

**Non-Consolidated Financial Results  
for the Six Months Ended October 31, 2019  
[Japanese GAAP]**



December 10, 2019

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 13, 2019

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, 2019**

**(May 1, 2019 to October 31, 2019)**

(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	%
Six months ended								
October 31, 2019	3,142	7.9	323	5.6	324	4.6	228	8.3
October 31, 2018	2,912	4.5	306	10.4	310	9.2	211	7.7

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
October 31, 2019	13.57	-
October 31, 2018	12.54	12.53

(Note) Diluted earnings per share for the six months ended October 31, 2019 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, 2019	6,224	5,472	87.9
As of April 30, 2019	6,271	5,431	86.6

(Reference) Equity: As of October 31, 2019: ¥5,472 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

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):

October 31, 2019: 17,464,000 shares

April 30, 2019: 17,464,000 shares

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

October 31, 2019: 623,016 shares

April 30, 2019: 622,941 shares

3) Average number of shares during the period:

Six months ended October 31, 2019: 16,841,001 shares

Six months ended October 31, 2018: 16,831,830 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 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 – processing photos of the deceased and sales of video and other funeral production services – were somewhat below expectations, the results were up from the same period in the previous year. During the cumulative first 2 quarters of this fiscal year, sales were higher than the same period in the previous year due to strong equipment sales as well as strong sales of frames and supplies. We also worked to expand the presence of the “tsunagoo” service which we have released as one type of our “funeral tech” that has brought extensive use of IT technologies to the funeral market, and to develop new services such as a cloud-based copyist service.

On the other hand in terms of income, although we succeeded in controlling sales, general & administrative expenses, segment income was down slightly as a result of factors including an increase in personnel expenses resulting from hiring additional image processing operators.

As a result, sales were 1,218,103 thousand yen (101.3% year-on-year), and segment income was 297,390 thousand yen (98.2% 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, there was also strong growth in sales as a result of activities such as conducting *AsukaBook* seminars and the release of the *GLAMPiC* data delivery service. We also participated events and hold a photo contest 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 effective internet advertising, various campaigns and other means. We continued to achieve strong sales of the full-flat type photo album that opens up so it is completely flat – a product that was released in the previous fiscal year. Overall *MyBook* sales of this quarter exceeded in the same quarter of the previous year. In addition, 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.

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 divisions, and of investment in improving production efficiency.

As a result, sales were 1,875,024 thousand yen (113.6% year-on-year), and segment income was 396,453 thousand yen (109.3% 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. We are also working to develop new manufacturing technologies to solve current concern of productivity.

For plastic ASKA3D plates, in May 2019 we established the first-stage mass production system starting from a monthly production capacity of 3,000 plates/month, and worked to acquire mass production orders that fit our current production scale and price range. However, there are still issues to overcome before we can achieve this goal. One of those issues is image quality, and we are experimenting with production methods to increase image brightness. At the same time, we are studying materials and processes and working to further increase yield, aiming to reduce the cost of production.

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. So that more people can experience aerial imaging and generate potential leads for sales, in addition to participating in an exhibition in China, we also have prepared for an exhibition in Japan in December. There are growing cases of other companies exhibiting products that utilize ASKA3D, and using ASKA3D in their shop and other displays.

In terms of expenses, although personnel expenses were higher, we were able to control advertising and R&D expenses by concentrating on a smaller number of exhibitions and focusing our areas of R&D. As a result, segment loss was smaller than the same period in the previous year.

As a result, sales were 51,903 thousand yen (76.6% year-on-year), and segment loss was 109,474 thousand yen (compared to a loss of 117,278 thousand yen in the same quarter of the previous year).

As a result of the above, sales were 3,142,930 thousand yen (107.9% year-on-year). In terms of income, as a result of steady growth in segment income in the personal publishing business, ordinary income was 324,855 thousand yen (104.6% year-on-year) and net income was 228,604 thousand yen (108.3% year-on-year).

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

### [1] Assets, liabilities, and net assets

#### (Assets)

Current assets at the end of this second quarter decreased by 47,277 thousand yen from the end of the previous fiscal year to reach 6,224,236 thousand yen. Despite an increase in tangible fixed assets of 301,055 thousand yen resulting from construction of the new plant (West Building) and other factors, and an increase in investment and other securities of 209,456 thousand yen resulting from the purchase of corporate bonds and other factors, this decrease was primarily due to a decrease in cash and savings of 610,392 thousand yen.

