

**Non-Consolidated Financial Results**  
**for the Three Months Ended July 31, 2018**  
**[Japanese GAAP]**



September 5, 2018

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: September 14, 2018  
 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. Non-Consolidated Financial Results for the Three Months Ended July 31, 2018**

**(May 1, 2018 to July 31, 2018)**

(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	%
Three months ended July 31, 2018	1,441	3.8	139	(1.1)	142	(0.6)	96	(1.8)
July 31, 2017	1,388	12.9	141	4.7	142	5.4	98	7.1

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended July 31, 2018	5.74	5.73
July 31, 2017	5.87	5.84

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of July 31, 2018	5,580	4,934	88.4
As of April 30, 2018	5,715	5,000	87.4

(Reference) Equity: As of July 31, 2018: ¥4,934 million  
 As of April 30, 2018: ¥4,997 million

**2. Dividends**

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended April 30, 2018	-	0.00	-	10.00	10.00
Fiscal year ending April 30, 2019	-				
Fiscal year ending April 30, 2019 (Forecast)		0.00	-	10.00	10.00

(Note) Revision to the forecast for dividends announced most recently: No

**3. Non-Consolidated Financial Results Forecast for the Fiscal Year Ending April 30, 2019  
(May 1, 2018 to April 30, 2019)**

(% 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
	6,111	3.5	806	2.2	811	1.9	567	1.8	33.74

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

As the Company manages its financial results at an annual base, the financial results forecast for the first half is not disclosed.

**\* 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):

July 31, 2018: 17,464,000 shares

April 30, 2018: 17,464,000 shares

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

July 31, 2018: 622,941 shares

April 30, 2018: 662,541 shares

3) Average number of shares during the period:

Three months ended July 31, 2018: 16,822,602 shares

Three months ended July 31, 2017: 16,752,963 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 Fiscal Year

Asukanet operates three business areas, each with different positioning and characteristics. They are (1) the memorial design service 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 personal publishing service 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 imaging 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 results figures for each segment include internal inter-segment sales.

#### (1) Memorial design service business

We achieved strong revenue in our primary business area - processing of photos of the deceased, as well as strong sales of equipment and frames. Sales from “Asuka Altar”, which is a collaboration product with the aerial imaging business, also contributed to results. In addition, we also worked to improve the functions and expand the use of the “tsunagoo” service that was released as into the funeral market “funeral tech” that allows users to easily order condolence messages and other items from their smartphones.

In terms of income, there was an increase in personnel costs for image processing operators, and shipping expenses were also higher as a result of the price hikes that took place starting from autumn of last year. As a result, segment income decreased.

As a result, sales were 595,285 thousand yen (105.5% year-on-year), and segment income was 142,296 thousand yen (93.3% year-on-year).

#### (2) Personal publishing service 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 photographer market, in addition to acquiring contracts through our own marketing activities, we also achieved strong sales through means such as exhibiting at exhibitions, conducting *AsukaBook* seminars, and releasing new products. We also conducted a promotion aimed at expanding our “Life-Size Baby Photos” service.

In the general consumer market, we worked to obtain orders primarily among photography enthusiasts and knowledgeable customers through various campaigns, effective internet advertising, and other means. However the competitive environment is fierce, and we struggled in sales of products for general consumers. On the other hand, sales of OEM products grew as the presence of our services expanded in the market, although there was some rebound from the end of the campaign that we conducted in the previous year.

Segment income was down due to the lower gross profit margin resulting from the lower operating rate as we took steps to increase our production capacity, and also due to the higher shipping expenses resulting from price hikes beginning from autumn of last year.

As a result, sales were 817,835 thousand yen (103.0% year-on-year), and segment income was 178,553 thousand yen (95.1% year-on-year).

#### (3) Aerial imaging business

This business was launched in March 2011, 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.

For glass ASKA3D plates, although sufficient cost reductions have not yet been achieved, we are providing large-size plates that are capable of high-quality aerial imaging. Although still in small lots, sales for signage and aerial system operations are increasing. In addition, we are also supplying plates for the “Asuka Altar” service that is a collaboration project with the memorial design service business.

For plastic ASKA3D plates, we began the supply of our first round of samples in June 2018, and are engaged in sales primarily to customers which already purchased glass plates or which expressed interest at exhibitions and other events. In parallel with sample supply, we also worked to improve quality through die improvements and other means, aiming for quality which is closer to that provided by glass plates, and conducted trials in order to improve yield and stabilize quality in preparation for mass production.

In terms of expenses, although there was an increase in personnel expenses due to the hiring of more employees and an increase in travel expenses (primarily overseas), advertising expenses were lower due to the smaller number of overseas exhibitions compared to the previous fiscal year.

As a result, sales were 34,721 thousand yen (104.5% year-on-year), and segment loss was 52,499 thousand yen (compared to a loss of 72,351 thousand yen in the same quarter of the previous year).

As a result of the above, sales were 1,441,602 thousand yen (103.8% year-on-year). In terms of income, although the segment loss contracted due to lower advance expenses for overseas exhibitions and other events in the aerial imaging business, the higher personnel expenses and expansion of production equipment resulted in a lower gross profit margin, and in combination with higher shipping expenses resulting from price hikes, ordinary income was 142,139 thousand yen (99.4% year-on-year), and net income was 96,492 thousand yen (98.2% year-on-year).

