

Non-Consolidated Financial Results
for the Six Months Ended October 31, 2021
[Japanese GAAP]



December 10, 2021

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, 2021

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, 2021

(May 1, 2021 to October 31, 2021)

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

	Net sales		Operating income		Ordinary income		Profit	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
October 31, 2021	2,930	13.4	113	-	117	-	80	-
October 31, 2020	2,584	(17.8)	(56)	-	(7)	-	(10)	-

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
October 31, 2021	4.76	-
October 31, 2020	(0.62)	-

(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, 2021	6,481	5,803	89.5
As of April 30, 2021	6,465	5,825	90.1

(Reference) Equity: As of October 31, 2021: ¥5,803 million

As of April 30, 2021: ¥5,825 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended April 30, 2021	Yen -	Yen 0.00	Yen -	Yen 7.00	Yen 7.00
Fiscal year ending April 30, 2022	-	0.00			
Fiscal year ending April 30, 2022 (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, 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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	6,270	8.6	285	2.7	285	(13.9)	200	(11.3)	11.87

(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, 2021: 17,464,000 shares

April 30, 2021: 17,464,000 shares

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

October 31, 2021: 600,957 shares

April 30, 2021: 615,057 shares

3) Average number of shares during the period:

Six months ended October 31, 2021: 16,852,391 shares

Six months ended October 31, 2020: 16,842,856 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 during first two quarters

During the first two consolidated quarters of this fiscal year, as the economy of Japan continued to suffer the effects of the coronavirus pandemic due to staying home and operation time saving, states of emergency were declared and quasi-emergency measures were enacted. Although there are expectations for a recovery in personal consumption due to progress in vaccinations and cancellation of state of emergency are made, the future remains uncertain.

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.

Beginning from the fiscal year beginning May 1, 2021, the memorial design business was renamed the funeral business, the personal publishing business was renamed the photo book business, and the aerial imaging business was renamed the aerial display business.

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 an increase in the holding of funerals themselves compared to the same period in the previous year. Under these conditions, we have reinforced our internal sales functions and otherwise improved our sales system. The number of new contracts has grown steadily as a result of functional improvements to and expansion of the “tsunagoo” DX service for the funeral industry, as well as other improvements such as strengthening photo processing quality using focus correction tools. As a result, there was a recovery in our primary business areas – processing photos of the deceased, and videos and other funeral production services. This also led to an increase in sales of frames and supplies. Consequently, sales were higher than the same period in the previous year.

In terms of profit and loss, despite the increase of advertising expenses and depreciation expenses, there was an increase in sales. These factors resulted in higher profits compared with the same period in the previous fiscal year.

As a result, 2Q sales were 1,279,355 thousand yen (111.1% year-on-year), and 2Q segment income was 299,775 thousand yen (119.7% 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, although our primary product of wedding photo albums continues to be severely affected by wedding ceremony delays and other effects from the coronavirus pandemic, weddings of limited size were held, primarily in rural areas, and the market recovered better than expected. In addition, there was steady growth in sales of photo albums for studios, and sales were higher than the same period in the previous fiscal year. In addition, in order to adapt to the pandemic environment, we endeavored to revitalize the market by expanding our online seminars, online sales discussions, and video streaming, and by holding events such as life-size photo contests and maternity photo contests.

The general consumer market continues to face difficult conditions of lower chance and needs of photo book resulting from the effects of voluntary restrictions on activities such as traveling and events due to the coronavirus pandemic. The same trends can be seen in OEM supply as well. As a result, sales were down from the same

period in the previous year. Under these conditions, we conducted innovative campaigns and efficient promotions.

In terms of profit and loss, we succeeded in controlling general expense and in increasing operating rate that accompanied the higher in gross profit, and there was a large increase in segment income.

As a result, 2Q sales were 1,594,424 thousand yen (115.6% year-on-year), and 2Q segment income was 247,799 thousand yen (308.7% 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. Overseas, we are in the process of restarting our business activities, and are providing support for exhibitions in China, the Middle East, and the United States. We are also developing products to meet the needs of each area and supporting activities for acquiring orders. Although marketing activities are subject to some restrictions due to the coronavirus pandemic, we are carrying out sales of glass ASKA3D plates for signage applications, and of plastic ASKA3D plates for use in products that enable non-contact operation.

In the areas of production and development, we are working to stabilize production and improve yield through the use of outsourcing for both glass and plastic plates. In particular for glass plates, we accelerated our program for reducing costs by installing new equipment. In addition to conducting repeated trials at our technical development center aimed at developing and establishing production technologies for glass ASKA3D plates, we are also expanding the space and introducing new production equipment as we challenge ourselves to produce large-size plates.

In terms of sales, we achieved higher in sales due to the increase in sales of glass ASKA3D plates. We recognize that acquiring orders in significant quantities remains an issue.

