

Translation

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**Summary of Consolidated Financial Results
for the Year Ended December 31, 2021
(Based on Japanese GAAP)**

February 8, 2022

Company name: Aoyama Zaisan Networks Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 8929 URL <https://www.azn.co.jp/>
 Representative: President Masazumi Hasumi
 Director, Deputy Executive Officer,
 Inquiries: General Manager for Management Masayuki Yagi TEL 03-6439-5800
 Headquarters
 Scheduled date of ordinary general meeting of shareholders: March 30, 2022
 Scheduled date to file Securities Report: March 30, 2022
 Scheduled date to commence dividend payments: March 31, 2022
 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, 2021 (from January 1, 2021 to December 31, 2021)

(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, 2021	24,213	26.6	1,856	42.4	1,796	50.2	1,481	85.0
Year ended December 31, 2020	19,118	0.3	1,303	(18.7)	1,195	(20.5)	800	(52.2)

	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, 2021	61.22	60.91	22.0	10.7	7.7
Year ended December 31, 2020	33.01	32.83	12.7	7.6	6.8

(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, 2021	17,426	7,128	40.8	294.61
As of December 31, 2020	16,001	6,566	39.8	262.39

(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, 2021	2,389	(631)	(374)	10,862
Year ended December 31, 2020	1,942	(753)	(215)	9,424

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, 2020	–	20.00	–	33.00	53.00	643	80.3	10.2
Year ended December 31, 2021	–	22.00	–	17.00	–	675	45.7	10.1
Year ending December 31, 2022 (Forecast)	–	13.00	–	18.00	31.00		44.3	

3. Forecast of consolidated financial results for the year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

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	36,500	50.7	2,550	37.4	2,420	34.7	1,690	14.1	70.00

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2021

(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, 2021	24,362,800 shares	As of December 31, 2020	24,284,800 shares
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Number of treasury shares at the end of the period

As of December 31, 2021	220,248 shares	As of December 31, 2020	248 shares
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Average number of shares during the period

Year ended December 31, 2021	24,196,881 shares	Year ended December 31, 2020	24,261,806 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	9,428,038	10,865,779
Accounts receivable - trade	521,733	567,076
Real estate for sale	319,452	118,675
Other inventories	891	5,303
Income taxes receivable	40,281	25,475
Other	330,410	483,733
Allowance for doubtful accounts	(944)	(3,078)
Total current assets	10,639,863	12,062,965
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,699,550	2,700,160
Accumulated depreciation	(216,336)	(330,887)
Buildings and structures, net	2,483,214	2,369,272
Land	195,666	195,666
Other	284,744	298,134
Accumulated depreciation	(150,773)	(181,579)
Other, net	133,971	116,554
Total property, plant and equipment	2,812,852	2,681,493
Intangible assets		
Goodwill	37,158	28,240
Software	610,386	495,872
Other	29,440	27,277
Total intangible assets	676,985	551,389
Investments and other assets		
Investment securities	1,154,492	1,587,037
Shares of subsidiaries and associates	32,472	34,864
Deferred tax assets	296,599	122,658
Other	388,644	386,557
Total investments and other assets	1,872,208	2,131,118
Total non-current assets	5,362,046	5,364,001
Total assets	16,001,910	17,426,966

(Thousands of yen)

	As of December 31, 2020	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	139,105	189,040
Short-term borrowings	100,000	200,000
Current portion of long-term borrowings	1,021,295	1,298,150
Current portion of bonds payable	434,000	232,000
Income taxes payable	39,575	204,215
Accounts payable - other	932,376	986,484
Asset retirement obligations	26,452	–
Other	672,111	736,446
Total current liabilities	3,364,915	3,846,336
Non-current liabilities		
Bonds payable	412,000	180,000
Long-term borrowings	4,203,597	4,679,227
Long-term leasehold and guarantee deposits received	1,397,871	1,528,577
Long-term accounts payable - other	57,281	57,781
Other	–	6,897
Total non-current liabilities	6,070,750	6,452,483
Total liabilities	9,435,666	10,298,820
Net assets		
Shareholders' equity		
Share capital	1,153,520	1,167,601
Capital surplus	1,314,999	1,330,819
Retained earnings	3,810,271	4,625,458
Treasury shares	(201)	(167,951)
Total shareholders' equity	6,278,591	6,955,928
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	166,988	181,653
Foreign currency translation adjustment	(73,612)	(24,930)
Total accumulated other comprehensive income	93,375	156,722
Share acquisition rights	193,620	11,439
Non-controlling interests	656	4,055
Total net assets	6,566,243	7,128,146
Total liabilities and net assets	16,001,910	17,426,966

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

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Net sales	19,118,353	24,213,197
Cost of sales	15,491,365	19,882,635
Gross profit	3,626,987	4,330,562
Selling, general and administrative expenses	2,323,603	2,474,400
Operating profit	1,303,384	1,856,162
Non-operating income		
Interest income	611	456
Dividend income	2,371	5,782
Share of profit of entities accounted for using equity method	4,726	2,392
Foreign exchange gains	–	44,179
Other	3,467	4,417
Total non-operating income	11,177	57,227
Non-operating expenses		
Interest expenses	64,117	73,978
Guarantee commission	5,583	2,993
Commission expenses	15,531	30,231
Foreign exchange losses	33,172	–
Other	352	9,724
Total non-operating expenses	118,757	116,927
Ordinary profit	1,195,803	1,796,462
Extraordinary income		
Gain on sale of investment securities	–	34,001
Gain on reversal of share acquisition rights	–	190,353
Total extraordinary income	–	224,354
Extraordinary losses		
Loss on valuation of golf club membership	11,949	–
Loss on retirement of non-current assets	37,277	335
Impairment losses	47,007	9,822
Total extraordinary losses	96,234	10,158
Profit before income taxes	1,099,568	2,010,658
Income taxes - current	259,213	366,728
Income taxes - deferred	44,789	167,468
Total income taxes	304,003	534,197
Profit	795,565	1,476,460
Loss attributable to non-controlling interests	(5,343)	(4,862)
Profit attributable to owners of parent	800,909	1,481,322

