

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2019 (Based on Japanese GAAP)

February 4, 2020

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 27, 2020
 Scheduled date to file Securities Report: March 27, 2020
 Scheduled date to commence dividend payments: March 30, 2020
 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, 2019 (from January 1, 2019 to December 31, 2019)

(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, 2019	19,061	10.6	1,603	9.4	1,503	10.7	1,676	44.2
Year ended December 31, 2018	17,227	18.3	1,464	33.9	1,358	44.0	1,162	51.3

	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, 2019	140.00	138.67	31.1	10.8	8.4
Year ended December 31, 2018	101.88	100.25	28.6	10.9	8.5

(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, 2019	15,492	6,390	40.6	518.96
As of December 31, 2018	12,353	4,518	36.5	395.17

(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, 2019	2,300	723	1,215	8,494
Year ended December 31, 2018	272	332	(1,787)	4,197

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, 2018	—	14.00	—	25.00	39.00	445	38.3	11.0
Year ended December 31, 2019	—	17.00	—	33.00	50.00	605	35.7	10.9
Year ending December 31, 2020 (Forecast)	—	20.00	—	33.00	53.00		53.5	

3. Forecast of consolidated financial results for the year ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

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	22,000	15.4	1,800	12.3	1,700	13.0	1,200	(28.4)	99.06

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2019

(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, 2019	12,114,100 shares	As of December 31, 2018	11,963,500 shares
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Number of treasury shares at the end of the period

As of December 31, 2019	124 shares	As of December 31, 2018	550,078 shares
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Average number of shares during the period

Year ended December 31, 2019	11,973,697 shares	Year ended December 31, 2018	11,413,430 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2018	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	4,197,046	8,494,808
Accounts receivable - trade	410,580	545,500
Real estate for sale	4,052,066	1,145,027
Other inventories	3,579	1,586
Consumption taxes receivable	124,798	–
Other	847,847	366,137
Allowance for doubtful accounts	(70,244)	(619)
Total current assets	9,565,674	10,552,441
Non-current assets		
Property, plant and equipment		
Buildings and structures	247,766	2,654,459
Accumulated depreciation	(111,259)	(132,785)
Buildings and structures, net	136,507	2,521,674
Land	1,406	195,666
Other	165,997	199,180
Accumulated depreciation	(108,598)	(117,655)
Other, net	57,398	81,524
Total property, plant and equipment	195,312	2,798,866
Intangible assets		
Software	152,556	231,356
Other	2,167	2,086
Total intangible assets	154,724	233,443
Investments and other assets		
Investment securities	1,927,016	1,249,125
Shares of subsidiaries and associates	107,128	27,748
Deferred tax assets	89,880	318,900
Other	314,137	312,227
Total investments and other assets	2,438,162	1,908,001
Total non-current assets	2,788,199	4,940,310
Total assets	12,353,873	15,492,751

(Thousands of yen)

	As of December 31, 2018	As of December 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	85,517	117,404
Short-term loans payable	–	100,000
Current portion of long-term loans payable	947,503	1,013,128
Current portion of bonds	584,000	514,000
Income taxes payable	–	158,994
Accounts payable - other	831,562	753,519
Other	583,648	889,139
Total current liabilities	3,032,231	3,546,185
Non-current liabilities		
Bonds payable	1,370,000	826,000
Long-term loans payable	2,049,937	3,281,812
Long-term leasehold and guarantee deposits	1,324,913	1,390,019
Long-term accounts payable - other	58,408	58,408
Total non-current liabilities	4,803,258	5,556,240
Total liabilities	7,835,490	9,102,425
Net assets		
Shareholders' equity		
Capital stock	1,088,937	1,143,304
Capital surplus	795,016	1,304,783
Retained earnings	2,490,101	3,651,968
Treasury shares	(346,621)	(201)
Total shareholders' equity	4,027,435	6,099,855
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	513,252	229,952
Foreign currency translation adjustment	(30,401)	(43,187)
Total accumulated other comprehensive income	482,850	186,764
Share acquisition rights	8,097	103,705
Total net assets	4,518,382	6,390,326
Total liabilities and net assets	12,353,873	15,492,751

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

(Thousands of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Net sales	17,227,477	19,061,077
Cost of sales	13,439,806	15,162,252
Gross profit	3,787,670	3,898,825
Selling, general and administrative expenses	2,322,676	2,295,593
Operating profit	1,464,993	1,603,232
Non-operating income		
Interest income	17,384	1,019
Dividend income	9,674	9,746
Insurance premiums refunded cancellation	7,654	3,837
Share of profit of entities accounted for using equity method	–	1,569
Foreign exchange gains	–	9,085
Other	3,606	4,743
Total non-operating income	38,319	30,002
Non-operating expenses		
Interest expenses	62,386	48,982
Bond issuance cost	9,911	3,527
Guarantee commission	18,248	11,704
Commission expenses	29,712	51,885
Foreign exchange losses	24,143	–
Other	847	13,141
Total non-operating expenses	145,249	129,241
Ordinary profit	1,358,063	1,503,993
Extraordinary income		
Gain on sales of investment securities	–	379,472
Total extraordinary income	–	379,472
Extraordinary losses		
Loss on valuation of investment securities	29,838	6,167
Loss on valuation of golf club membership	2,775	–
Total extraordinary losses	32,613	6,167
Profit before income taxes	1,325,449	1,877,298
Income taxes - current	181,514	305,023
Income taxes - deferred	(18,869)	(103,988)
Total income taxes	162,645	201,034
Profit	1,162,804	1,676,263
Profit attributable to owners of parent	1,162,804	1,676,263

