

**Non-Consolidated Financial Results  
for the Fiscal Year Ended April 30, 2017  
[Japanese GAAP]**



June 9, 2017

Company name: Asukanet Co., Ltd.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 2438  
 URL: <https://www.asukanet.co.jp>  
 Representative: Yukio Fukuda, Representative Director, President & CEO  
 Contact: Kenya Kono, Managing Director & CFO  
 Phone: +81-82-850-1200  
 Scheduled date of Annual General Meeting of Shareholders: July 28, 2017  
 Scheduled date of commencing dividend payments: July 31, 2017  
 Scheduled date of filing annual securities report: July 31, 2017  
 Availability of supplementary briefing material on annual financial results: Available  
 Schedule of annual 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 Fiscal Year Ended April 30, 2017  
(May 1, 2016 to April 30, 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	%
Fiscal year ended April 30, 2017	5,438	5.1	800	3.6	804	3.6	572	4.6
April 30, 2016	5,173	3.9	773	21.2	776	20.7	547	28.7

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended April 30, 2017	34.19	34.01	13.0	15.9	14.7
April 30, 2016	32.65	32.39	13.6	16.7	15.0

(Reference) Equity in earnings of affiliated companies Fiscal year ended April 30, 2017: ¥- million  
 Fiscal year ended April 30, 2016: ¥- million

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of April 30, 2017	5,325	4,603	86.3	274.56
As of April 30, 2016	4,820	4,190	86.8	250.03

(Reference) Equity: As of April 30, 2017: ¥4,597 million  
 As of April 30, 2016: ¥4,183 million

(3) Non-Consolidated cash flows

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended April 30, 2017	818	(293)	(164)	1,673
April 30, 2016	765	(357)	(200)	1,313

## 2. Dividends

	Annual dividends					Total dividends (Annual)	Dividend payout ratio	Dividends to net assets
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended April 30, 2016	-	0.00	-	10.00	10.00	167	30.6	4.2
Fiscal year ended April 30, 2017	-	0.00	-	10.00	10.00	167	29.3	3.8
Fiscal year ending April 30, 2018 (Forecast)	-	0.00	-	10.00	10.00		31.0	

## 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

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

### \* Notes:

(1) 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

(2) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

April 30, 2017: 17,464,000 shares

April 30, 2016: 17,464,000 shares

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

April 30, 2017: 717,741 shares

April 30, 2016: 730,141 shares

3) Average number of shares during the period:

Fiscal year ended April 30, 2017: 16,739,285 shares

Fiscal year ended April 30, 2016: 16,753,989 shares

\*These financial results are outside the scope of audit.

### \* 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.

○ Contents of Attached Materials

## 1. 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.

In February 2017 we began a business partnership with Unirobot, Inc., a company which developed, manufactures, and sells the social robot *unibo*.

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 there was a difficult struggle for income from processing of photos of the deceased during the first quarter, there was a recovery beginning from the second quarter. In addition to steady growth in sales related to videos, signage, and other funeral presentation tools, there were also strong sales of frames and supplies.

In terms of income, there was an increase in PR expenses due to strengthening participation at exhibitions, however as a result of efficiency improvements in image processing operations, there was stable growth in segment income and results exceeded expectations.

As a result of the above, sales were 2,427,256 thousand yen (104.1% year-on-year), and segment income was 796,315 thousand yen (104.2% 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.

For the professional photography market in Japan, in addition to acquiring customers through our own marketing activities, we also further extended our presence in the market through activities such as exhibits at exhibitions and holding digital photography seminars. We also worked to capture customers by holding workshops and photo contests, and releasing a photo selection app, among other efforts. As a result, we have seen strong sales centered on our primary product *ZEN Lay Flat*.

For the general Japanese consumer market<sup>3</sup> in addition to an efficient internet advertising campaign, we also worked to capture customers among photography enthusiasts and others who are focused on design and quality by means that included holding various campaign events and exhibiting at the "CP+" exhibition. However the competitive environment was harsh and acquiring new customers was difficult, and sales fell 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, particular boosts were received from growth in OEM sales and improvement to the operating rate. In addition, we were able to appropriately control advertising costs and other expenses, and the result was a large increase in segment income.

As a result of the above, sales were 2,951,308 thousand yen (106.1% year-on-year) and segment income was 657,557 thousand yen (121.1% 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.

In this business, we are placing top priority on the AI plates which are capable of projecting images in mid-air. For glass plates, although we have achieved stable improvement in imaging quality and are also able to produce large-size plates, we have not yet achieved sufficient reduction in costs.

For resin plates, we continued to carry out trials using both a new production method and the same method as for glass plate production. Although there remain some uncertainties regarding quality, cost, and other elements, the use of a new production method intended for mass production has allowed us to produce prototypes that ensure a consistent level of quality, and the possibility of mass production is now in sight. As a result, we have decided to give priority to establishing a mass production system using this new production method in the future.

