

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2018 (Based on Japanese GAAP)

February 5, 2019

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 of ordinary general meeting of shareholders: March 28, 2019
 Scheduled date to file Securities Report: March 28, 2019
 Scheduled date to commence dividend payments: March 29, 2019
 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, 2018 (from January 1, 2018 to December 31, 2018)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2018	17,227	18.3	1,464	33.9	1,358	44.0	1,162	51.3
Year ended December 31, 2017	14,562	1.0	1,094	45.6	943	50.1	768	30.8

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2018	101.88	100.25	28.6	10.8	8.5
Year ended December 31, 2017	66.74	66.18	22.2	8.6	7.5

(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, 2018	12,573	4,518	35.9	395.17
As of December 31, 2017	12,587	3,624	28.7	316.81

(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, 2018	272	332	(1,787)	4,197
Year ended December 31, 2017	(1,277)	(840)	2,174	5,386

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, 2017	—	11.00	—	19.00	30.00	342	45.0	10.1
Year ended December 31, 2018	—	14.00	—	25.00	39.00	445	38.3	11.0
Year ending December 31, 2019 (Forecast)	—	17.00	—	28.00	45.00		41.1	

3. Forecast of consolidated financial results for the year ending December 31, 2019 (from January 1, 2019 to December 31, 2019)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	20,000	16.1	1,600	9.2	1,500	10.5	1,250	7.5	109.52

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2018

(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: 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, 2018	11,963,500 shares	As of December 31, 2017	11,963,500 shares
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Number of treasury shares at the end of the period

As of December 31, 2018	550,078 shares	As of December 31, 2017	550,042 shares
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Average number of shares during the period

Year ended December 31, 2018	11,413,430 shares	Year ended December 31, 2017	11,517,452 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2017	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	5,386,770	4,197,046
Accounts receivable - trade	331,094	410,580
Real estate for sale	2,771,485	4,052,066
Other inventories	4,863	3,579
Consumption taxes receivable	–	124,798
Deferred tax assets	291,782	308,764
Other	724,943	847,847
Allowance for doubtful accounts	(79,270)	(70,244)
Total current assets	9,431,668	9,874,439
Non-current assets		
Property, plant and equipment		
Buildings and structures	236,814	247,766
Accumulated depreciation	(99,504)	(111,259)
Buildings and structures, net	137,310	136,507
Land	1,406	1,406
Other	157,092	165,997
Accumulated depreciation	(92,487)	(108,598)
Other, net	64,605	57,398
Total property, plant and equipment	203,321	195,312
Intangible assets		
Goodwill	60,826	–
Software	152,757	152,556
Other	2,249	2,167
Total intangible assets	215,832	154,724
Investments and other assets		
Investment securities	2,303,508	1,927,016
Shares of subsidiaries and associates	108,028	107,128
Deferred tax assets	1,197	1,188
Other	324,066	314,137
Total investments and other assets	2,736,800	2,349,470
Total non-current assets	3,155,955	2,699,507
Total assets	12,587,623	12,573,946

(Thousands of yen)

	As of December 31, 2017	As of December 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	82,938	85,517
Short-term loans payable	2,120,000	–
Current portion of long-term loans payable	888,200	947,503
Current portion of bonds	494,000	584,000
Income taxes payable	65,600	–
Accounts payable - other	705,565	831,562
Other	418,377	583,648
Total current liabilities	4,774,683	3,032,231
Non-current liabilities		
Bonds payable	1,384,000	1,370,000
Long-term loans payable	1,467,460	2,049,937
Long-term lease and guarantee deposited	1,105,243	1,324,913
Long-term accounts payable - other	61,472	58,408
Deferred tax liabilities	170,745	220,072
Total non-current liabilities	4,188,921	5,023,331
Total liabilities	8,963,605	8,055,563
Net assets		
Shareholders' equity		
Capital stock	1,088,937	1,088,937
Capital surplus	795,016	795,016
Retained earnings	1,703,941	2,490,101
Treasury shares	(346,548)	(346,621)
Total shareholders' equity	3,241,347	4,027,435
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	397,190	513,252
Foreign currency translation adjustment	(22,616)	(30,401)
Total accumulated other comprehensive income	374,573	482,850
Share acquisition rights	8,097	8,097
Total net assets	3,624,018	4,518,382
Total liabilities and net assets	12,587,623	12,573,946

