

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2017 (Based on Japanese GAAP)

August 8, 2017

Company name: Aoyama Zaisan Networks Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 8929 URL <http://www.azn.co.jp/>
 Representative: President Masazumi Hasumi
 Inquiries: Officer, Administration Division Shintaro Hashiba TEL 03-6439-5800
 Scheduled date to file Quarterly Securities Report: August 8, 2017
 Scheduled date to commence dividend payments: August 28, 2017
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2017 (from January 1, 2017 to June 30, 2017)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2017	7,000	1.3	701	65.2	645	110.1	538	73.4
Six months ended June 30, 2016	6,912	31.3	424	125.0	307	52.5	310	86.8

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2017	46.34		46.15	
Six months ended June 30, 2016	26.38		26.21	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2017	10,064	3,435	34.1	300.27
As of December 31, 2016	9,258	3,329	35.8	279.72

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended December 31, 2016	–	8.00	–	15.00	23.00
Year ending December 31, 2017	–	11.00			
Year ending December 31, 2017 (Forecast)			–	17.00	28.00

3. Forecast of consolidated financial results for the year ending December 31, 2017 (from January 1, 2017 to December 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	14,800	2.6	820	9.1	730	16.2	680	15.8	57.32

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2017
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of June 30, 2017	11,963,500 shares	As of December 31, 2016	11,864,100 shares
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Number of treasury shares at the end of the period

As of June 30, 2017	550,000 shares	As of December 31, 2016	– shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2017	11,623,157 shares	Six months ended June 30, 2016	11,778,111 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2016	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	5,350,016	5,761,515
Accounts receivable - trade	145,237	239,461
Real estate for sale	234,799	579,609
Other inventories	3,090	4,015
Deferred tax assets	260,588	261,322
Other	729,516	713,939
Allowance for doubtful accounts	(91,246)	(79,011)
Total current assets	6,632,002	7,480,854
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	80,231	145,018
Land	1,406	1,406
Other, net	51,482	70,960
Total property, plant and equipment	133,120	217,384
Intangible assets		
Goodwill	141,927	101,376
Software	165,091	149,516
Other	2,330	2,289
Total intangible assets	309,349	253,183
Investments and other assets		
Investment securities	1,836,661	1,770,173
Shares of subsidiaries and associates	29,671	31,652
Deferred tax assets	1,329	1,101
Other	316,487	310,229
Total investments and other assets	2,184,150	2,113,157
Total non-current assets	2,626,621	2,583,725
Total assets	9,258,623	10,064,580

(Thousands of yen)

	As of December 31, 2016	As of June 30, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	78,171	76,865
Short-term loans payable	200,000	200,000
Current portion of long-term loans payable	761,877	898,200
Current portion of bonds	320,000	424,000
Income taxes payable	134,337	111,112
Accounts payable - other	517,329	188,635
Provision for bonuses	–	362,973
Other	509,421	353,350
Total current liabilities	2,521,137	2,615,137
Non-current liabilities		
Bonds payable	910,000	1,186,000
Long-term loans payable	1,359,460	1,616,560
Long-term lease and guarantee deposited	971,214	1,013,101
Long-term accounts payable - other	61,895	61,472
Deferred tax liabilities	105,174	137,089
Total non-current liabilities	3,407,744	4,014,223
Total liabilities	5,928,881	6,629,361
Net assets		
Shareholders' equity		
Capital stock	1,066,156	1,088,937
Capital surplus	772,235	795,016
Retained earnings	1,238,803	1,599,460
Treasury shares	–	(346,500)
Total shareholders' equity	3,077,196	3,136,915
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	245,578	315,837
Foreign currency translation adjustment	(4,201)	(25,631)
Total accumulated other comprehensive income	241,376	290,205
Subscription rights to shares	11,169	8,097
Total net assets	3,329,742	3,435,218
Total liabilities and net assets	9,258,623	10,064,580