#### (Liabilities)

Current liabilities at the end of this second quarter decreased by 89,118 thousand yen from the end of the previous fiscal year to reach 751,361 thousand yen. This decrease was primarily due to a decrease in income taxes payable of 76,600 thousand yen.

#### (Net assets)

Net assets at the end of this second quarter increased by 41,841 thousand yen from the end of the previous fiscal year to reach 5,472,875 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 228,604 thousand yen

### [2] Cash flows

The balance of cash and cash equivalents (hereafter referred to as “cash”) during the consolidated first 2 quarters declined by 410,392 thousand yen from the end of the previous fiscal year to reach 1,259,371 thousand yen. The status of each cash flow and primarily factors affecting it during the consolidated first 2 quarters are as follows.

#### (Cash flows from operating activities)

Net cash acquired as a result of operating activities during the consolidated first 2 quarters was 260,181 thousand yen (compared to 261,551 thousand yen in the same period of the previous fiscal year). Despite recording pre-tax net income of 324,710 thousand yen and recording depreciation expenses of 166,776 thousand yen, this result was primarily due to payment of 168,243 thousand yen in income taxes.

#### (Cash flows from investment activities)

Net cash expended as a result of investment activities during the consolidated first 2 quarters was 483,629 thousand yen (compared to expenditure of 595,410 thousand yen in the same period of the previous fiscal year. This was primarily due to the acquisition of 410,447 thousand yen in tangible fixed assets including the construction of new plant at land adjacent to our headquarter and production facilities.

#### (Cash flows from financing activities)

Net cash expended as a result of financing activities during the consolidated first 2 quarters was 186,052 thousand yen (compared to expenditure of 159,995 thousand yen during the same period of the previous fiscal year. This was primarily due to the payment of 184,981 thousand yen in dividends.

## 5. Financial Statements for the Second Quarter

### (1) Balance sheet

(Units: 1,000s yen)

	Previous fiscal year (ended April 30, 2019)	Current 1 <sup>st</sup> quarter (ended Oct. 31, 2019)
<b>Asset</b>		
Current assets		
Cash and deposits	2,274,763	1,664,371
Accounts receivable-trade	827,239	829,386
Merchandise and products	172,942	182,509
Work in progress	23,551	21,373
Raw materials and supplies	78,072	88,731
Others	36,842	42,568
Allowance for doubtful accounts	(2,914)	(4,049)
Total current assets	3,410,498	2,824,892
Fixed assets		
Tangible fixed assets		
Buildings, net	508,636	927,883
Machinery and equipment, net	409,561	496,111
Land	844,060	844,060
Construction in progress	399,350	194,609
Total tangible fixed assets	2,161,609	2,462,665
Total intangible fixed assets	202,370	230,187
Total investments and other assets		
Investment securities	228,800	428,056
Others	268,235	278,435
Total investment and others	497,035	706,492
Total fixed assets	2,861,016	3,399,344
Total assets	6,271,514	6,224,236
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	169,180	169,029
Accounts payable-other	173,963	182,997
Income taxes payable	187,900	111,300
Provision for bonuses	144,200	151,800
Others	155,905	127,852
Total current liabilities	831,149	742,979
Fixed liabilities		
Provision for retirement benefits	6,009	6,009
Others	3,320	2,371
Total fixed liabilities	9,330	8,381
Total liabilities	840,479	751,361
<b>Net assets</b>		
Shareholders' equity		
Capital stock	490,300	490,300
Capital surplus	606,585	606,585
Retained earnings	4,608,076	4,651,429
Treasury stock	(268,850)	(268,970)
Total shareholders' equity	5,436,110	5,479,343
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(5,076)	(6,467)
Total valuation and translation adjustments	(5,076)	(6,467)
Total liabilities and net assets	5,431,034	5,472,875
Total liabilities and net assets	6,271,514	6,224,236

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

(unit: 1000s yen)

