

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2014 (Based on Japanese GAAP)

August 8, 2014

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 to file Quarterly Securities Report: August 8, 2014
 Scheduled date to commence dividend payments: September 8, 2014
 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, 2014 (from January 1, 2014 to June 30, 2014)

(1) Consolidated financial results (cumulative)

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	%
Six months ended June 30, 2014	4,212	164.7	144	-	181	-	119	287.0
Six months ended June 30, 2013	1,591	(61.1)	0	(97.7)	(7)	-	30	(8.8)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended June 30, 2014	10.23		-	
Six months ended June 30, 2013	2.93		-	

(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, 2014	5,083	2,245	43.9	190.62
As of December 31, 2013	4,698	2,151	45.7	183.17

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2013	-	0.00	-	1,000.00	1,000.00
Year ending December 31, 2014	-	5.00	-	-	-
Year ending December 31, 2014 (Forecast)	-	-	-	5.00	10.00

3. Forecast of consolidated financial results for the year ending December 31, 2014 (from January 1, 2014 to December 31, 2014)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	7,060	10.8	260	62.2	250	75.0	230	14.4	19.64

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2014
 (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, 2014	11,709,600 shares	As of December 31, 2013	11,709,600 shares
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Number of treasury shares at the end of the period

As of June 30, 2014	– shares	As of December 31, 2013	– 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, 2014	11,709,600 shares	Six months ended June 30, 2013	10,570,500 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2013	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	2,588,371	2,915,901
Accounts receivable - trade	214,755	266,543
Real estate for sale	14,900	26,506
Other inventories	11,407	11,522
Other	147,583	93,388
Allowance for doubtful accounts	(10,031)	(11,512)
Total current assets	2,966,986	3,302,349
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	57,359	52,960
Land	1,406	1,406
Other, net	30,371	27,365
Total property, plant and equipment	89,136	81,731
Intangible assets		
Software	42,796	43,493
Goodwill	385,232	344,681
Other	3,266	3,176
Total intangible assets	431,295	391,351
Investments and other assets		
Investment securities	1,024,181	1,079,255
Shares of subsidiaries and associates	9,956	15,056
Other	176,716	214,034
Total investments and other assets	1,210,853	1,308,346
Total non-current assets	1,731,285	1,781,429
Total assets	4,698,271	5,083,779

(Thousands of yen)

	As of December 31, 2013	As of June 30, 2014
Liabilities		
Current liabilities		
Accounts payable - trade	51,492	55,735
Short-term loans payable	-	100,000
Current portion of long-term loans payable	248,400	317,200
Current portion of bonds	60,000	60,000
Income taxes payable	-	32,702
Provision for bonuses	4,595	87,770
Other provision	19,738	14,734
Other	470,031	332,798
Total current liabilities	854,258	1,000,940
Non-current liabilities		
Bonds payable	210,000	180,000
Long-term loans payable	670,000	766,000
Long-term deposits received	20,703	-
Long-term lease and guarantee deposited	722,356	775,122
Long-term accounts payable - other	-	51,933
Provision for retirement benefits	63,436	12,584
Deferred tax liabilities	3,588	50,375
Other	2,167	1,028
Total non-current liabilities	1,692,253	1,837,044
Total liabilities	2,546,511	2,837,985
Net assets		
Shareholders' equity		
Capital stock	1,030,817	1,030,817
Capital surplus	736,896	736,896
Retained earnings	372,062	374,756
Total shareholders' equity	2,139,775	2,142,469
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,479	90,970
Foreign currency translation adjustment	(1,428)	(1,343)
Total accumulated other comprehensive income	5,050	89,627
Subscription rights to shares	6,933	13,697
Total net assets	2,151,760	2,245,794
Total liabilities and net assets	4,698,271	5,083,779

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, 2013	Six months ended June 30, 2014
Operating revenue		
Operating revenue	1,478,921	1,670,809
Real estate sales	112,698	2,541,482
Total operating revenue	1,591,620	4,212,291
Operating cost		
Cost For Sales	940,444	1,074,505
Cost of sales - real estate	133,452	2,322,760
Total operating cost	1,073,897	3,397,265
Operating gross profit	517,723	815,025
Selling, general and administrative expenses	517,020	670,928
Operating income	702	144,096
Non-operating income		
Interest income	86	283
Dividend income	10,744	47,689
Other	2,800	13,258
Total non-operating income	13,631	61,230
Non-operating expenses		
Interest expenses	13,414	15,528
Bond issuance cost	6,287	-
Loss on liquidation of subsidiaries silent partnership	-	6,363
Other	1,733	2,301
Total non-operating expenses	21,434	24,194
Ordinary income (loss)	(7,100)	181,133
Extraordinary income		
Gain on sales of non-current assets	71,279	-
Gain on sales of investment securities	-	10,997
Total extraordinary income	71,279	10,997
Extraordinary losses		
Loss on valuation of investment securities	11,249	1,099
Total extraordinary losses	11,249	1,099
Income before dividends distribution from silent partnership, income taxes	52,928	191,031
Dividends distribution from silent partnership	(393)	28,796
Income before income taxes and minority interests	53,321	162,234
Income taxes - current	9,324	42,445
Total income taxes	9,324	42,445
Income before minority interests	43,997	119,789
Minority interests in income	13,046	-
Net income	30,951	119,789