In terms of marketing, we exhibited in Japan at the Digital Signage Japan and Tokyo Design Week exhibitions, providing aerial imaging experiences to many visitors. In addition, we renovated the exhibits at our Tokyo branch showroom and increased the number of sales staff, and carried out proactive marketing activities. As before, sales have been restricted to limited applications and small lot sales, primarily due to insufficient matching in the price area. However we intend to utilize the AI plate sales site and expand sales of products including resin plates. We also exhibited at three overseas exhibitions beginning from March of this year using the overseas brand ASKA3D, giving many persons around the world their first look at aerial imaging. We received many inquiries related to signage and other applications, and are continuing to follow them up. We are also planning to exhibit at three more overseas exhibitions beginning from May.

In terms of expenses, as a result of active participation in exhibitions in Japan and overseas, both advertising expenses and travel expenses were higher. Expenses were also higher due to R&D aimed at achieving mass production and to active patent applications.

As a result of the above, sales were 60,534 thousand yen (103.8% year-on-year) and segment loss was 183,742 thousand yen (compared to a loss of 88,845 thousand yen in the previous year).

As a result of the above segment results, overall sales in all business areas were 5,438,199 thousand yen (105.1% year-on-year). In terms of profit, despite a larger loss in the aerial imaging business, growing income in the personal publishing business contributed to ordinary income of 804,617 thousand yen (103.6% year-on-year) and net income of 572,312 thousand yen (104.6% year-on-year).

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

### (Assets)

Current assets at the end of this fiscal year increased by 506,280 thousand yen from the end of the previous fiscal year to reach 3,309,387 thousand yen. The primary reasons for this increase were strong income results and an increase in cash and savings of 360,107 thousand yen.

Fixed assets at the end of this fiscal year decreased by 1,451 thousand yen from the end of the previous fiscal year to reach 2,015,859 thousand yen. Although there was an increase of 106,900 thousand yen in investment securities, the primary reason for this decrease was a decrease of 121,096 thousand yen in tangible fixed assets.

### (Liabilities)

Current liabilities at the end of this fiscal year increased by 84,794 thousand yen from the end of the previous fiscal year to reach 708,204 thousand yen. The primary reasons for this increase were an increase of 30,232 thousand yen in accounts payable and an increase of 23,070 thousand yen in income taxes payable.

Fixed liabilities at the end of this fiscal year increased by 6,963 thousand yen from the end of the previous fiscal year to reach 13,597 thousand yen. The primary reason for this increase was an increase of 7,115 thousand yen in other liabilities (lease obligations).

### (Net assets)

Net assets at the end of this fiscal year increased by 413,072 thousand yen from the end of the previous fiscal year to reach 4,603,444 thousand yen. The primary reason for this increase was an increase of 402,964 thousand yen in retained earnings.

### (3) Overview of Cash Flows during this Fiscal Year

Cash and cash equivalents (hereafter referred to as "funds") increased by 360,107 thousand yen from the end of the previous fiscal year to reach 1,673,251 thousand yen. Although we invested in equipment and software development, and acquired investment securities, this increase was the result of steady acquisition of funds from operating activities due to solid income results.

(Cash flow due to operating activities)

Funds acquired as a result of operating activities during this fiscal year were 818,011 thousand yen (compared to acquisition of 765,127 thousand yen during the previous fiscal year). This result was primarily due to payment of 217,589 thousand yen in income taxes, while recording depreciation expenses of 309,336 thousand yen and net income before taxes of 801,712 thousand yen.

(Cash flow due to investment activities)

Funds expended as a result of operating activities during this fiscal year were 293,619 thousand yen (compared to expenditure of 357,110 thousand yen during the previous fiscal year). This result was primarily due to the acquisition of 102,685 thousand yen in tangible fixed assets, 88,988 thousand yen in intangible fixed assets, and 99,000 thousand yen in investment securities.

(Cash flow due to financing activities)

Funds expended as a result of financing activities during this fiscal year were 164,281 thousand yen (compared to expenditure of 200,401 thousand yen during the previous fiscal year). This result was primarily due to payment of 166,410 thousand yen in dividends.

### (4) Future Outlook

Despite signs of recovery including a recovery in corporate earnings and improvement in the employment environment, the outlook for the economy during the coming fiscal year is expected to remain highly unpredictable as a result of unstable overseas economic conditions, primarily in emerging nations.