## (2) Overview of the Financial Status during this Fiscal Year

### (Assets)

Current assets at the end of this 1Q decreased by 135,470 thousand yen from the end of the previous fiscal year to reach 5,580,427 thousand yen. Despite an increase of 371,996 thousand yen in tangible fixed assets resulting from the purchase of land and other causes, this decrease was primarily the result of a decrease of 485,759 thousand yen in cash and savings resulting from the purchase of land, income taxes, and dividend payment.

### (Liabilities)

Liabilities at the end of this 1Q declined by 70,003 thousand yen from the end of the previous fiscal year to reach 645,880 thousand yen. This was primarily due to a decrease of 84,300 yen in accrued income taxes and a decrease of 63,500 thousand yen in the provision for bonuses.

### (Net assets)

Net assets at the end of this 1Q declined by 65,466 thousand yen from the end of the previous fiscal year to reach 4,934,547 thousand yen. Despite recording net income of 96,492 thousand yen, this was primarily due to a decrease of 168,014 thousand yen resulting from the payment of dividends from surplus.

## 5. Financial Statements for the First Quarter

### (1) Balance sheet

(Units: 1,000s yen)

	Previous fiscal year (ended April 30, 2018)	Current 1 <sup>st</sup> quarter (ended July 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	2,311,781	1,826,021
Notes and accounts receivable-trade	726,531	718,368
Merchandise and products	191,123	184,092
Work in progress	14,325	18,389
Raw materials and supplies	62,206	59,335
Others	33,559	25,135
Allowance for doubtful accounts	(2,617)	(2,362)
Total current assets	3,336,909	2,828,982
Fixed assets		
Tangible fixed assets		
Buildings, net	512,558	529,810
Machinery and equipment, net	396,538	413,509
Land	611,507	838,060
Others, net	172,702	283,921
Total tangible fixed assets	1,693,306	2,065,303
Total intangible fixed assets	206,851	210,156
Total investments and other assets	478,829	475,985
Total fixed assets	2,378,988	2,751,445
Total assets	5,715,897	5,580,427
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	126,270	119,474
Income taxes payable	137,900	53,600
Provision for bonuses	136,500	73,000
Others	303,512	388,579
Total current liabilities	704,183	634,654
Fixed liabilities		
Provision for retirement benefits	6,482	6,482
Others	5,217	4,743
Total fixed liabilities	11,700	11,225
Total liabilities	715,883	645,880
<b>Net assets</b>		
Shareholders' equity		
Capital stock	490,300	490,300
Capital reserves	606,585	606,585
Retained earnings	4,183,583	4,105,643
Treasury stock	(285,940)	(268,850)
Total shareholders' equity	4,994,527	4,933,678
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,129	869
Total valuation and translation adjustments	3,129	869
Subscription rights to shares	2,356	—
Total net assets	5,000,014	4,934,547
Total liabilities and net assets	5,715,897	5,580,427

## (2) Profit and loss statement

First quarter of the fiscal year

(unit:1000s yen)

	First quarter of the previous fiscal year (May 1, 2017 – July 31, 2017)	First quarter of the current fiscal year (May 1, 2018 – July 31, 2018)
Net Sales	1,388,970	1,441,602
Cost of sales	664,785	722,976
Gross profit	724,184	718,626
Selling, general, and administrative expenses	582,611	578,631
Operating income	141,572	139,995
Non-operating income		
Interest received	167	88
Dividends received	610	510
Commissions received	135	190
Foreign exchange income	446	377
Income from insurance	—	832
Others	8	144
Total non-operating income	1,369	2,144
Non-operating expenses		
Others	10	—
Total non-operating expenses	10	—
Ordinary income	142,931	142,139
Extraordinary losses		
Loss on retirement of fixed assets	550	72
Total extraordinary losses	550	72
Net income before taxes	142,381	142,066
Income taxes	44,117	45,574
Net income	98,263	96,492

[Segment information]

Cumulative first quarter of the previous fiscal year (May 1, 2017 – July 31, 2017)

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
	Memorial design service business	Personal publishing service business	Aerial imaging business	Total		
Sales						
Sales to outside customers	564,052	793,852	31,064	1,388,970	—	1,388,970
Inter-segment internal sales and transfers	—	—	2,160	2,160	(2,160)	—
Total	564,052	793,852	33,224	1,391,130	(2,160)	1,388,970
Segment income (loss)	152,477	187,774	(72,351)	267,899	(126,327)	141,572

Cumulative first quarter of the current fiscal year (May 1, 2018 – July 31, 2018)

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
	Memorial design service business	Personal publishing service business	Aerial imaging business	Total		
Sales						
Sales to outside customers	595,285	817,835	28,481	1,441,602	—	1,441,602
Inter-segment internal sales and transfers	—	—	6,240	6,240	(6,240)	—
Total	595,285	817,835	34,721	1,447,842	(6,240)	1,441,602
Segment income (loss)	142,296	178,553	(52,499)	268,350	(128,355)	139,995

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