In terms of profit and loss, segment loss increased due to the higher R&D expenses for improvements to ASKA3D plates and the establishment of a technical development center resulted in higher expenses during this quarter.

As a result, 1Q sales were 57,123 thousand yen (105.3% year-on-year), and 2Q segment loss was 170,851 thousand yen (compared to a loss of 123,145 thousand yen in the period of same quarters of the previous fiscal year).

As results of the above, sales were 2,930,849 thousand yen (113.4% compared to the same quarters of the previous fiscal year). In terms of income, increase in segment income in the photo book business resulted ordinary income was 117,196 thousand yen (7,313 thousand yen in loss during the same quarters of the previous fiscal year) and net income was 80,148 thousand yen (10,459 thousand yen in loss during the same quarters 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 increased by 15,955 thousand yen from the end of the previous fiscal year to reach 6,481,305 thousand yen. This increase was primarily due to the increase of goods and products of 42,598 thousand yen and in tangible fixed assets of 109,656 thousand yen due largely to expansion of production equipment, despite an decrease in cash and savings of 140,833 thousand yen.

(Liabilities)

Liabilities at the end of this second quarter increased by 38,138 thousand yen from the end of the previous fiscal year to reach 677,888 thousand yen. This was primarily due to an increase in income taxes payable of 34,500 thousand yen.

(Net assets)

Net assets at the end of this second quarter decreased by 22,182 thousand yen from the end of the previous fiscal year to reach 5,803,416 thousand yen. This was primarily due to a decrease of 117,942 thousand yen as a result of dividend payments, despite an increase in net profit of 80,148 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 quarter end increased by 259,166 thousand yen from the end of the previous fiscal year to reach 1,669,255 thousand yen.

(Cash flows from operating activities)

Net cash gained as a result of operating activities during the consolidated first 2 quarters was 320,279 thousand yen (compared to an expenditure of 73,462 thousand yen in the same period of the previous fiscal year). This was primarily due to a gain of net profit of 116,439 thousand yen, depreciation of 228,718 thousand yen and return of paid corporate tax of 37,387 thousand yen.

(Cash flows from investing activities)

Net cash gained as a result of investing activities during the consolidated first 2 quarters was 55,771 thousand yen (compared to an expenditure of 104,674 thousand yen in the same period of the previous fiscal year). Despite payment of 270,345 thousand yen for acquisition of tangible fixed assets, this was primarily due to an income of 405,000 thousand yen from deposit refund from banks.

(Cash flows from financing activities)

Net cash expended as a result of financing activities during the consolidated first 2 quarters was 118,306 thousand yen (compared to an expenditure of 169,375 thousand yen in the same period of the previous fiscal year). This was primarily due to payment of dividends.

(3) Future Outlook

Based on the results of the consolidated first 2 quarters of this fiscal year and the future outlook, we have not revised the forecast that were announced on June 11, 2021 in the results forecast for the fiscal year ending April 30, 2022.

5. Financial Statements for the First Two Quarters

(1) Balance sheet

(Units: 1,000s yen)

	Previous fiscal year (ended April 30, 2021)	Current 2nd quarter (ended Oct. 31, 2021)
Asset		
Current assets		
Cash and deposits	1,815,088	1,674,255
Accounts receivable-trade	775,996	768,250
Merchandise and products	220,028	262,627
Work in progress	99,800	134,753
Raw materials and supplies	86,770	76,973
Others	77,730	34,549
Allowance for doubtful accounts	(4,218)	(4,114)
Total current assets	3,071,195	2,947,293
Fixed assets		
Tangible fixed assets		
Buildings, net	929,317	932,225
Machinery and equipment, net	467,896	577,552
Land	844,060	844,060
Others, net	213,081	198,134
Total tangible fixed assets	2,454,356	2,551,973
Total intangible fixed assets	224,742	228,729
Total investments and other assets		
Investment securities	533,204	562,769
Others	181,849	190,539
Total investment and others	715,054	753,308
Total fixed assets	3,394,153	3,534,011
Total assets	6,465,349	6,481,305
Liabilities		
Current liabilities		
Accounts payable-trade	163,342	157,396
Accounts payable-other	146,716	157,068
Income taxes payable	15,400	49,900
Provision for bonuses	153,650	161,740
Others	154,012	145,921
Total current liabilities	633,121	672,026
Fixed liabilities		
Provision for retirement benefits	5,351	5,351
Others	1,277	510
Total fixed liabilities	6,628	5,862
Total liabilities	639,750	677,888
Net assets		
Shareholders' equity		
Capital stock	490,300	490,300
Total capital surplus	614,322	619,556
Total retained earnings	4,981,556	4,943,762
Treasury stock	(265,577)	(259,489)
Total shareholders' equity	5,820,602	5,794,130
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,997	9,286
Total valuation and translation adjustments	4,997	9,286
Total net assets	5,825,599	5,803,416
Total liabilities and net assets	6,465,349	6,481,305

