

**Non-Consolidated Financial Results
for the Three Months Ended July 31, 2017
[Japanese GAAP]**



September 6, 2017

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, 2017
 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, 2017
(May 1, 2017 to July 31, 2017)**

(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, 2017	1,388	12.9	141	4.7	142	5.4	98	7.1
July 31, 2016	1,230	2.7	135	18.2	135	16.5	91	17.2

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
July 31, 2017	5.87	5.84
July 31, 2016	5.48	5.45

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of July 31, 2017	5,191	4,539	87.4
As of April 30, 2017	5,325	4,603	86.3

(Reference) Equity: As of July 31, 2017: ¥4,535 million
 As of April 30, 2017: ¥4,597 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended April 30, 2017	Yen -	Yen 0.00	Yen -	Yen 10.00	Yen 10.00
Fiscal year ending April 30, 2018	-				
Fiscal year ending April 30, 2018 (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, 2018
(May 1, 2017 to April 30, 2018)

(% 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
	5,696	4.7	771	(3.7)	776	(3.6)	541	(5.5)	32.31

(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, 2017: 17,464,000 shares

April 30, 2017: 17,464,000 shares

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

July 31, 2017: 688,941 shares

April 30, 2017: 717,741 shares

3) Average number of shares during the period:

Three months ended July 31, 2017: 16,752,963 shares

Three months ended July 31, 2016: 16,733,859 shares

* These quarterly financial results are outside the scope of quarterly review procedures.

* 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) Explanation of Business Results

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 the funeral business that is largely unaffected by economic trends, (2) the personal publishing business, a challenging 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 result figures for each segment include internal inter-segment sales.

(Memorial design service business)

In this business, we achieved strong income from our primary business operation – processing of photos of the deceased, and sales of hardware devices and frames were also strong. We also recorded sales of our AI altar which is a product produced in collaboration with our aerial imaging business.

In terms of expenses, personnel expenses increased as we added more employees. There was also an increase in travel, transportation, and other expenses.

As a result of the above, sales was 564,052 thousand yen (104.9% year-on-year) and segment income was 152,477 thousand yen (98.2% year-on-year).

(Personal publishing business)

This business operates *AsukaBook* for the professional photographer market and *MyBook* for the general consumer market.

In the professional photographer market, in addition to gaining contracts through our own marketing activities, we saw sales increase as a result of exhibits at exhibitions, holding *AsukaBook* seminars, releases of new products, and other measures.

In the ordinary consumer market, we worked to acquire orders primarily among photography enthusiasts and others with a particular interest in personal publishing by means of various campaigns and effective internet advertising. However the competitive environment is harsh and sales to ordinary consumers were below expectations. On the other hand, there was steady growth in sales related to OEM supply as a result of the increasing presence of our services in the market.

In terms of income, we achieved a higher gross profit margin due to factors including a higher operating rate, and were able to appropriately control expenses. The result was a large increase in segment income.

As a result of the above, sales was 793,852 thousand yen (115.6% year-on-year) and segment income was 187,774 thousand yen (142.6% year-on-year).

(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.

In this business, we are placing top priority on launching mass production of the AI plates which are capable of projecting images in mid-air.

For glass plates, although we have not yet achieved sufficient reduction in costs, we have succeeded in improving the quality of the plates, including large-size glass plates, and have achieved results from exhibitions and a gradual increase in sales primarily for signage applications. For resin plates, we are prioritizing repeated trials using a new production method that has good potential for mass production, and are working towards completing and providing prototypes in preparation for future mass production.

In terms of marketing, we exhibited at the Shop Sales Promotion Expo in Japan in July 2017, and exhibited at 2 exhibitions overseas. In addition, we are planning exhibits for CEATEC in Japan and an exhibition in

Dubai during this fiscal year.

Although the lots for signage applications are small both in Japan and overseas, there has been growth in sales of large-size AI plates and of package products that include the case and sensors. Sales were significantly higher than the same period in the previous fiscal year.

In terms of expenses, there were increases in advertising expenses and travel and transportation expenses resulting from exhibitions in Japan and overseas, as well as an increase in patent application and other expenses.

As a result of the above, sales was 33,224 thousand yen (557.9% year-on-year) and segment loss was 72,351 thousand yen (compared with a loss of 36,204 thousand yen during the first quarter of the previous fiscal year).

As a result of the above segment results, overall sales in all business areas was 1,388,970 thousand yen (112.9% year-on-year). In terms of profit, despite an increase in exhibition and other advance expenses in the aerial imaging business, strong growth in the personal publishing business resulted in ordinary income of 142,931 thousand yen (105.4% year-on-year) and net income of 98,263 thousand yen (107.1% year-on-year).

