

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended June 30, 2020 (Based on Japanese GAAP)

August 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: CFO Shintaro Hashiba TEL 03-6439-5800  
 Scheduled date to file Quarterly Securities Report: August 4, 2020  
 Scheduled date to commence dividend payments: August 24, 2020  
 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, 2020 (from January 1, 2020 to June 30, 2020)

(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, 2020	9,463	9.2	729	14.2	678	15.0	434	(21.8)
Six months ended June 30, 2019	8,668	12.7	638	(11.2)	589	(10.5)	555	38.4

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2020	35.85		35.65	
Six months ended June 30, 2019	46.91		46.34	

(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, 2020	16,088	6,442	39.1	517.94
As of December 31, 2019	15,492	6,390	40.6	518.96

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended December 31, 2019	–	17.00	–	33.00	50.00
Year ending December 31, 2020	–	20.00			
Year ending December 31, 2020 (Forecast)			–	33.00	53.00

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)	98.83

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2020  
 (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, 2020	12,142,400 shares	As of December 31, 2019	12,114,100 shares
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Number of treasury shares at the end of the period

As of June 30, 2020	124 shares	As of December 31, 2019	124 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, 2020	12,119,405 shares	Six months ended June 30, 2019	11,837,855 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of December 31, 2019	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	8,494,808	8,413,638
Accounts receivable - trade	545,500	369,155
Real estate for sale	1,145,027	1,450,380
Other inventories	1,586	1,660
Income taxes receivable	–	11,132
Other	366,137	394,604
Allowance for doubtful accounts	(619)	(1,533)
Total current assets	10,552,441	10,639,038
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,521,674	2,464,515
Land	195,666	195,666
Other, net	81,524	72,886
Total property, plant and equipment	2,798,866	2,733,068
Intangible assets		
Goodwill	–	60,732
Software	231,356	402,211
Other	2,086	2,046
Total intangible assets	233,443	464,989
Investments and other assets		
Investment securities	1,249,125	1,663,980
Shares of subsidiaries and associates	27,748	30,266
Deferred tax assets	318,900	189,893
Other	312,227	367,632
Total investments and other assets	1,908,001	2,251,773
Total non-current assets	4,940,310	5,449,832
Total assets	15,492,751	16,088,870

(Thousands of yen)

	As of December 31, 2019	As of June 30, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	117,404	71,221
Short-term borrowings	100,000	129,612
Current portion of long-term borrowings	1,013,128	978,391
Current portion of bonds	514,000	484,000
Income taxes payable	158,994	55,008
Accounts payable - other	753,519	454,787
Provision for bonuses	–	321,931
Other	889,139	491,356
<b>Total current liabilities</b>	<b>3,546,185</b>	<b>2,986,308</b>
<b>Non-current liabilities</b>		
Bonds payable	826,000	604,000
Long-term borrowings	3,281,812	4,719,342
Long-term leasehold and guarantee deposits received	1,390,019	1,279,083
Long-term accounts payable - other	58,408	57,281
<b>Total non-current liabilities</b>	<b>5,556,240</b>	<b>6,659,707</b>
<b>Total liabilities</b>	<b>9,102,425</b>	<b>9,646,016</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	1,143,304	1,153,520
Capital surplus	1,304,783	1,314,999
Retained earnings	3,651,968	3,686,703
Treasury shares	(201)	(201)
<b>Total shareholders' equity</b>	<b>6,099,855</b>	<b>6,155,022</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	229,952	186,040
Foreign currency translation adjustment	(43,187)	(52,121)
<b>Total accumulated other comprehensive income</b>	<b>186,764</b>	<b>133,919</b>
Share acquisition rights	103,705	149,732
Non-controlling interests	–	4,179
<b>Total net assets</b>	<b>6,390,326</b>	<b>6,442,854</b>
<b>Total liabilities and net assets</b>	<b>15,492,751</b>	<b>16,088,870</b>

