)	344,793	(328,915)	15,877

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