

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2015 (Based on Japanese GAAP)

February 2, 2016

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: Director, Administration Division Yoshikazu Mizushima TEL 03-6439-5800
 Scheduled date of ordinary general meeting of shareholders: March 30, 2016
 Scheduled date to file Securities Report: March 30, 2016
 Scheduled date to commence dividend payments: March 31, 2016
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2015 (from January 1, 2015 to December 31, 2015)

(1) Consolidated financial results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2015	14,275	53.4	485	9.1	471	0.8	518	42.9
Year ended December 31, 2014	9,305	46.1	445	177.7	467	227.2	362	80.4

	Net income per share	Diluted net income per share	Net income/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2015	44.21	43.81	19.5	7.2	3.4
Year ended December 31, 2014	30.98	30.79	15.9	8.8	4.8

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2015	7,220	2,909	40.0	245.43
As of December 31, 2014	5,930	2,447	40.9	207.26

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2015	801	(162)	370	4,093
Year ended December 31, 2014	197	43	253	3,069

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2014	–	5.00	–	10.00	15.00	175	48.4	7.7
Year ended December 31, 2015	–	5.00	–	13.00	18.00	211	40.7	8.0
Year ending December 31, 2016 (Forecast)	–	6.00	–	12.00	18.00		47.1	

3. Forecast of consolidated financial results for the year ending December 31, 2016 (from January 1, 2016 to December 31, 2016)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending June 30, 2016	5,920	12.5	195	3.4	170	(15.6)	140	(15.8)	11.89
Full year	14,800	3.7	570	17.3	540	14.6	450	(13.2)	38.23

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2015

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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 after error corrections: No

(3) Number of issued shares (common shares)

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

As of December 31, 2015	11,771,200 shares	As of December 31, 2014	11,709,600 shares
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Number of treasury shares at the end of the period

As of December 31, 2015	– shares	As of December 31, 2014	– shares
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Average number of shares during the period

Year ended December 31, 2015	11,729,952 shares	Year ended December 31, 2014	11,709,600 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2014	As of December 31, 2015
Assets		
Current assets		
Cash and deposits	3,069,579	4,093,019
Accounts receivable - trade	200,316	231,826
Real estate for sale	772,590	765,359
Other inventories	11,540	11,540
Deferred tax assets	–	120,913
Other	158,610	102,702
Allowance for doubtful accounts	(32,278)	(26,263)
Total current assets	4,180,358	5,299,098
Non-current assets		
Property, plant and equipment		
Buildings and structures	123,305	173,352
Accumulated depreciation	(74,673)	(84,876)
Buildings and structures, net	48,632	88,475
Land	1,406	1,406
Other	90,289	119,173
Accumulated depreciation	(62,981)	(71,123)
Other, net	27,307	48,050
Total property, plant and equipment	77,346	137,931
Intangible assets		
Goodwill	304,130	223,029
Software	48,708	96,647
Other	3,087	2,921
Total intangible assets	355,926	322,598
Investments and other assets		
Investment securities	1,101,620	1,226,949
Shares of subsidiaries and associates	9,956	1
Other	205,754	233,866
Total investments and other assets	1,317,330	1,460,816
Total non-current assets	1,750,603	1,921,346
Total assets	5,930,962	7,220,445

(Thousands of yen)