Under these conditions, our company is operating a business that is consistent with the current times in which services are customized from minimum lot sizes to meet individual needs, and aims to capture stable demand. Both the memorial design service business and personal publishing business have established a solid business foundation and achieved stable income, however we recognize that there are issues from the perspective of further growth and will carry out measures aimed at expanding these business areas. For the aerial imaging business that we are engaged in as a new challenge, although more time than expected has been required, we have positioned the achievement of mass production at a suitable price and acceleration of marketing as critical matters for the establishment of the business. We will also continue to challenge ourselves to develop new businesses and services.

In the memorial design service business, we will make use of our strengths in image processing technologies, in-house support systems, and a diverse range of funeral presentation tools to develop new customers and increase the unit price for existing customers. We will also expand our e-commerce service and cloud service aimed at funeral companies.

In the personal publishing business, we will add new product items and improve our photo collection ordering software, and will also hold various seminars and participate in exhibitions, conduct events, and take other steps to capture customers. We will also focus on expanding our OEM supply aimed at smartphone users, and carry out personnel reinforcement and equipment investment to support increased production.

In the aerial imaging business, we will address the establishment of a mass production system capable of producing AI plates for aerial imaging at suitable prices. We will also actively exhibit at exhibitions in Japan and overseas and reinforce our follow-up programs after exhibitions in order to promote sales of AI plates.

As a result of the above, as a result of expected increases in personnel expenses, depreciation expenses, and shipping expenses in the personal publishing business, segment income is expected to decline. Consequently in the forecast for the year ending April 30, 2018, we are expecting sales of 5,696 million yen (104.7% year-on-year), operating income of 771 million yen (96.3% year-on-year), ordinary income of 776 million yen (96.4% year-on-year), and net income of 541 million yen (94.5%

year-on-year).

In addition, various matters in the personal publishing business, such as overseas markets and general consumer markets, contain elements of uncertainty. Because sales in overseas markets are conducted in the local currencies, they are susceptible to the effects of changing exchange rates. The aerial imaging business and other new business areas also involve technological research and marketing that we have not engaged in before, and many uncertain elements are involved in its commercialization.

Note: The above forecast was created based on information available at the time this material was released, and actual results may differ from the forecast values due to a variety of factors.

## 2. Financial Statements for the fiscal year ended April 30, 2017

### (1) Balance sheet

(unit:1000s yen)

	Previous fiscal year (As of April 30 <sup>th</sup> , 2016)	Current fiscal year (As of April 30 <sup>th</sup> , 2017)
Assets		
Current assets		
Cash and deposits	1,918,143	2,278,251
Notes	648	1,320
Accounts receivable-trade	609,991	685,197
Merchandise and products	123,936	166,123
Work in progress	13,423	12,038
Raw materials and supplies	50,720	56,972
Advance payment	24,093	46,499
Deferred tax asset	63,506	62,466
Others	2,446	3,682
Allowance for doubtful accounts	(3,803)	(3,163)
Total current assets	2,803,106	3,309,387
Fixed assets		
Tangible fixed assets		
Buildings, net	514,797	499,750
Constructs	7,576	6,877
Machinery and equipment, net	552,201	422,616
Vehicles	1,782	8,704
Tools, furniture and fixtures	117,598	134,911
Land	432,702	432,702
Total tangible fixed assets	1,626,659	1,505,562
Intangible fixed assets	196,351	211,874
Investments and other assets	194,300	298,423
Total fixed assets	2,017,310	2,015,859
Total assets	4,820,417	5,325,247

(unit:1000s yen)

	Previous fiscal year (As of April 30 <sup>th</sup> , 2016)	Current fiscal year (As of April 30 <sup>th</sup> , 2017)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	123,714	118,905
Accounts payable	112,816	143,049
Accrued payment	64,846	67,998
Income taxes payable	120,200	143,270
Advances	11,586	26,171
Deposits	11,265	11,759
Provision for bonuses	129,700	129,000
Others	49,281	68,050
Total current liabilities	623,410	708,204
Fixed liabilities		
Provision for retirement benefits	6,634	6,482
Others	—	7,115
Total fixed liabilities	6,634	13,597
Total liabilities	630,045	721,802
<b>Net assets</b>		
Shareholders' equity		
Capital stock	490,300	490,300
Capital surplus	606,585	606,585
Retained earnings	3,400,136	3,803,101
Treasury stock	(315,115)	(309,764)
Total shareholders' equity	4,181,905	4,590,222
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,086	7,579
Total valuation and translation adjustments	2,086	7,579
Subscription rights to shares	6,380	5,642
Total net assets	4,190,372	4,603,444
Total liabilities and net assets	4,820,417	5,325,247



(2) Profit and loss statement

(unit:1000s yen)