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2013	Six months ended June 30, 2014
Income before minority interests	43,997	119,789
Other comprehensive income		
Valuation difference on available-for-sale securities	118,831	84,490
Foreign currency translation adjustment	(1,117)	85
Total other comprehensive income	117,713	84,576
Comprehensive income	161,711	204,365
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	148,664	204,365
Comprehensive income attributable to minority interests	13,046	-

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2013	Six months ended June 30, 2014
Cash flows from operating activities		
Income before income taxes and minority interests	53,321	162,234
Depreciation	30,869	16,267
Amortization of goodwill	81,846	40,550
Share-based compensation expenses	-	6,764
Increase (decrease) in allowance for doubtful accounts	(6,754)	1,481
Increase (decrease) in provision for bonuses	-	83,174
Increase (decrease) in provision for retirement benefits	(849)	(50,851)
Increase (decrease) in other provision	(20,664)	(5,003)
Interest and dividend income	(10,830)	(47,972)
Interest expenses	13,414	15,528
Loss on liquidation of subsidiaries silent partnership	-	6,363
Bond issuance cost	6,287	-
Loss (gain) on valuation of investment securities	11,249	1,099
Loss (gain) on sales of investment securities	-	(10,997)
Loss (gain) on sales of property, plant and equipment	(71,279)	-
Decrease (increase) in notes and accounts receivable - trade	7,482	(53,207)
Decrease (increase) in inventories	80,030	(11,721)
Decrease (increase) in advance payments	-	65,000
The amount of increase and decrease of purchased receivables	11,059	-
Increase (decrease) in notes and accounts payable - trade	(16,246)	4,242
Increase (decrease) in accounts payable - other	(69,807)	(108,637)
Increase (decrease) in long-term accounts payable - other	-	51,933
Increase (decrease) in lease and guarantee deposits received	(49,819)	52,765
Increase (decrease) in long-term deposits received	(16,789)	(3,919)
Other, net	(26,704)	(27,283)
Subtotal	5,814	187,812
Interest and dividend income received	10,830	6,424
Interest expenses paid	(15,094)	(14,467)
Refunded consumption taxes for prior periods	6,442	345
Income taxes (paid) refund	(5,270)	14,932
Net cash provided by (used in) operating activities	2,722	195,047
Cash flows from investing activities		
Payments into time deposits	(5,000)	-
Proceeds from withdrawal of time deposits	-	11,000
Purchase of property, plant and equipment	(19,006)	(3,263)
Proceeds from sales of property, plant and equipment	824,324	-
Purchase of intangible assets	-	(8,832)
Purchase of investment securities	(116,010)	(47,582)
Proceeds from sales of investment securities	9,500	84,797
Proceeds from distribution of investment in silent partnership	-	105,549
Proceeds from sales of share in subsidiaries resulting in change	437,217	-
Purchase of shares of subsidiaries and associates	-	(5,100)
Payments of loans receivable from subsidiaries and associates	-	(18,244)
Purchase of golf club memberships	-	(31,949)
Other, net	-	(1,271)
Net cash provided by (used in) investing activities	1,131,025	85,102

(Thousands of yen)

	Six months ended June 30, 2013	Six months ended June 30, 2014
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(600,000)	100,000
Proceeds from long-term loans payable	800,000	400,000
Repayments of long-term loans payable	(782,354)	(235,200)
Proceeds from issuance of bonds	293,398	-
Redemption of bonds	(92,500)	(30,034)
Payments for share profits on deposits received from investments in silent partnership	(5,700)	(60,896)
Cash dividends paid	(78,173)	(115,574)
Cash dividends paid to minority shareholders	(7,806)	-
Net cash provided by (used in) financing activities	(473,136)	58,294
Effect of exchange rate change on cash and cash equivalents	(474)	85
Net increase (decrease) in cash and cash equivalents	660,136	338,529
Cash and cash equivalents at beginning of period	746,749	2,577,371
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	1,566	-
Cash and cash equivalents at end of period	1,408,452	2,915,901