	First two quarters of the previous fiscal year (May 1, 2018 – Oct. 31, 2018)	First two quarters of the current fiscal year (May 1, 2019 – Oct. 31, 2019)
Net Sales	2,912,273	3,142,930
Cost of sales	1,449,118	1,571,304
Gross profit	1,463,155	1,571,625
Selling, general, and administrative expenses	1,156,587	1,247,931
Operating income	306,567	323,694
Non-operating income		
Interest received	219	517
Dividends received	510	500
Commissions received	287	194
Foreign exchange gains	938	—
Income from insurance	832	—
Others	950	1,051
Total non-operating income	214	102
Interest received	3,953	2,365
Non-operating expense		
Foreign exchange losses	—	1,131
Others	—	73
Total non-operating expenses	—	1,204
Ordinary income	310,520	324,855
Extraordinary loss		
Loss on retirement of fixed assets	373	145
Total extraordinary losses	373	145
Net income before taxes	310,147	324,710
Income taxes	99,089	96,105
Net income	211,057	228,604

## (3) Statement of cash flows

(unit: 1000s yen)

	First two quarters of the previous fiscal year (May 1, 2018 – Oct. 31, 2018)	First two quarters of the current fiscal year (May 1, 2019 – Oct. 31, 2019)
<b>Cash flows resulting from operating activities</b>		
Net income before taxes	310,147	324,710
Depreciation expenses	141,966	166,776
Increase (decrease) in allowance for doubtful accounts	508	1,134
Increase (decrease) in provision for bonuses	5,700	7,600
Increase (decrease) in provision for retirement benefits	(299)	—
Interest and dividends received	(729)	(1,017)
Expense to buy back its securities	—	1
Foreign exchange losses (gains)	(913)	890
Loss on disposal of fixed assets	373	145
Decrease (increase) in notes and accounts receivable-trade	(42,479)	(2,147)
Decrease (increase) in inventory assets	(17,355)	(18,047)
Increase (decrease) in accounts payable-trade	8,222	(151)
Increase (decrease) in accrued consumption taxes	(14,608)	(52,996)
Others	(7,048)	578
Subtotal	383,482	427,476
Interest and dividends received	815	949
Income taxes paid	(122,746)	(168,243)
Cash flows due to operating activities	261,551	260,181
<b>Cash flows due to investing activities</b>		
Payments into time deposits	(355,000)	(405,000)
Proceeds from withdrawal of time deposits	355,000	605,000
Purchase of property, plant, and equipment	(538,474)	(410,447)
Purchase of intangible fixed assets	(53,410)	(58,741)
Purchase of investment securities	—	(201,394)
Collection of loans receivable	400	—
Others	(3,925)	(13,047)
Cash flows due to investing activities	(595,410)	(483,629)
<b>Cash flows due to financing activities</b>		
Cash dividends paid	(167,362)	(184,981)
Expense to buy back its shares	—	(122)
Proceeds from disposal of treasury stock	8,316	—
Others	(948)	(948)
Cash flows due to financing activities	(159,995)	(186,052)
Effect of exchange rate on cash and cash equivalents	913	(890)
Net increase (decrease) in cash and cash equivalents	(492,941)	(410,392)
Balance of cash and cash equivalents at beginning of year	1,706,781	1,669,763
Balance of cash and cash equivalents at end of quarter	1,213,839	1,259,371



[Segment information]

Cumulative first two quarters of the previous fiscal year (May 1, 2018 – Oct. 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	1,202,667	1,650,131	59,474	2,912,273	—	2,912,273
Inter-segment internal sales and transfers	—	—	8,320	8,320	(8,320)	—
Total	1,202,667	1,650,131	67,794	2,920,593	(8,320)	2,912,273
Segment income (loss)	302,937	362,744	(117,278)	548,403	(241,835)	306,567

Cumulative first two quarters of the current fiscal year (May 1, 2019 – Oct. 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	1,218,103	1,875,024	49,803	3,142,930	—	3,142,930
Inter-segment internal sales and transfers	—	—	2,100	2,100	(2,100)	—
Total	1,218,103	1,875,024	51,903	3,145,030	(2,100)	3,142,930
Segment income (loss)	297,390	396,453	(109,474)	584,369	(260,675)	323,694

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