(2) Explanation concerning financial status

Assets at the end of the first quarter of this fiscal year decreased by 133,399 thousand yen from the end of the previous fiscal year to reach 5,191,847 thousand yen. This was due primarily to a decrease of 74,242 thousand yen in cash and savings resulting from payment of income taxes and dividends, and to a decrease of 40,577 thousand yen in notes and accounts receivable.

Liabilities at the end of the first quarter of this fiscal year decreased by 69,623 thousand yen from the end of the previous fiscal year to reach 652,179 thousand yen. This was due primarily to a decrease of 91,270 thousand yen in income taxes payable and a decrease of 61,100 thousand yen in provisions for bonuses.

Net assets at the end of the first quarter of this fiscal year decreased by 63,776 thousand yen from the end of the previous fiscal year to reach 4,539,667 thousand yen. Despite recording quarterly net income of 98,263 thousand yen, this decrease was due primarily to payment of 167,462 thousand yen in dividends from surplus.

(3) Explanation of results forecasts and other future predictions

At the present time, there has been no change to the predicted results for the year ending April 30, 2018 that were announced on June 9, 2017.

5. Financial Statements for the First Quarter

(1) Balance sheet

(Units: 1,000s yen)

	Previous fiscal year (ended April 30, 2017)	First quarter of the current fiscal year (ended July 31, 2017)
Assets		
Current assets		
Cash and deposits	2,278,251	2,204,009
Notes and accounts receivable-trade	686,517	645,939
Merchandise and products	166,123	173,909
Work in progress	12,038	13,987
Raw materials and supplies	56,972	61,451
Others	112,648	89,956
Allowance for doubtful accounts	△3,163	△3,215
Total current assets	3,309,387	3,186,038
Fixed assets		
Tangible fixed assets		
Buildings, net	499,750	495,861
Machinery and equipment, net	422,616	391,687
Land	432,702	432,702
Others, net	150,493	184,307
Total tangible fixed assets	1,505,562	1,504,559
Intangible fixed assets	211,874	203,625
Investments and other assets	298,423	297,623
Total fixed assets	2,015,859	2,005,808
Total assets	5,325,247	5,191,847
Liabilities		
Current liabilities		
Accounts payable-trade	118,905	121,899
Income taxes payable	143,270	52,000
Provision for bonuses	129,000	67,900
Others	317,028	397,256
Total current liabilities	708,204	639,056
Fixed liabilities		
Provision for retirement benefits	6,482	6,482
Others	7,115	6,640
Total fixed liabilities	13,597	13,123
Total liabilities	721,802	652,179
Net assets		
Shareholders' equity		
Capital stock	490,300	490,300
Capital surplus	606,585	606,585
Retained earnings	3,803,101	3,729,235
Treasury stock	△309,764	△297,334
Total shareholders' equity	4,590,222	4,528,785
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,579	6,954
Total valuation and translation adjustments	7,579	6,954
Subscription rights to shares	5,642	3,928
Total net assets	4,603,444	4,539,667
Total liabilities and net assets	5,325,247	5,191,847

(2) Profit and loss statement

First quarter of the fiscal year

(Units: 1,000s yen)

	First quarter of the previous fiscal year (May 1, 2016 – July 31, 2016)	First quarter of the current fiscal year (May 1, 2017 – July 31, 2017)
Net Sales	1,230,223	1,388,970
Cost of sales	611,520	664,785
Gross profit	618,703	724,184
Selling, general, and administrative expenses	483,514	582,611
Operating income	135,188	141,572
Non-operating income		
Interest received	272	167
Dividends received	611	610
Commissions received	138	135
Foreign exchange income	—	446
Others	35	8
Total non-operating income	1,057	1,369
Non-operating expenses		
Foreign exchange losses	636	—
Others	—	10
Total non-operating expenses	636	10
Ordinary income	135,609	142,931
Extraordinary losses		
Loss on retirement of fixed assets	—	550
Total extraordinary losses	—	550
Net income before taxes	135,609	142,381
Income taxes	43,879	44,117
Net income	91,730	98,263

[Segment information]

Cumulative first quarter of the previous fiscal year (May 1, 2016 – July 31, 2016)

Information related to the amounts of sales, income, and loss for each reporting segment

(Units: 1,000s yen)

	Reporting segment				Other	Adjustments
	Memorial design service business	Personal publishing service business	Aerial imaging business	Total		
Sales						
Sales to outside customers	537,559	686,708	5,955	1,230,223	—	1,230,223
Inter-segment internal sales and transfers	—	—	—	—	—	—
Total	537,559	686,708	5,955	1,230,223	—	1,230,223
Segment income (loss)	155,231	131,725	Δ36,204	250,751	Δ115,562	135,188

Cumulative first quarter of the current 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	Δ2,160	—
Total	564,052	793,852	33,224	1,391,130	Δ2,160	1,388,970
Segment income (loss)	152,477	187,774	Δ72,351	267,899	Δ126,327	141,572

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