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Profit	1,162,804	1,676,263
Other comprehensive income		
Valuation difference on available-for-sale securities	116,061	(283,299)
Foreign currency translation adjustment	(7,784)	(12,785)
Total other comprehensive income	108,276	(296,085)
Comprehensive income	1,271,080	1,380,178
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,271,080	1,380,178
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

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)
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

Fiscal year ended December 31, 2019

(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	2,490,101	(346,621)	4,027,435	513,252	(30,401)	482,850	8,097	4,518,382
Changes of items during period										
Dividends of surplus			(491,146)		(491,146)					(491,146)
Issuance of new shares - exercise of share acquisition rights	54,366	54,366			108,733					108,733
Profit attributable to owners of parent			1,676,263		1,676,263					1,676,263
Purchase of treasury shares				(79)	(79)					(79)
Disposal of treasury shares		455,400		346,500	801,900					801,900
Change of scope of consolidation			(24,447)		(24,447)					(24,447)
Change of scope of equity method			1,196		1,196					1,196
Net changes of items other than shareholders' equity						(283,299)	(12,785)	(296,085)	95,608	(200,477)
Total changes of items during period	54,366	509,766	1,161,866	346,420	2,072,420	(283,299)	(12,785)	(296,085)	95,608	1,871,943
Balance at end of current 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

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Cash flows from operating activities		
Profit before income taxes	1,325,449	1,877,298
Depreciation	91,155	93,000
Share-based compensation expenses	–	80,207
Amortization of goodwill	60,826	–
Increase (decrease) in allowance for doubtful accounts	(9,026)	(69,625)
Interest and dividend income	(27,058)	(10,765)
Interest expenses	62,386	48,982
Bond issuance cost	9,911	3,527
Surrender value of insurance	(7,654)	(3,837)
Loss (gain) on valuation of investment securities	29,838	6,167
Loss (gain) on sales of investment securities	–	(379,472)
Loss on valuation of golf club memberships	2,775	–
Decrease (increase) in notes and accounts receivable - trade	(70,551)	(135,189)
Decrease (increase) in inventories	(1,279,297)	331,326
Decrease (increase) in accounts receivable - other	(14,239)	72,104
Decrease (increase) in advance payments	(7,741)	7,412
Decrease (increase) in advances paid	1,822	18,695
Increase (decrease) in notes and accounts payable - trade	2,579	31,886
Increase (decrease) in accounts payable - other	120,097	(58,979)
Increase (decrease) in deposits received	139,968	109,247
Increase (decrease) in long-term accounts payable - other	(3,063)	–
Decrease (increase) in consumption taxes refund receivable	(124,798)	–
Increase (decrease) in accrued consumption taxes	–	395,811
Increase (decrease) in leasehold and guarantee deposits received	219,717	65,106
Other, net	22,058	(44,399)
Subtotal	545,156	2,438,503
Interest and dividend income received	27,058	10,765
Interest expenses paid	(60,284)	(43,627)
Income taxes (paid) refund	(239,045)	(105,570)
Net cash provided by (used in) operating activities	272,884	2,300,071

(Thousands of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Cash flows from investing activities		
Purchase of property, plant and equipment	(26,287)	(70,113)
Purchase of intangible assets	(50,829)	(148,950)
Purchase of investment securities	(1,828,911)	(2,632,979)
Proceeds from sales and withdrawal of investment securities	2,230,283	3,313,498
Purchase of shares of subsidiaries and associates	(176)	(3)
Proceeds from sales of shares of subsidiaries and associates	1	5,740
Purchase of golf club memberships	(11,550)	–
Payments of short-term loans receivable	–	(23,000)
Collection of short-term loans receivable	–	273,343
Proceeds from cancellation of insurance funds	18,190	13,845
Other, net	1,284	(7,968)
Net cash provided by (used in) investing activities	332,004	723,413
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(2,120,000)	100,000
Proceeds from long-term loans payable	1,700,000	2,800,000
Repayments of long-term loans payable	(1,058,220)	(1,502,500)
Proceeds from issuance of bonds	590,088	296,472
Redemption of bonds	(524,436)	(914,465)
Proceeds from exercise of share options	–	104,667
Proceeds from issuance of bonds with share options	–	19,467
Purchase of treasury shares	(72)	(79)
Proceeds from disposal of treasury shares	–	801,900
Cash dividends paid	(375,144)	(490,387)
Net cash provided by (used in) financing activities	(1,787,785)	1,215,074
Effect of exchange rate change on cash and cash equivalents	(6,827)	(270)
Net increase (decrease) in cash and cash equivalents	(1,189,723)	4,238,288
Cash and cash equivalents at beginning of period	5,386,770	4,197,046
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	–	59,472
Cash and cash equivalents at end of period	4,197,046	8,494,808