(2) Profit and loss statement for the first two quarters

(unit:1000s yen)

	First two quarters of the previous fiscal year (May 1, 2020 – Oct 31, 2020)	First two quarters of the current fiscal year (May 1, 2021 – Oct 31, 2021)
Net Sales	2,584,234	2,930,849
Cost of sales	1,462,724	1,559,284
Gross profit	1,121,509	1,371,564
Selling, general, and administrative expenses	1,178,063	1,258,030
Operating income (loss)	(56,554)	113,533
Non-operating income		
Interest received	341	291
Dividends received	675	600
Commissions received	148	155
Insurance cancellation refund	32,600	—
Subsidy income	14,615	—
Foreign exchange profit	—	1,208
Gain on forfeiture of unclaimed dividends	—	1,007
Others	1,582	400
Total non-operating income	49,962	3,662
Non-operating expenses		
Foreign exchange losses	722	—
Total non-operating expenses	722	—
Ordinary income (loss)	(7,313)	117,196
Extraordinary income		
Income from sales of fixed assets	329	—
Total extraordinary income	329	—
Extraordinary losses		
Loss from sales of fixed assets	—	708
Loss from disposal of fixed assets	2,313	48
Total extraordinary losses	2,313	756
Net income (loss) before taxes	(9,298)	116,439
Income taxes	1,160	36,291
Net income (loss)	(10,459)	80,148

(3) Cash flow statement for the first two quarters

(unit:1000s yen)

	First two quarters of the previous fiscal year (May 1, 2020 – Oct. 31, 2020)	First two quarters of the current fiscal year (May 1, 2021 – Oct. 31, 2021)
Cash flows resulting from operating activities		
Net income before taxes	(9,298)	116,439
Depreciation expenses	188,750	228,718
Increase (decrease) in allowance for doubtful accounts	1,073	(102)
Increase (decrease) in provision for bonuses	(1,000)	8,090
Increase (decrease) in provision for officer retirement benefit	(100,000)	—
Increase (decrease) in provision for retirement benefit	(339)	—
Interest and dividends received	(1,016)	(891)
Foreign exchange losses (gains)	681	(1,422)
Insurance cancellation refund	(32,600)	—
Subsidy income	(14,615)	—
Gain on sales of fixed assets	(329)	—
Loss on sales of fixed assets	—	708
Loss on disposal of fixed assets	2,313	48
Decrease (increase) in notes and accounts receivable-trade	70,328	7,746
Decrease (increase) in inventory assets	(30,861)	(67,755)
Increase (decrease) in accounts payable-trade	(21,774)	(5,946)
Increase (decrease) in accrued consumption taxes	(42,640)	(7,851)
Others	(20,261)	4,012
Subtotal	(11,590)	281,794
Interest and dividends received	1,341	1,098
Subsidy received	9,060	—
Income taxes paid (return)	(72,273)	37,387
Cash flows due to operating activities	(73,462)	320,279
Cash flows due to investing activities		
Payments into time deposits	(405,000)	(5,000)
Proceeds from withdrawal of time deposits	405,000	405,000
Purchase of property, plant, and equipment	(165,908)	(270,345)
Income from sales of tangible assets	420	667
Purchase of intangible fixed assets	(42,007)	(41,328)
Purchase of investment securities	—	(27,492)
Income from sales of insurance	108,887	—
Payments of loans	—	(882)
Income from reception of loans	—	147
Others	(6,065)	(4,994)
Cash flows due to investing activities	(104,674)	55,771
Cash flows due to financing activities		
Cash dividends paid	(168,554)	(118,306)
Others	(820)	—
Cash flows due to financing activities	(169,375)	(118,306)
Effect of exchange rate on cash and cash equivalents	(681)	1,422
Net increase (decrease) in cash and cash equivalents	(348,192)	259,166
Balance of cash and cash equivalents at beginning of year	1,555,817	1,410,088
Balance of cash and cash equivalents at end of quarter	1,207,624	1,669,255

[Segment information]

Cumulative first two quarters of the previous fiscal year (May 1, 2020 – Oct. 31, 2020)
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	1,151,737	1,378,878	53,618	2,584,234	—	2,584,234
Inter-segment internal sales and transfers	—	—	630	630	(630)	—
Total	1,151,737	1,378,878	54,248	2,584,864	(630)	2,584,234
Segment income (loss)	250,342	80,272	(123,145)	207,469	(264,023)	(56,554)

Cumulative first two quarters 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

Beginning from the fiscal year beginning May 1, 2021, the memorial design business was renamed the funeral business, the personal publishing business was renamed the photo book business, and the aerial imaging business was renamed the aerial display business. Names of the businesses changed, however, content and information unchanged as before. Names of reporting segment for previous year were renamed.

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