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Profit	795,565	1,476,460
Other comprehensive income		
Valuation difference on available-for-sale securities	(62,963)	14,664
Foreign currency translation adjustment	(30,425)	48,682
Total other comprehensive income	(93,388)	63,347
Comprehensive income	702,176	1,539,807
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	707,520	1,544,669
Comprehensive income attributable to non-controlling interests	(5,343)	(4,862)

Consolidated statements of changes in equity

Fiscal year ended December 31, 2020

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	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 period	1,143,304	1,304,783	3,651,968	(201)	6,099,855	229,952	(43,187)	186,764	103,705	–	6,390,326
Changes during period											
Dividends of surplus			(642,606)		(642,606)						(642,606)
Issuance of new shares - exercise of share acquisition rights	10,216	10,216			20,432						20,432
Profit attributable to owners of parent			800,909		800,909						800,909
Net changes in items other than shareholders' equity						(62,963)	(30,425)	(93,388)	89,914	656	(2,818)
Total changes during period	10,216	10,216	158,303	–	178,735	(62,963)	(30,425)	(93,388)	89,914	656	175,917
Balance at end of period	1,153,520	1,314,999	3,810,271	(201)	6,278,591	166,988	(73,612)	93,375	193,620	656	6,566,243

Fiscal year ended December 31, 2021

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	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 period	1,153,520	1,314,999	3,810,271	(201)	6,278,591	166,988	(73,612)	93,375	193,620	656	6,566,243
Changes during period											
Dividends of surplus			(666,135)		(666,135)						(666,135)
Issuance of new shares - exercise of share acquisition rights	14,081	14,081			28,162						28,162
Profit attributable to owners of parent			1,481,322		1,481,322						1,481,322
Change in ownership interest of parent due to transactions with non-controlling interests		1,738			1,738						1,738
Purchase of treasury shares				(167,750)	(167,750)						(167,750)
Net changes in items other than shareholders' equity						14,664	48,682	63,347	(182,181)	3,399	(115,434)
Total changes during period	14,081	15,819	815,186	(167,750)	677,337	14,664	48,682	63,347	(182,181)	3,399	561,902
Balance at end of period	1,167,601	1,330,819	4,625,458	(167,951)	6,955,928	181,653	(24,930)	156,722	11,439	4,055	7,128,146

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	1,099,568	2,010,658
Depreciation	191,135	302,191
Amortization of goodwill	7,433	8,918
Share-based payment expenses	90,678	7,270
Increase (decrease) in allowance for doubtful accounts	325	2,133
Interest and dividend income	(2,982)	(6,238)
Interest expenses	64,117	73,978
Loss (gain) on sale of investment securities	–	(34,001)
Gain on reversal of share acquisition rights	–	(190,353)
Loss on valuation of golf club membership	11,949	–
Loss on retirement of non-current assets	37,277	335
Impairment losses	47,007	9,822
Decrease (increase) in trade receivables	20,562	(45,665)
Decrease (increase) in inventories	1,030,090	196,388
Decrease (increase) in accounts receivable - other	(2,757)	2,357
Decrease (increase) in advance payments to suppliers	–	(148,821)
Decrease (increase) in advances paid	4,011	4,227
Increase (decrease) in trade payables	21,701	49,934
Increase (decrease) in accounts payable - other	15,008	214,500
Increase (decrease) in deposits received	(30,141)	77,335
Increase (decrease) in long-term accounts payable - other	(1,127)	500
Increase (decrease) in accrued consumption taxes	(170,609)	(20,372)
Increase (decrease) in leasehold and guarantee deposits received	7,902	130,606
Other, net	(9,274)	31,597
Subtotal	2,431,877	2,677,304
Interest and dividends received	2,982	6,238
Interest paid	(99,239)	(94,221)
Income taxes refund (paid)	(393,205)	(199,860)
Net cash provided by (used in) operating activities	1,942,416	2,389,461

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Cash flows from investing activities		
Purchase of property, plant and equipment	(68,037)	(162,608)
Purchase of intangible assets	(402,993)	(56,432)
Payments for asset retirement obligations	–	(25,114)
Purchase of investment securities	(368,204)	(790,500)
Proceeds from sales and withdrawal of investment securities	368,236	402,921
Proceeds from sale of shares of subsidiaries and associates	2	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(245,558)	–
Proceeds from collection of short-term loans receivable	23,000	–
Payments of leasehold and guarantee deposits	(60,146)	(41,383)
Proceeds from refund of leasehold deposits	359	42,080
Net cash provided by (used in) investing activities	(753,343)	(631,037)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(29,612)	100,000
Proceeds from long-term borrowings	3,530,000	2,000,000
Repayments of long-term borrowings	(2,600,047)	(1,247,515)
Redemption of bonds	(494,000)	(434,000)
Proceeds from exercise of employee share options	19,668	27,109
Proceeds from issuance of bonds with share options	–	1,955
Purchase of treasury shares	–	(167,954)
Proceeds from share issuance to non-controlling shareholders	–	10,000
Dividends paid	(641,079)	(664,337)
Net cash provided by (used in) financing activities	(215,070)	(374,743)
Effect of exchange rate change on cash and cash equivalents	(44,081)	54,059
Net increase (decrease) in cash and cash equivalents	929,920	1,437,740
Cash and cash equivalents at beginning of period	8,494,808	9,424,728
Cash and cash equivalents at end of period	9,424,728	10,862,469