

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2016 (Based on Japanese GAAP)

February 7, 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: Director, Administration Division Yoshikazu Mizushima TEL 03-6439-5800
 Scheduled date of ordinary general meeting of shareholders: March 28, 2017
 Scheduled date to file Securities Report: March 28, 2017
 Scheduled date to commence dividend payments: March 29, 2017
 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, 2016 (from January 1, 2016 to December 31, 2016)

(1) Consolidated operating results

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	%
Year ended December 31, 2016	14,420	1.0	751	54.7	628	33.3	587	13.3
Year ended December 31, 2015	14,275	53.4	485	9.1	471	0.8	518	42.9

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2016	49.75	49.47	18.9	7.6	5.2
Year ended December 31, 2015	44.21	43.81	19.5	7.2	3.4

(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, 2016	9,258	3,329	35.8	279.72
As of December 31, 2015	7,220	2,909	40.0	245.43

(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, 2016	1,177	(1,061)	1,116	5,350
Year ended December 31, 2015	801	(162)	370	4,093

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, 2015	—	5.00	—	13.00	18.00	211	40.7	8.0
Year ended December 31, 2016	—	8.00	—	15.00	23.00	272	46.2	8.8
Year ending December 31, 2017 (Forecast)	—	11.00	—	17.00	28.00		48.9	

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
Six months ending June 30, 2017	6,660	(3.7)	369	(13.0)	324	5.4	294	(5.4)	24.78
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 year ended December 31, 2016

(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: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: 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, 2016	11,864,100 shares	As of December 31, 2015	11,771,200 shares
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Number of treasury shares at the end of the period

As of December 31, 2016	– shares	As of December 31, 2015	– shares
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Average number of shares during the period

Year ended December 31, 2016	11,807,374 shares	Year ended December 31, 2015	11,729,952 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2015	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	4,093,019	5,350,016
Accounts receivable - trade	231,826	145,237
Real estate for sale	765,359	234,799
Other inventories	11,540	3,090
Deferred tax assets	120,913	260,588
Other	102,702	729,516
Allowance for doubtful accounts	(26,263)	(91,246)
Total current assets	5,299,098	6,632,002
Non-current assets		
Property, plant and equipment		
Buildings and structures	173,352	169,707
Accumulated depreciation	(84,876)	(89,475)
Buildings and structures, net	88,475	80,231
Land	1,406	1,406
Other	119,173	130,483
Accumulated depreciation	(71,123)	(79,000)
Other, net	48,050	51,482
Total property, plant and equipment	137,931	133,120
Intangible assets		
Goodwill	223,029	141,927
Software	96,647	165,091
Other	2,921	2,330
Total intangible assets	322,598	309,349
Investments and other assets		
Investment securities	1,226,949	1,836,661
Shares of subsidiaries and associates	1	29,671
Deferred tax assets	–	1,329
Other	233,866	316,487
Total investments and other assets	1,460,816	2,184,150
Total non-current assets	1,921,346	2,626,621
Total assets	7,220,445	9,258,623

(Thousands of yen)

	As of December 31, 2015	As of December 31, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	67,372	78,171
Short-term loans payable	780,175	200,000
Current portion of long-term loans payable	541,600	761,877
Current portion of bonds	120,000	320,000
Income taxes payable	27,973	134,337
Accounts payable - other	504,715	517,329
Other provision	3,610	–
Other	408,326	509,421
Total current liabilities	2,453,773	2,521,137
Non-current liabilities		
Bonds payable	300,000	910,000
Long-term loans payable	469,600	1,359,460
Long-term lease and guarantee deposited	931,104	971,214
Long-term accounts payable - other	50,330	43,017
Net defined benefit liability	16,492	18,878
Deferred tax liabilities	89,391	105,174
Total non-current liabilities	1,856,918	3,407,744
Total liabilities	4,310,692	5,928,881
Net assets		
Shareholders' equity		
Capital stock	1,044,800	1,066,156
Capital surplus	750,879	772,235
Retained earnings	898,994	1,238,803
Total shareholders' equity	2,694,674	3,077,196
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	194,435	245,578
Foreign currency translation adjustment	(52)	(4,201)
Total accumulated other comprehensive income	194,383	241,376
Subscription rights to shares	20,696	11,169
Total net assets	2,909,753	3,329,742
Total liabilities and net assets	7,220,445	9,258,623