	21 <sup>st</sup> fiscal year (May 1, 2015-April 30, 2016)	22 <sup>nd</sup> fiscal year (May 1, 2016-April 30, 2017)
Net Sales	5,173,363	5,438,199
Cost of sales	2,532,252	2,625,921
Gross profit	2,641,110	2,812,277
Selling, general, and administrative expenses	1,867,846	2,011,472
Operating income	773,264	800,804
Non-operating income		
Interest received	1,852	1,060
Dividends received	1,095	1,161
Commissions received	646	545
Others	759	1,223
Total non-operating income	4,352	3,990
Non-operating expenses		
Foreign exchange losses	875	178
Treasury stock acquisition cost	273	—
Total non-operating expenses	1,148	178
Ordinary income	776,468	804,617
Extraordinary losses		
Loss on retirement of fixed assets	4,802	2,904
Total extraordinary losses	4,802	2,904
Net income before taxes	771,665	801,712
Income taxes	224,658	229,399
Net income	547,006	572,312

## (3) Statement of cash flows

(unit:1000s yen)

	21 <sup>st</sup> fiscal year (May 1, 2015-April 30, 2016)	22 <sup>nd</sup> fiscal year (May 1, 2016-April 30, 2017)
Cash flows resulting from operating activities		
Net income before taxes	771,665	801,712
Depreciation expenses	273,401	309,336
Increase (decrease) in allowance for doubtful accounts	1,154	567
Increase (decrease) in provision for bonuses	11,300	(700)
Increase (decrease) in provision for retirement benefits	(161)	(151)
Stock compensation expenses	1,021	—
Interest and dividends received	(2,947)	(2,221)
Treasury stock acquisition cost	273	—
Foreign exchange losses (gains)	9	2
Loss on disposal of fixed assets	4,802	2,904
Decrease (increase) in notes and accounts receivable-trade	(46,344)	(77,187)
Decrease (increase) in inventory assets	(51,322)	(47,054)
Increase (decrease) in accounts payable-trade	23,545	(4,808)
Increase (decrease) in accrued consumption taxes	(12,869)	18,769
Others	(25,920)	32,198
Subtotal	947,608	1,033,368
Interest and dividends received	2,972	2,231
Income taxes paid	(185,452)	(217,589)
Cash flows due to operating activities	765,127	818,011
Cash flows due to investing activities		
Purchase of property, plant, and equipment	(249,857)	(102,685)
Purchase of intangible fixed assets	(106,499)	(88,988)
Purchase of investment securities	—	(99,000)
Collection of loans receivable	7,420	1,440
Payments into time deposits	(605,000)	(605,000)
Proceeds from withdrawal of time deposits	605,000	605,000
Others	(8,173)	(4,386)
Cash flows due to investing activities	(357,110)	(293,619)
Cash flows due to financing activities		
Cash dividends paid	(132,606)	(166,410)
Proceeds from disposal of treasury stock	24,528	2,604
Purchase of treasury stock	(91,068)	—
Others	(1,254)	(474)
Cash flows due to financing activities	(200,401)	(164,281)
Effect of exchange rate on cash and cash equivalents	(9)	(2)
Net increase (decrease) in cash and cash equivalents	207,606	360,107
Balance of cash and cash equivalents at beginning of year	1,105,536	1,313,143
Balance of cash and cash equivalents at end of quarter	1,313,143	1,673,251

#### (4) Notes Regarding the Financial Statements

(Segment information, etc.)

Information related to the amounts of sales, income or loss, assets, liabilities, and other items for each reporting segment

Year 21 (May 1, 2015 – April 30, 2016)

(unit:1000s yen)

	Reporting segment				Other	Adjustments	Amount recorded in financial statements
	Memorial design services business	Personal publishing services business	Aerial imaging business	Total			
Sales							
Sales to outside customers	2,332,106	2,781,312	58,336	5,171,755	1,607	—	5,173,363
Inter-segment internal sales and transfers	—	132	—	132	—	(132)	—
Total	2,332,106	2,781,445	58,336	5,171,888	1,607	(132)	5,173,363
Segment income (loss)	764,553	543,161	(88,845)	1,218,869	(16,176)	(429,428)	773,264
Other items							
Depreciation expenses	18,854	219,815	15,672	254,342	271	18,787	273,401

Year 22 (May 1, 2016 – April 30, 2017)

(unit:1000s yen)

	Reporting segment				Adjustments	Amount recorded in financial statements
	Memorial design services business	Personal publishing services business	Aerial imaging business	Total		
Sales						
Sales to outside customers	2,427,256	2,951,308	59,634	5,438,199	—	5,438,199
Inter-segment internal sales and transfers	—	—	900	900	(900)	—
Total	2,427,256	2,951,308	60,534	5,439,099	(900)	5,438,199
Segment income (loss)	796,315	657,557	(183,742)	1,270,130	(469,325)	800,804
Other items						
Depreciation expenses	21,057	251,170	11,610	283,838	25,498	309,336

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