

**Non-Consolidated Financial Results
for the Nine Months Ended January 31, 2020
[Japanese GAAP]**



March 6, 2020

Company name: Asukanet Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2438
 URL: <https://www.asukanet.co.jp>
 Representative: Matsuo Yuji, Representative Director, President & COO
 Contact: Kono Kenya, Senior Managing Director & CFO
 Phone: +81-82-850-1200
 Scheduled date of filing quarterly securities report: March 13, 2020
 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 Nine Months Ended January 31, 2020

(May 1, 2019 to January 31, 2020)

(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	%
Nine months ended								
January 31, 2020	4,954	5.9	649	(7.1)	651	(7.2)	460	(4.1)
January 31, 2019	4,676	5.6	699	15.7	702	14.9	479	16.1

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
January 31, 2020	27.32	-
January 31, 2019	28.50	28.49

(Note) Diluted earnings per share for the nine months ended January 31, 2020 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 January 31, 2020	6,279	5,702	90.8
As of April 30, 2019	6,271	5,431	86.6

(Reference) Equity: As of January 31, 2020: ¥5,702 million
 As of April 30, 2019: ¥5,431 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended April 30, 2019	Yen -	Yen 0.00	Yen -	Yen 11.00	Yen 11.00
Fiscal year ending April 30, 2020	-	0.00	-		
Fiscal year ending April 30, 2020 (Forecast)				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, 2020 (May 1, 2019 to April 30, 2020)

(% 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
	6,738	7.0	824	(5.1)	829	(5.1)	545	(9.0)	32.36

(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):

January 31, 2020: 17,464,000 shares

April 30, 2019: 17,464,000 shares

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

January 31, 2020: 623,057 shares

April 30, 2019: 622,941 shares

3) Average number of shares during the period:

Nine months ended January 31, 2020: 16,840,987 shares

Nine months ended January 31, 2019: 16,834,906 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

During the cumulative first 3 quarters of this fiscal year, although there was continuing improvement in the employment and income environment, the economy of Japan faced growing uncertainty about the future due to the prolonged trade friction between the United States and China, and to concerns about the effects of the spreading coronavirus outbreak on the global economy.

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 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

In this business, although sales in our primary business areas –equipment sales and sales of video and other funeral production services – were somewhat higher than expectations, the results were up from the same period in the previous year. During the cumulative first 3 quarters of this fiscal year, sales of processing photos of the deceased were lower than the same period in the previous year due to warm winter. Then, our sales of frames and supplies were also below expectations. Therefore, sales were slightly higher than the same period in the previous year.

We also worked to expand the presence of the “tsunagoo” service which connects chief mourner and participants, as one type of our “funeral tech” that has brought extensive use of IT technologies to the funeral market.

On the other hand in terms of income, segment income was down slightly as a result of factors including an increase in personnel expenses resulting from hiring additional image processing operators as well as in research and development expenses.

As a result, sales were 1,915,859 thousand yen (101.1% year-on-year), and segment income was 500,126 thousand yen (94.9% 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 our own marketing activities, we intended to increase in sales of ASUKABOOK as a result of activities such as conducting seminars and workshops as well as the release of the GLAMPiC data delivery service. Therefore, sales of professional photographer market increased.

In the general consumer market, we conducted a number of programs including efficient internet advertising and a variety of campaigns, as well as the use of SNS. We also conducted promotions for calendars and graduation albums, which are seasonal products. As a result, we achieved strong sales centering on the full-flat type photo album that opens up so it is completely flat, and achieved results that were up from the same period in the previous fiscal year despite the harsh competitive environment. In addition, sales of OEM products grew as the presence of our services expanded in the market,

In terms of income, in addition to higher personnel expenses and a shipping price hike, costs were higher for a number of other reasons including completion of the new plant (West Building) located adjacent to our headquarter, an increase in depreciation expenses resulting from production equipment operation, and associated relocation expenses. Despite the higher costs, segment income saw steady growth partly as a result of rising sales centered on the OEM division.

As a result, sales were 2,962,001 thousand yen (110.2% year-on-year), and segment income was 712,735 thousand yen (102.0% 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 development are increasing. We also are working on development of a new manufacturing process that combines high mass productivity and low cost.

For plastic ASKA3D plates, we worked to acquire mass production orders that fit our current production scale and price range based on the first-stage mass production system, however at the present time we are still limited to sample-scale sales. We are implementing improvements aimed at further reducing costs and increasing brightness, and are also conducting development for high heat-resistance materials.

Although more time than initially expected has been required for commercialization, we have confirmed that there are large needs for the use of aerial imaging among corporations in all fields, both in Japan and overseas. We will work to resolve the issues in order to meet these needs.

In terms of marketing, sales were down from the same period in the previous year, partially due to our focus on sample sales of inexpensive plastic ASKA3D plates. In November 2019, we exhibited at the Finding Japan domestic exhibition. The exhibit proposed an application of these plates for use in a sub monitor that allows aerial operations simply by connecting it with a PC, and introduced new technologies that double the image projection distance and also improve image quality.

In terms of expenses, although we were able to control advertising expenses, R&D and patent related expenses of both glass and plastic ASKA3D plates were higher as well as personnel expense. As a result, segment loss was larger than the same period in the previous year.

As a result, sales were 79,097 thousand yen (77.1% year-on-year), and segment loss was 176,127 thousand yen (compared to a loss of 163,133 thousand yen in the same quarter of the previous year).