	As of December 31, 2014	As of December 31, 2015
Liabilities		
Current liabilities		
Accounts payable - trade	96,870	67,372
Short-term loans payable	546,000	780,175
Current portion of long-term loans payable	309,600	541,600
Current portion of bonds	60,000	120,000
Income taxes payable	41,282	27,973
Other provision	17,252	3,610
Other	733,624	913,041
Total current liabilities	1,804,629	2,453,773
Non-current liabilities		
Bonds payable	150,000	300,000
Long-term loans payable	611,200	469,600
Long-term lease and guarantee deposited	796,092	931,104
Long-term accounts payable - other	50,537	50,330
Net defined benefit liability	13,599	16,492
Deferred tax liabilities	57,275	89,391
Other	514	—
Total non-current liabilities	1,679,218	1,856,918
Total liabilities	3,483,848	4,310,692
Net assets		
Shareholders' equity		
Capital stock	1,030,817	1,044,800
Capital surplus	736,896	750,879
Retained earnings	559,220	898,994
Total shareholders' equity	2,326,933	2,694,674
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	103,430	194,435
Foreign currency translation adjustment	(3,472)	(52)
Total accumulated other comprehensive income	99,957	194,383
Subscription rights to shares	20,223	20,696
Total net assets	2,447,113	2,909,753
Total liabilities and net assets	5,930,962	7,220,445

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Operating revenue		
Operating revenue	3,838,083	3,738,771
Real estate sales	5,467,403	10,537,078
Total operating revenue	9,305,487	14,275,850
Operating cost		
Cost For Sales	2,369,821	2,417,931
Cost of sales - real estate	5,006,569	9,717,569
Total operating cost	7,376,390	12,135,500
Operating gross profit	1,929,096	2,140,349
Selling, general and administrative expenses	1,483,812	1,654,395
Operating income	445,283	485,954
Non-operating income		
Interest income	772	1,081
Dividend income	48,329	7,837
Foreign exchange gains	10,019	–
Insurance premiums refunded cancellation	–	4,035
Compensation income	–	6,677
Other	20,921	15,102
Total non-operating income	80,042	34,733
Non-operating expenses		
Interest expenses	33,210	34,309
Bond issuance cost	–	6,287
Loss on liquidation of silent partnership	6,363	–
partnership expenses	7,249	–
Other	11,047	8,786
Total non-operating expenses	57,871	49,383
Ordinary income	467,454	471,305
Extraordinary income		
Gain on sales of investment securities	17,502	2,418
Total extraordinary income	17,502	2,418
Extraordinary losses		
Loss on valuation of investment securities	1,099	–
Provision of allowance for doubtful accounts	20,000	–
Loss on valuation of golf club membership	4,196	–
Total extraordinary losses	25,296	–
Income before dividends distribution from silent partnership, income taxes	459,660	473,723
Dividends distribution from silent partnership	28,796	–
Income before income taxes and minority interests	430,863	473,723
Income taxes - current	68,062	79,237
Income taxes - deferred	–	(124,118)
Total income taxes	68,062	(44,881)
Income before minority interests	362,801	518,604
Net income	362,801	518,604

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Income before minority interests	362,801	518,604
Other comprehensive income		
Valuation difference on available-for-sale securities	96,950	91,005
Foreign currency translation adjustment	(2,043)	3,420
Total other comprehensive income	94,906	94,425
Comprehensive income	457,708	613,030
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	457,708	613,030
Comprehensive income attributable to minority interests	—	—

Consolidated statements of changes in equity

Fiscal year ended December 31, 2014

(Thousands of yen)

	Shareholders' equity				Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	1,030,817	736,896	372,062	2,139,775	6,479	(1,428)	5,050	6,933	2,151,760
Changes of items during period									
Dividends of surplus			(175,644)	(175,644)					(175,644)
Net income			362,801	362,801					362,801
Net changes of items other than shareholders' equity					96,950	(2,043)	94,906	13,289	108,196
Total changes of items during period	–	–	187,157	187,157	96,950	(2,043)	94,906	13,289	295,353
Balance at end of current period	1,030,817	736,896	559,220	2,326,933	103,430	(3,472)	99,957	20,223	2,447,113

Fiscal year ended December 31, 2015

(Thousands of yen)

