

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



September 7, 2020

Company name: Asukanet Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 2438
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 Scheduled date of filing quarterly securities report: September 14, 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 Three Months Ended July 31, 2020

(May 1, 2020 to July 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	%
Three months ended								
July 31, 2020	1,259	(18.3)	(40)	-	0	(99.6)	(1)	-
July 31, 2019	1,541	6.9	155	11.3	155	9.2	109	13.1

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
July 31, 2020	(0.08)	-
July 31, 2019	6.48	-

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of July 31, 2020	6,341	5,583	88.0
As of April 30, 2020	6,607	5,750	87.0

(Reference) Equity: As of July 31, 2020: ¥5,583 million
 As of April 30, 2020: ¥5,750 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, 2020	-	0.00	-	10.00	10.00
Fiscal year ending April 30, 2021	-				
Fiscal year ending April 30, 2021 (Forecast)		0.00	-	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, 2021
(May 1, 2020 to April 30, 2021)**

(% 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
	6,368	(3.2)	436	(38.5)	471	(33.7)	325	(35.2)	19.36

(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):

July 31, 2020: 17,464,000 shares

April 30, 2020: 17,464,000 shares

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

July 31, 2020: 623,057 shares

April 30, 2020: 623,057 shares

3) Average number of shares during the period:

Three months ended July 31, 2020: 16,840,943 shares

Three months ended July 31, 2019: 16,841,018 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 first quarter of this fiscal year, the economy of Japan saw a slowdown in economic activity and a large drop in personal spending caused by the coronavirus pandemic. The global economy has also been largely affected by the spread of coronavirus infections, and with the added factor of trade friction between the U.S. and China, the future of the global economy continues to be highly uncertain.

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, funerals have been reduced in size due to the coronavirus pandemic, slowing growth in our primary business areas which are centered on processing photos of the deceased and on video and other funeral production services. In connection with this, we also faced a difficult struggle for sales of frames and supplies. As a result, sales were down from the same period in the previous fiscal year. Our efforts this quarter included the development and preparation for release of a web condolence money reception service. This service will be added to the “tsunagoo” service that was released as one type of our “funeral tech” that has brought extensive use of IT technologies to the funeral market.

In terms of income, despite a reduction in advertising expenses and R&D expenses, the decline in sales, coupled with an increase in personnel costs for image processing operators, resulted in a decline in segment income.

As a result, sales were 547,693 thousand yen (94.0% year-on-year), and segment income was 102,446 thousand yen (76.0% 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, although there was steady growth in products for photo studios, our primary service of wedding photo albums faced difficult conditions as it was strongly affected by the many wedding ceremonies which were postponed due to the coronavirus pandemic. As one of our new programs in this area, we added a photo data sales function to the GLAMPiC data delivery service.

In the general consumer market as well, our promotions for utilizing stay-at-home time to organize photos and order photo albums produced some results. However business was affected by factors such as the voluntary reductions in travel and events due to the coronavirus pandemic, and the same trend was seen in sales of OEM products. As a result, sales were down from the same period in the previous fiscal year.

In terms of income, we succeeded in reducing advertising expenses and travel and transportation expenses, and also restructured our production workplace personnel. However there were large effects from the declining operating rate that accompanied the drop in sales, and there was a large decrease in segment income.

As a result, sales were 684,302 thousand yen (73.1% year-on-year), and segment income was 49,276 thousand yen (23.2% 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 the current volume of supply is still not sufficient, we carried out sales for signage and development purposes. Aiming to bring our mass production technology for glass ASKA3D plates in-house in June 2020, we established a technical development center, installed production equipment, and completed coordination and other work needed for the start of prototype production.

For plastic ASKA3D plates, our objective is use of the plates incorporated into products. In the environment of the coronavirus pandemic, much attention is being given to the use of aerial imaging for touchless operations. We received numerous inquiries and proceeded with sample sales. We are carrying out verification tests for specific applications, and are working to obtain mass-production orders for mid-sized lots.

In terms of sales, although sales of glass plates were down, sales of plastic plates were up and as a result sales were higher than the same period in the previous fiscal year.

In terms of profit and loss, the higher R&D expenses required for the establishment of a technical development center resulted in a larger segment loss than the same period in the previous fiscal year.

As a result, sales were 28,032 thousand yen (113.9% year-on-year), and segment loss was 52,602 thousand yen (compared to a loss of 48,262 thousand yen in the same quarter of the previous year).

As a result of the above, sales were 1,259,398 thousand yen (81.7% year-on-year). In terms of income, primarily as a result the large decline in segment income in the personal publishing business and the establishment of a technical development center in the aerial imaging business, ordinary income was 549 thousand yen (0.4% year-on-year) and net loss for the quarter was 1,376 thousand yen (compared to net income of 109,118 thousand yen in the first quarter of the previous fiscal year).