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Operating revenue		
Operating revenue	2,126,440	2,845,038
Real estate sales	4,786,515	4,155,765
Total operating revenue	6,912,955	7,000,803
Operating cost		
Cost For Sales	1,193,089	1,450,666
Cost of sales - real estate	4,404,771	3,859,756
Total operating cost	5,597,861	5,310,423
Operating gross profit	1,315,094	1,690,380
Selling, general and administrative expenses	890,712	989,175
Operating income	424,381	701,205
Non-operating income		
Interest income	589	1,489
Dividend income	9,231	8,774
Other	2,993	3,053
Total non-operating income	12,814	13,317
Non-operating expenses		
Interest expenses	36,212	28,029
Commission fee	31,222	571
Bond issuance cost	11,879	9,835
Foreign exchange losses	44,776	24,406
Other	5,829	5,984
Total non-operating expenses	129,920	68,827
Ordinary income	307,275	645,694
Extraordinary income		
Gain on sales of non-current assets	–	33
Gain on sales of investment securities	–	999
Total extraordinary income	–	1,033
Extraordinary losses		
Loss on retirement of non-current assets	1,639	–
Loss on valuation of golf club membership	–	3,120
Total extraordinary losses	1,639	3,120
Profit before income taxes	305,635	643,608
Income taxes - current	80,480	104,588
Income taxes - deferred	(85,529)	401
Total income taxes	(5,048)	104,990
Profit	310,684	538,618
Profit attributable to owners of parent	310,684	538,618

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Profit	310,684	538,618
Other comprehensive income		
Valuation difference on available-for-sale securities	44,908	70,259
Foreign currency translation adjustment	(2,087)	(21,429)
Total other comprehensive income	42,820	48,829
Comprehensive income	353,504	587,448
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	353,504	587,448
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Cash flows from operating activities		
Profit before income taxes	305,635	643,608
Depreciation	30,416	39,439
Amortization of goodwill	40,550	40,550
Share-based compensation expenses	1,043	–
Increase (decrease) in allowance for doubtful accounts	15,082	(12,235)
Increase (decrease) in provision for bonuses	264,579	362,973
Increase (decrease) in net defined benefit liability	1,088	(18,878)
Increase (decrease) in other provision	(3,610)	–
Interest and dividend income	(9,821)	(10,263)
Interest expenses	36,212	28,029
Bond issuance cost	11,879	9,835
Loss (gain) on sales of investment securities	–	(999)
Loss (gain) on sales of non-current assets	–	(33)
Loss on retirement of non-current assets	1,639	–
Loss on valuation of golf club memberships	–	3,120
Decrease (increase) in notes and accounts receivable - trade	61	(89,478)
Decrease (increase) in inventories	(3,197,603)	(355,818)
Decrease (increase) in accounts receivable - other	(66,670)	(5,417)
Decrease (increase) in advance payments	810	44,418
Decrease (increase) in advances paid	8,623	3,561
Increase (decrease) in notes and accounts payable - trade	(16,909)	(878)
Increase (decrease) in accounts payable - other	(302,584)	(319,548)
Increase (decrease) in deposits received	38,741	(136,870)
Increase (decrease) in long-term accounts payable - other	(6,316)	18,455
Increase (decrease) in lease and guarantee deposits received	(59,710)	41,943
Other, net	(47,596)	(28,046)
Subtotal	(2,954,458)	257,463
Interest and dividend income received	9,821	10,263
Interest expenses paid	(35,800)	(28,347)
Income taxes (paid) refund	(20,288)	(117,833)
Net cash provided by (used in) operating activities	(3,000,727)	121,546
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,495)	(106,959)
Proceeds from sales of property, plant and equipment	–	34
Purchase of intangible assets	(104,457)	(10,659)
Purchase of investment securities	(549,500)	(571,207)
Proceeds from sales of investment securities	–	268,796
Proceeds from withdrawal of investments in silent partnership	–	473,853
Purchase of shares of subsidiaries and associates	(3,000)	(1,981)
Proceeds from sales of shares of subsidiaries and associates	1	–
Payments for lease deposits	(3,592)	(2,848)
Other, net	(2,762)	1,938
Net cash provided by (used in) investing activities	(676,807)	50,965

(Thousands of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	3,080,000	–
Proceeds from long-term loans payable	1,370,000	800,000
Repayments of long-term loans payable	(323,459)	(406,577)
Proceeds from issuance of bonds	488,120	510,164
Redemption of bonds	(60,066)	(140,151)
Proceeds from exercise of share options	18,753	42,489
Purchase of treasury shares	–	(346,500)
Cash dividends paid	(151,981)	(177,205)
Net cash provided by (used in) financing activities	4,421,366	282,219
Effect of exchange rate change on cash and cash equivalents	(39,748)	(43,232)
Net increase (decrease) in cash and cash equivalents	704,083	411,498
Cash and cash equivalents at beginning of period	4,093,019	5,350,016
Cash and cash equivalents at end of period	4,797,102	5,761,515