As a result of the above, sales were 4,954,648 thousand yen (105.9% year-on-year). In terms of income, as a result of steady growth in segment income in the personal publishing business, a decrease in segment income in the memorial design service business due to warm winter, and a higher segment loss in the aerial imaging service business, ordinary income was 651,231 thousand yen (92.8% year-on-year) and net income was 460,034 thousand yen (95.9% year-on-year).

(2) Overview of the Financial Status during this Quarter.

Current assets at the end of this third quarter increased by 8,218 thousand yen from the end of the previous fiscal year to reach 6,279,732 thousand yen. Despite a decrease in cash and savings of 592,974 thousand yen, this was primarily due to an increase in accounts receivable-trade of 92,825 thousand yen, an increase in tangible fixed assets of 269,155 thousand yen resulting from construction of the new plant (West Building) and other factors, and an increase in investment and other securities of 208,516 thousand yen resulting from the purchase of corporate bonds and other factors.

Current liabilities at the end of this third quarter decreased by 262,940 thousand yen from the end of the previous fiscal year to reach 577,539 thousand yen. This decrease was primarily due to a decrease in income taxes payable of 131,400 thousand yen and a decrease in bonus reserve of 68,000 thousand yen.

Net assets at the end of this third quarter increased by 271,158 thousand yen from the end of the previous fiscal year to reach 5,702,193 thousand yen. Despite a decrease of 185,251 thousand yen resulting from the payment of dividends from surplus, this was primarily due to recording net income of 460,034 thousand yen

5. Financial Statements for the Third Quarter

(1) Balance sheet

(Units: 1,000s yen)

	Previous fiscal year (ended April 30, 2019)	Current 3rd quarter (ended Jan. 31, 2020)
Asset		
Current assets		
Cash and deposits	2,274,763	1,681,788
Accounts receivable-trade	827,239	920,064
Merchandise and products	172,942	177,197
Work in progress	23,551	26,751
Raw materials and supplies	78,072	92,369
Others	36,842	28,564
Allowance for doubtful accounts	(2,914)	(3,478)
Total current assets	3,410,498	2,923,258
Fixed assets		
Tangible fixed assets		
Buildings, net	508,636	916,754
Machinery and equipment, net	409,561	489,600
Land	844,060	844,060
Construction in progress	399,350	180,348
Total tangible fixed assets	2,161,609	2,430,765
Total intangible fixed assets	202,370	202,370
Total investments and other assets		
Investment securities	228,800	425,007
Others	268,235	280,544
Total investment and others	497,035	705,552
Total fixed assets	2,861,016	3,356,474
Total assets	6,271,514	6,279,732
Liabilities		
Current liabilities		
Accounts payable-trade	169,180	132,718
Accounts payable-other	173,963	155,193
Income taxes payable	187,900	56,500
Provision for bonuses	144,200	76,200
Others	155,905	149,020
Total current liabilities	831,149	569,631
Fixed liabilities		
Provision for retirement benefits	6,009	6,009
Others	3,320	1,897
Total fixed liabilities	9,330	7,907
Total liabilities	840,479	577,539
Net assets		
Shareholders' equity		
Capital stock	490,300	490,300
Capital surplus	606,585	606,585
Retained earnings	4,608,076	4,882,858
Treasury stock	(268,850)	(269,031)
Total shareholders' equity	5,436,110	5,710,711
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(5,076)	(8,518)
Total valuation and translation adjustments	(5,076)	(8,518)
Total liabilities and net assets	5,431,034	5,702,193
Total liabilities and net assets	6,271,514	6,279,732

(2) Profit and loss statement for first three quarters

(unit:1000s yen)

	First three quarters of the previous fiscal year (May 1, 2018 – Jan. 31, 2019)	First three quarters of the current fiscal year (May 1, 2019 – Jan. 31, 2020)
Net Sales	4,676,804	4,954,648
Cost of sales	2,252,871	2,413,601
Gross profit	2,423,932	2,541,046
Selling, general, and administrative expenses	1,724,696	1,891,619
Operating income	699,235	649,426
Non-operating income		
Interest received	348	770
Dividends received	1,010	950
Commissions received	381	287
Income from insurance	960	—
Gain on forfeiture of unclaimed dividends	950	1,051
Others	467	172
Total non-operating income	4,118	3,232
Non-operating expense		
Foreign exchange losses	1,246	1,340
Others	—	87
Total non-operating expenses	1,246	1,427
Ordinary income	702,107	651,231
Extraordinary loss		
Loss on retirement of fixed assets	424	145
Total extraordinary losses	424	145
Net income before taxes	701,682	651,086
Income taxes	221,865	191,052
Net income	479,817	460,034

[Segment information]

Cumulative first three quarters of the previous fiscal year (May 1, 2018 – Jan. 31, 2019)

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	1,895,540	2,687,439	93,823	4,676,804	—	4,676,804
Inter-segment internal sales and transfers	—	—	8,714	8,714	(8,714)	—
Total	1,895,540	2,687,439	102,537	4,685,518	(8,714)	4,676,804
Segment income (loss)	527,213	698,974	(163,133)	1,063,054	(363,819)	699,235

Cumulative first three quarters of the previous fiscal year (May 1, 2019 – Jan. 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
	Memorial design service business	Personal publishing service business	Aerial imaging business	Total		
Sales						
Sales to outside customers	1,915,859	2,962,001	76,787	4,954,648	—	4,954,648
Inter-segment internal sales and transfers	—	—	2,310	2,310	(2,310)	—
Total	1,915,859	2,962,001	79,097	4,956,958	(2,310)	4,954,648
Segment income (loss)	500,126	712,735	(176,127)	1,036,734	(387,307)	649,426

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