**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, 2019	Six months ended June 30, 2020
Net sales	8,668,992	9,463,969
Cost of sales	6,873,506	7,485,545
Gross profit	1,795,486	1,978,424
Selling, general and administrative expenses	1,156,531	1,248,495
Operating profit	638,954	729,928
Non-operating income		
Interest income	391	625
Dividend income	9,091	1,576
Consumption tax difference	–	2,758
Share of profit of entities accounted for using equity method	–	2,520
Other	3,437	2,253
Total non-operating income	12,920	9,733
Non-operating expenses		
Interest expenses	27,740	30,674
Commission expenses	25,823	9,873
Bond issuance cost	3,527	–
Foreign exchange losses	1,304	17,776
Other	3,877	3,311
Total non-operating expenses	62,272	61,635
Ordinary profit	589,601	678,027
Profit before income taxes	589,601	678,027
Income taxes - current	99,843	93,385
Income taxes - deferred	(65,595)	151,966
Total income taxes	34,247	245,352
Profit	555,354	432,675
Loss attributable to non-controlling interests	–	(1,820)
Profit attributable to owners of parent	555,354	434,495

**Consolidated statements of comprehensive income (cumulative)**

(Thousands of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Profit	555,354	432,675
Other comprehensive income		
Valuation difference on available-for-sale securities	(43,091)	(43,912)
Foreign currency translation adjustment	(22,663)	(8,933)
Total other comprehensive income	(65,754)	(52,845)
Comprehensive income	489,599	379,829
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	489,599	381,650
Comprehensive income attributable to non-controlling interests	–	(1,820)

## Consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from operating activities		
Profit before income taxes	589,601	678,027
Depreciation	39,660	93,013
Amortization of goodwill	–	3,980
Share-based remuneration expenses	31,532	46,791
Increase (decrease) in allowance for doubtful accounts	(69,615)	914
Increase (decrease) in provision for bonuses	326,656	321,931
Interest and dividend income	(9,482)	(2,201)
Interest expenses	27,740	30,674
Bond issuance cost	3,527	–
Investment Limited Partnership Investment Gains and Losses	(23,279)	(170,139)
Decrease (increase) in trade receivables	(365,490)	175,671
Decrease (increase) in inventories	46,202	(99,165)
Decrease (increase) in accounts receivable - other	56,023	(9,118)
Decrease (increase) in advance payments - trade	7,374	–
Decrease (increase) in advances paid	16,498	(87)
Increase (decrease) in trade payables	82,933	(46,178)
Increase (decrease) in accounts payable - other	(516,256)	(297,921)
Increase (decrease) in accrued consumption taxes	124,798	(129,464)
Increase (decrease) in deposits received	(147,047)	(266,685)
Increase (decrease) in long-term accounts payable - other	–	(1,127)
Increase (decrease) in leasehold and guarantee deposits received	148,058	(110,935)
Other, net	50,059	(69,866)
Subtotal	419,496	148,112
Interest and dividends received	9,482	2,201
Interest paid	(26,244)	(70,198)
Income taxes (paid) refund	97,014	(198,117)
Net cash provided by (used in) operating activities	499,749	(118,001)
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,466)	(3,857)
Purchase of intangible assets	(61,050)	(196,253)
Purchase of investment securities	(985,119)	(307,704)
Proceeds from sales and withdrawal of investment securities	801,774	2,153
Proceeds from sales of shares of subsidiaries and associates	5,793	2
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(245,558)
Short-term loan advances	(23,000)	–
Collection of short-term loans receivable	275,925	23,000
Proceeds from cancellation of insurance funds	13,845	–
Other, net	(8,161)	(132)
Net cash provided by (used in) investing activities	14,541	(728,351)

(Thousands of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from financing activities		
Proceeds from long-term borrowings	1,300,000	3,530,000
Repayments of long-term borrowings	(621,536)	(2,127,206)
Proceeds from issuance of bonds	296,472	–
Redemption of bonds	(272,196)	(252,000)
Proceeds from exercise of employee share options	99,454	19,668
Proceeds from issuance of bonds with share options	19,467	–
Proceeds from disposal of treasury shares	801,900	–
Dividends paid	(283,915)	(397,998)
Net cash provided by (used in) financing activities	1,339,646	772,463
Effect of exchange rate change on cash and cash equivalents	(11,161)	(10,590)
Net increase (decrease) in cash and cash equivalents	1,842,775	(84,479)
Cash and cash equivalents at beginning of period	4,197,046	8,494,808
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	59,472	–
Cash and cash equivalents at end of period	6,099,294	8,410,328