	Shareholders' equity				Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	1,030,817	736,896	559,220	2,326,933	103,430	(3,472)	99,957	20,223	2,447,113
Changes of items during period									
Dividends of surplus			(175,756)	(175,756)					(175,756)
Issuance of new shares - exercise of subscription rights to shares	13,983	13,983		27,966					27,966
Net income			518,604	518,604					518,604
Change of scope of consolidation			(3,073)	(3,073)					(3,073)
Net changes of items other than shareholders' equity					91,005	3,420	94,425	472	94,898
Total changes of items during period	13,983	13,983	339,774	367,740	91,005	3,420	94,425	472	462,639
Balance at end of current period	1,044,800	750,879	898,994	2,694,674	194,435	(52)	194,383	20,696	2,909,753

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	430,863	473,723
Depreciation	32,967	37,233
Amortization of goodwill	81,101	81,101
Share-based compensation expenses	13,289	7,125
Increase (decrease) in allowance for doubtful accounts	22,247	(6,015)
Increase (decrease) in provision for bonuses	(4,595)	–
Increase (decrease) in provision for retirement benefits	(63,436)	–
Increase (decrease) in net defined benefit liability	13,599	2,893
Increase (decrease) in other provision	(2,485)	(13,641)
Interest and dividend income	(49,102)	(8,918)
Interest expenses	33,210	34,309
Bond issuance cost	–	6,287
Surrender value of insurance	–	(4,035)
Compensation income	–	(6,677)
Loss on liquidation of silent partnership	6,363	–
Loss (gain) on valuation of investment securities	1,099	–
Loss (gain) on sales of investment securities	(17,502)	(2,418)
Loss on valuation of golf club memberships	4,196	–
Decrease (increase) in notes and accounts receivable - trade	12,466	(30,695)
Decrease (increase) in inventories	(757,822)	66,429
Decrease (increase) in advance payments	65,000	(810)
Increase (decrease) in notes and accounts payable - trade	45,377	(29,497)
Increase (decrease) in accounts payable - other	148,331	123,240
Increase (decrease) in deposits received	90,009	30,637
Increase (decrease) in long-term accounts payable - other	50,537	(207)
Increase (decrease) in lease and guarantee deposits received	73,735	135,012
Increase (decrease) in long-term deposits received	(3,919)	–
Other, net	(14,741)	9,577
Subtotal	210,791	904,653
Interest and dividend income received	7,553	8,918
Interest expenses paid	(32,547)	(35,463)
Proceeds from compensation	–	6,677
Refunded consumption taxes for prior periods	345	–
Income taxes (paid) refund	11,456	(83,641)
Net cash provided by (used in) operating activities	197,599	801,144

(Thousands of yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	11,000	–
Purchase of property, plant and equipment	(5,972)	(83,548)
Purchase of intangible assets	(19,982)	(62,868)
Purchase of investment securities	(101,582)	(415,512)
Proceeds from sales of investment securities	145,705	424,496
Proceeds from distribution of silent partnerships	108,921	–
Purchase of shares of subsidiaries and associates	(5,100)	(1)
Proceeds from sales of shares of subsidiaries and associates	5,100	–
Payments of loans receivable from subsidiaries and associates	(63,913)	–
Purchase of golf club memberships	(31,949)	–
Payments for lease deposits	–	(41,206)
Proceeds from cancellation of insurance funds	–	17,940
Other, net	935	(1,761)
Net cash provided by (used in) investing activities	43,161	(162,462)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	546,000	234,653
Proceeds from long-term loans payable	400,000	811,910
Repayments of long-term loans payable	(397,600)	(726,002)
Proceeds from issuance of bonds	–	293,712
Redemption of bonds	(60,068)	(90,100)
Proceeds from exercise of share options	–	21,313
Payments for share profits on deposits received from investments in silent partnership	(60,896)	–
Cash dividends paid	(173,943)	(175,325)
Net cash provided by (used in) financing activities	253,491	370,160
Effect of exchange rate change on cash and cash equivalents	(2,043)	1,445
Net increase (decrease) in cash and cash equivalents	492,207	1,010,287
Cash and cash equivalents at beginning of period	2,577,371	3,069,579
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	–	13,151
Cash and cash equivalents at end of period	3,069,579	4,093,019