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

(Thousands of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Operating revenue		
Operating revenue	5,058,919	5,675,774
Real estate sales	9,503,585	11,551,702
Total operating revenue	14,562,504	17,227,477
Operating cost		
Cost For Sales	2,592,129	2,784,023
Cost of sales - real estate	8,805,453	10,655,782
Total operating cost	11,397,583	13,439,806
Operating gross profit	3,164,920	3,787,670
Selling, general and administrative expenses	2,070,526	2,322,676
Operating profit	1,094,394	1,464,993
Non-operating income		
Interest income	6,287	17,384
Dividend income	9,434	9,674
Insurance premiums refunded cancellation	–	7,654
Other	3,711	3,606
Total non-operating income	19,433	38,319
Non-operating expenses		
Interest expenses	58,405	62,386
Bond issuance cost	21,125	9,911
Guarantee commission	11,619	18,248
Commission fee	826	29,712
Income from partnership management expenses	61,331	–
Foreign exchange losses	16,518	24,143
Other	872	847
Total non-operating expenses	170,699	145,249
Ordinary profit	943,128	1,358,063
Extraordinary income		
Gain on sales of non-current assets	33	–
Gain on sales of investment securities	2,099	–
Total extraordinary income	2,133	–
Extraordinary losses		
Loss on retirement of non-current assets	1,587	–
Loss on valuation of investment securities	43,832	29,838
Loss on valuation of golf club membership	3,120	2,775
Total extraordinary losses	48,540	32,613
Profit before income taxes	896,722	1,325,449
Income taxes - current	160,476	181,514
Income taxes - deferred	(32,401)	(18,869)
Total income taxes	128,074	162,645
Profit	768,647	1,162,804
Profit attributable to owners of parent	768,647	1,162,804

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Profit	768,647	1,162,804
Other comprehensive income		
Valuation difference on available-for-sale securities	151,612	116,061
Foreign currency translation adjustment	(18,414)	(7,784)
Total other comprehensive income	133,197	108,276
Comprehensive income	901,845	1,271,080
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	901,845	1,271,080
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended December 31, 2017

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	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	1,066,156	772,235	1,238,803	–	3,077,196	245,578	(4,201)	241,376	11,169	3,329,742
Changes of items during period										
Dividends of surplus			(303,510)		(303,510)					(303,510)
Issuance of new shares - exercise of share acquisition rights	22,781	22,781			45,562					45,562
Profit attributable to owners of parent			768,647		768,647					768,647
Purchase of treasury shares				(346,548)	(346,548)					(346,548)
Net changes of items other than shareholders' equity						151,612	(18,414)	133,197	(3,072)	130,125
Total changes of items during period	22,781	22,781	465,137	(346,548)	164,150	151,612	(18,414)	133,197	(3,072)	294,276
Balance at end of current period	1,088,937	795,016	1,703,941	(346,548)	3,241,347	397,190	(22,616)	374,573	8,097	3,624,018

Fiscal year ended December 31, 2018

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	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	1,088,937	795,016	1,703,941	(346,548)	3,241,347	397,190	(22,616)	374,573	8,097	3,624,018
Changes of items during period										
Dividends of surplus			(376,643)		(376,643)					(376,643)
Issuance of new shares - exercise of share acquisition rights										
Profit attributable to owners of parent			1,162,804		1,162,804					1,162,804
Purchase of treasury shares				(72)	(72)					(72)
Net changes of items other than shareholders' equity						116,061	(7,784)	108,276	-	108,276
Total changes of items during period	-	-	786,160	(72)	786,087	116,061	(7,784)	108,276	-	894,364
Balance at end of current period	1,088,937	795,016	2,490,101	(346,621)	4,027,435	513,252	(30,401)	482,850	8,097	4,518,382

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Cash flows from operating activities		
Profit before income taxes	896,722	1,325,449
Depreciation	87,878	91,155
Amortization of goodwill	81,101	60,826
Increase (decrease) in allowance for doubtful accounts	(11,975)	(9,026)
Increase (decrease) in net defined benefit liability	(18,878)	–
Interest and dividend income	(15,721)	(27,058)
Interest expenses	58,405	62,386
Bond issuance cost	21,125	9,911
Surrender value of insurance	–	(7,654)
Loss (gain) on valuation of investment securities	43,832	29,838
Loss (gain) on sales of investment securities	(2,099)	–
investments in partnership expenses	61,331	–
Loss (gain) on sales of non-current assets	(33)	–
Loss on retirement of non-current assets	1,587	–
Loss on valuation of golf club memberships	3,120	2,775
Decrease (increase) in notes and accounts receivable - trade	(179,947)	(70,551)
Decrease (increase) in inventories	(2,547,146)	(1,279,297)
Decrease (increase) in accounts receivable - other	4,211	(14,239)
Decrease (increase) in advance payments	98,268	(7,741)
Decrease (increase) in advances paid	103,472	1,822
Increase (decrease) in notes and accounts payable - trade	5,213	2,579
Increase (decrease) in accounts payable - other	181,812	120,097
Increase (decrease) in deposits received	4,381	139,968
Increase (decrease) in long-term accounts payable - other	18,455	(3,063)
Decrease (increase) in consumption taxes refund receivable	–	(124,798)
Increase (decrease) in lease and guarantee deposits received	134,058	219,717
Other, net	(29,500)	22,058
Subtotal	(1,000,325)	545,156
Interest and dividend income received	15,721	27,058
Interest expenses paid	(61,272)	(60,284)
Income taxes (paid) refund	(231,617)	(239,045)
Net cash provided by (used in) operating activities	(1,277,493)	272,884