(2) Overview of the Financial Status during this Quarter

Current assets at the end of this first quarter decreased by 265,791 thousand yen from the end of the previous fiscal year to reach 6,341,897 thousand yen. This was primarily due to a decline in cash and savings of 207,614 thousand yen and a decrease in accounts receivable-trade of 148,625 thousand yen.

Current liabilities at the end of this first quarter decreased by 98,468 thousand yen from the end of the previous fiscal year to reach 758,834 thousand yen. This was primarily due to a decrease in income taxes payable of 78,200 thousand yen and a decrease in the bonus reserve of 67,400 thousand yen.

Net assets at the end of this first quarter decreased by 167,322 thousand yen to reach 5,583,062 thousand yen. This was primarily due to a decrease of 168,409 thousand yen in 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, 2020)	Current 1 st quarter (ended July 31, 2020)
Asset		
Current assets		
Cash and deposits	1,960,817	1,753,202
Accounts receivable-trade	798,034	649,408
Merchandise and products	190,796	165,389
Work in progress	49,083	90,308
Raw materials and supplies	98,238	97,306
Others	29,155	143,279
Allowance for doubtful accounts	(4,351)	(4,764)
Total current assets	3,121,774	2,894,132
Fixed assets		
Tangible fixed assets		
Buildings, net	905,868	934,540
Machinery and equipment, net	448,625	493,393
Land	844,060	844,060
Others, net	236,969	185,438
Total tangible fixed assets	2,435,524	2,457,432
Total intangible fixed assets	221,573	231,615
Total investments and other assets		
Investment securities	523,634	527,177
Others	305,182	231,539
Total investment and others	828,816	758,716
Total fixed assets	3,485,914	3,447,764
Total assets	6,607,688	6,341,897
Liabilities		
Current liabilities		
Accounts payable-trade	167,630	117,256
Accounts payable-other	162,859	323,795
Income taxes payable	87,100	8,900
Provision for bonuses	150,900	83,500
Provision for officer retirement benefit	100,000	—
Others	181,380	218,423
Total current liabilities	849,870	751,875
Fixed liabilities		
Provision for retirement benefits	6,009	6,009
Others	1,423	948
Total fixed liabilities	7,432	6,958
Total liabilities	857,303	758,834
Net assets		
Shareholders' equity		
Capital stock	490,300	490,300
Capital surplus	606,585	606,585
Retained earnings	4,924,463	4,754,676
Treasury stock	(269,031)	(269,031)
Total shareholders' equity	5,752,316	5,582,529
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1,930)	532
Total valuation and translation adjustments	(1,930)	532
Total net assets	5,750,385	5,583,062
Total liabilities and net assets	6,607,688	6,341,897

(2) Profit and loss statement for 1st quarter

(unit:1000s yen)

	First quarter of the previous fiscal year (May 1, 2019 – July 31, 2019)	First quarter of the current fiscal year (May 1, 2020 – July 31, 2020)
Net Sales	1,541,557	1,259,398
Cost of sales	751,892	708,912
Gross profit	789,664	550,486
Selling, general, and administrative expenses	633,825	590,489
Operating income (loss)	155,839	(40,003)
Non-operating income		
Interest received	229	309
Dividends received	500	675
Commissions received	88	69
Insurance cancellation refund	—	32,600
Others	102	7,635
Total non-operating income	919	41,289
Non-operating expenses		
Foreign exchange losses	1,406	736
Others	73	—
Total non-operating expenses	1,480	736
Ordinary income	155,279	549
Extraordinary income		
Income from sales of fixed assets	—	329
Total extraordinary income	—	329
Net income before taxes	155,279	879
Income taxes	46,160	2,256
Net income (loss)	109,118	(1,376)

[Segment information]

Cumulative first quarter of the current fiscal year (May 1, 2019 – July 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	582,379	935,833	23,345	1,541,557	—	1,541,557
Inter-segment internal sales and transfers	—	—	1,260	1,260	(1,260)	—
Total	582,379	935,833	24,605	1,542,817	(1,260)	1,541,557
Segment income (loss)	134,837	212,278	(48,262)	298,854	(143,014)	155,839

Cumulative first quarter of the current fiscal year (May 1, 2020 – July 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	547,693	684,302	27,402	1,259,398	—	1,259,398
Inter-segment internal sales and transfers	—	—	630	630	(630)	—
Total	547,693	684,302	28,032	1,260,028	(630)	1,259,398
Segment income (loss)	102,446	49,276	(52,602)	99,120	(139,124)	(40,003)

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