

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2022 (Based on Japanese GAAP)

August 4, 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 to file Quarterly Securities Report: August 4, 2022
 Scheduled date to commence dividend payments: August 22, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 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, 2022 (from January 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

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	%
Six months ended June 30, 2022	20,232	69.7	1,097	(7.8)	1,044	(10.2)	713	(33.7)
Six months ended June 30, 2021	11,919	25.9	1,190	63.0	1,163	71.5	1,076	147.4

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2022	29.46		29.41	
Six months ended June 30, 2021	44.37		44.16	

(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, 2022	20,781	7,637	36.5	312.57
As of December 31, 2021	17,426	7,128	40.8	294.61

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, 2021	–	22.00	–	17.00	–
Year ending December 31, 2022	–	13.00	–	–	–
Year ending December 31, 2022 (Forecast)	–	–	–	18.00	31.00

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	69.55

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2022
(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: Yes
- 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, 2022	24,520,859 shares	As of December 31, 2021	24,362,800 shares
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Number of treasury shares at the end of the period

As of June 30, 2022	220,283 shares	As of December 31, 2021	220,248 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, 2022	24,238,203 shares	Six months ended June 30, 2021	24,260,128 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	10,865	13,138
Accounts receivable - trade	567	586
Real estate for sale	118	1,207
Other inventories	5	4
Income taxes receivable	25	–
Other	483	456
Allowance for doubtful accounts	(3)	(3)
Total current assets	12,062	15,389
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,369	2,394
Land	195	195
Other, net	116	122
Total property, plant and equipment	2,681	2,712
Intangible assets		
Goodwill	28	23
Software	495	432
Other	27	26
Total intangible assets	551	482
Investments and other assets		
Investment securities	1,587	1,671
Shares of subsidiaries and associates	34	39
Deferred tax assets	122	116
Other	386	369
Total investments and other assets	2,131	2,197
Total non-current assets	5,364	5,392
Total assets	17,426	20,781

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	189	241
Short-term borrowings	200	200
Current portion of long-term borrowings	1,298	1,924
Current portion of bonds payable	232	180
Income taxes payable	204	317
Accounts payable - other	986	657
Provision for bonuses	–	432
Other	736	463
Total current liabilities	3,846	4,417
Non-current liabilities		
Bonds payable	180	90
Long-term borrowings	4,679	6,688
Long-term leasehold and guarantee deposits received	1,528	1,884
Long-term accounts payable - other	57	57
Other	6	6
Total non-current liabilities	6,452	8,726
Total liabilities	10,298	13,144
Net assets		
Shareholders' equity		
Share capital	1,167	1,210
Capital surplus	1,330	1,374
Retained earnings	4,625	4,929
Treasury shares	(167)	(168)
Total shareholders' equity	6,955	7,346
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	181	182
Foreign currency translation adjustment	(24)	66
Total accumulated other comprehensive income	156	249
Share acquisition rights	11	20
Non-controlling interests	4	21
Total net assets	7,128	7,637
Total liabilities and net assets	17,426	20,781

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net sales	11,919	20,232
Cost of sales	9,529	17,562
Gross profit	2,389	2,669
Selling, general and administrative expenses	1,199	1,572
Operating profit	1,190	1,097
Non-operating income		
Foreign exchange gains	25	62
Other	8	11
Total non-operating income	34	73
Non-operating expenses		
Interest expenses	33	39
Commission expenses	22	78
Other	4	8
Total non-operating expenses	61	126
Ordinary profit	1,163	1,044
Extraordinary income		
Gain on sale of investment securities	23	–
Gain on reversal of share acquisition rights	190	0
Total extraordinary income	213	0
Profit before income taxes	1,377	1,045
Income taxes - current	100	327
Income taxes - deferred	201	5
Total income taxes	301	333
Profit	1,075	711
Loss attributable to non-controlling interests	(1)	(2)
Profit attributable to owners of parent	1,076	713

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Profit	1,075	711
Other comprehensive income		
Valuation difference on available-for-sale securities	26	0
Foreign currency translation adjustment	30	91
Total other comprehensive income	56	92
Comprehensive income	1,131	804
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,132	806
Comprehensive income attributable to non-controlling interests	(1)	(2)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Cash flows from operating activities		
Profit before income taxes	1,377	1,045
Depreciation	153	147
Amortization of goodwill	4	4
Share-based payment expenses	–	10
Increase (decrease) in provision for bonuses	391	432
Interest and dividend income	(3)	(4)
Interest expenses	33	39
Loss (gain) on sale of investment securities	(23)	–
Gain on reversal of share acquisition rights	(190)	(0)
Decrease (increase) in trade receivables	(327)	(18)
Decrease (increase) in inventories	199	(1,088)
Decrease (increase) in accounts receivable - other	(20)	(23)
Decrease (increase) in advance payments to suppliers	(449)	148
Decrease (increase) in advances paid	2	(12)
Increase (decrease) in trade payables	75	52
Increase (decrease) in accounts payable - other	(305)	(294)
Increase (decrease) in accrued consumption taxes	(8)	(33)
Increase (decrease) in deposits received	(184)	(225)
Increase (decrease) in leasehold and guarantee deposits received	104	356
Other, net	(30)	(114)
Subtotal	797	422
Interest and dividends received	3	4
Interest paid	(30)	(37)
Income taxes refund (paid)	(85)	(192)
Net cash provided by (used in) operating activities	684	196
Cash flows from investing activities		
Purchase of property, plant and equipment	(141)	(113)
Purchase of intangible assets	(47)	(4)
Payments for asset retirement obligations	(25)	–
Purchase of investment securities	(360)	(199)
Proceeds from sales and withdrawal of investment securities	246	113
Proceeds from refund of leasehold and guarantee deposits	41	5
Other, net	(1)	4
Net cash provided by (used in) investing activities	(287)	(194)

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Cash flows from financing activities		
Proceeds from long-term borrowings	1,600	3,500
Repayments of long-term borrowings	(589)	(864)
Redemption of bonds	(242)	(142)
Proceeds from exercise of employee share options	23	44
Proceeds from share issuance to non-controlling shareholders	10	20
Purchase of treasury shares	(167)	(0)
Dividends paid	(399)	(409)
Net cash provided by (used in) financing activities	234	2,149
Effect of exchange rate change on cash and cash equivalents	43	120
Net increase (decrease) in cash and cash equivalents	675	2,272
Cash and cash equivalents at beginning of period	9,424	10,862
Cash and cash equivalents at end of period	10,100	13,134