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

(Thousands of yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Operating revenue		
Operating revenue	3,738,771	4,272,957
Real estate sales	10,537,078	10,147,428
Total operating revenue	14,275,850	14,420,385
Operating cost		
Cost For Sales	2,417,931	2,396,913
Cost of sales - real estate	9,717,569	9,380,035
Total operating cost	12,135,500	11,776,949
Operating gross profit	2,140,349	2,643,436
Selling, general and administrative expenses	1,654,395	1,891,571
Operating income	485,954	751,864
Non-operating income		
Interest income	1,081	1,895
Dividend income	7,837	9,878
Foreign exchange gains	–	8,891
Insurance premiums refunded cancellation	4,035	–
Compensation income	6,677	–
Other	15,102	3,484
Total non-operating income	34,733	24,149
Non-operating expenses		
Interest expenses	34,309	73,976
Bond issuance cost	6,287	19,743
Commission fee	–	35,294
Other	8,786	18,833
Total non-operating expenses	49,383	147,847
Ordinary income	471,305	628,166
Extraordinary income		
Gain on sales of investment securities	2,418	–
Total extraordinary income	2,418	–
Extraordinary losses		
Loss on retirement of non-current assets	–	1,639
Impairment loss	–	2,772
Total extraordinary losses	–	4,412
Profit before income taxes	473,723	623,754
Income taxes - current	79,237	177,325
Income taxes - deferred	(124,118)	(141,008)
Total income taxes	(44,881)	36,316
Profit	518,604	587,437
Profit attributable to owners of parent	518,604	587,437

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Profit	518,604	587,437
Other comprehensive income		
Valuation difference on available-for-sale securities	91,005	51,142
Foreign currency translation adjustment	3,420	(4,149)
Total other comprehensive income	94,425	46,992
Comprehensive income	613,030	634,430
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	613,030	634,430
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

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
Profit attributable to owners of parent			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

Fiscal year ended December 31, 2016

(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	1,044,800	750,879	898,994	2,694,674	194,435	(52)	194,383	20,696	2,909,753
Changes of items during period									
Dividends of surplus			(247,628)	(247,628)					(247,628)
Issuance of new shares - exercise of subscription rights to shares	21,356	21,356		42,713					42,713
Profit attributable to owners of parent			587,437	587,437					587,437
Net changes of items other than shareholders' equity					51,142	(4,149)	46,992	(9,526)	37,466
Total changes of items during period	21,356	21,356	339,809	382,522	51,142	(4,149)	46,992	(9,526)	419,988
Balance at end of current period	1,066,156	772,235	1,238,803	3,077,196	245,578	(4,201)	241,376	11,169	3,329,742

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Cash flows from operating activities		
Profit before income taxes	473,723	623,754
Depreciation	37,233	69,456
Amortization of goodwill	81,101	81,101
Share-based compensation expenses	7,125	1,043
Increase (decrease) in allowance for doubtful accounts	(6,015)	64,983
Increase (decrease) in net defined benefit liability	2,893	2,386
Increase (decrease) in other provision	(13,641)	(3,610)
Interest and dividend income	(8,918)	(11,773)
Interest expenses	34,309	73,976
Bond issuance cost	6,287	19,743
Surrender value of insurance	(4,035)	–
Compensation income	(6,677)	–
Loss (gain) on sales of investment securities	(2,418)	–
Loss on retirement of non-current assets	–	1,639
Impairment loss	–	2,772
Decrease (increase) in notes and accounts receivable - trade	(30,695)	64,622
Decrease (increase) in inventories	66,429	533,685
Decrease (increase) in accounts receivable - other	19,838	(51,457)
Decrease (increase) in advance payments	(810)	(97,458)
Decrease (increase) in advances paid	(14,854)	(119,944)
Increase (decrease) in notes and accounts payable - trade	(29,497)	10,004
Increase (decrease) in accounts payable - other	123,240	6,691
Increase (decrease) in deposits received	30,637	66,933
Increase (decrease) in long-term accounts payable - other	(207)	(7,313)
Increase (decrease) in lease and guarantee deposits received	135,012	40,032
Other, net	4,593	(88,099)
Subtotal	904,653	1,283,171
Interest and dividend income received	8,918	11,773
Interest expenses paid	(35,463)	(76,405)
Proceeds from compensation	6,677	–
Income taxes (paid) refund	(83,641)	(40,701)
Net cash provided by (used in) operating activities	801,144	1,177,838

(Thousands of yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Cash flows from investing activities		
Purchase of property, plant and equipment	(83,548)	(22,902)
Purchase of intangible assets	(62,868)	(106,507)
Purchase of investment securities	(415,512)	(550,500)
Proceeds from sales of investment securities	424,496	1,100
Purchase of shares of subsidiaries and associates	(1)	(29,671)
Proceeds from sales of shares of subsidiaries and associates	–	1
Payments of loans receivable	–	(272,716)
Payments for lease deposits	(41,206)	(81,505)
Proceeds from cancellation of insurance funds	17,940	–
Other, net	(1,761)	1,643
Net cash provided by (used in) investing activities	(162,462)	(1,061,058)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	234,653	(568,633)
Proceeds from long-term loans payable	811,910	1,920,000
Repayments of long-term loans payable	(726,002)	(809,863)
Proceeds from issuance of bonds	293,712	980,256
Redemption of bonds	(90,100)	(190,205)
Proceeds from exercise of share options	21,313	32,143
Cash dividends paid	(175,325)	(247,437)
Net cash provided by (used in) financing activities	370,160	1,116,259
Effect of exchange rate change on cash and cash equivalents	1,445	23,958
Net increase (decrease) in cash and cash equivalents	1,010,287	1,256,997
Cash and cash equivalents at beginning of period	3,069,579	4,093,019
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	13,151	–
Cash and cash equivalents at end of period	4,093,019	5,350,016