

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2018 (Based on Japanese GAAP)

August 7, 2018

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 to file Quarterly Securities Report: August 7, 2018
 Scheduled date to commence dividend payments: August 27, 2018
 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, 2018 (from January 1, 2018 to June 30, 2018)

(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, 2018	7,693	9.9	719	2.6	658	2.0	401	(25.5)
Six months ended June 30, 2017	7,000	1.3	701	65.2	645	110.1	538	73.4

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2018	35.16		34.58	
Six months ended June 30, 2017	46.34		46.15	

(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, 2018	10,925	4,098	37.4	358.40
As of December 31, 2017	12,587	3,624	28.7	316.81

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, 2017	–	11.00	–	19.00	30.00
Year ending December 31, 2018	–	14.00			
Year ending December 31, 2018 (Forecast)			–	21.00	35.00

3. Forecast of consolidated financial results for the year ending December 31, 2018 (from January 1, 2018 to December 31, 2018)

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	17,500	20.2	1,210	10.6	1,100	16.6	880	14.5	77.10

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2018
 (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, 2018	11,963,500 shares	As of December 31, 2017	11,963,500 shares
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Number of treasury shares at the end of the period

As of June 30, 2018	550,078 shares	As of December 31, 2017	550,042 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, 2018	11,413,439 shares	Six months ended June 30, 2017	11,623,157 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2017	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	5,386,770	6,178,570
Accounts receivable - trade	331,094	490,502
Real estate for sale	2,771,485	60,103
Other inventories	4,863	3,134
Deferred tax assets	291,782	156,492
Other	724,943	645,551
Allowance for doubtful accounts	(79,270)	(79,219)
Total current assets	9,431,668	7,455,135
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	137,310	143,396
Land	1,406	1,406
Other, net	64,605	62,643
Total property, plant and equipment	203,321	207,446
Intangible assets		
Goodwill	60,826	20,275
Software	152,757	131,940
Other	2,249	2,208
Total intangible assets	215,832	154,424
Investments and other assets		
Investment securities	2,303,508	2,413,492
Shares of subsidiaries and associates	108,028	108,029
Long-term loans receivable	–	277,128
Deferred tax assets	1,197	1,188
Other	324,066	308,327
Total investments and other assets	2,736,800	3,108,166
Total non-current assets	3,155,955	3,470,037
Total assets	12,587,623	10,925,172

(Thousands of yen)

	As of December 31, 2017	As of June 30, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	82,938	69,446
Short-term loans payable	2,120,000	–
Current portion of long-term loans payable	888,200	859,857
Current portion of bonds	494,000	524,000
Income taxes payable	65,600	140,085
Accounts payable - other	705,565	295,445
Provision for bonuses	–	323,966
Other	418,377	383,433
Total current liabilities	4,774,683	2,596,234
Non-current liabilities		
Bonds payable	1,384,000	1,412,000
Long-term loans payable	1,467,460	1,303,703
Long-term lease and guarantee deposited	1,105,243	1,154,653
Long-term accounts payable - other	61,472	58,408
Deferred tax liabilities	170,745	301,561
Total non-current liabilities	4,188,921	4,230,326
Total liabilities	8,963,605	6,826,560
Net assets		
Shareholders' equity		
Capital stock	1,088,937	1,088,937
Capital surplus	795,016	795,016
Retained earnings	1,703,941	1,888,409
Treasury shares	(346,548)	(346,621)
Total shareholders' equity	3,241,347	3,425,742
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	397,190	696,895
Foreign currency translation adjustment	(22,616)	(32,123)
Total accumulated other comprehensive income	374,573	664,772
Subscription rights to shares	8,097	8,097
Total net assets	3,624,018	4,098,612
Total liabilities and net assets	12,587,623	10,925,172

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, 2017	Six months ended June 30, 2018
Operating revenue		
Operating revenue	2,845,038	2,813,906
Real estate sales	4,155,765	4,879,984
Total operating revenue	7,000,803	7,693,891
Operating cost		
Cost For Sales	1,450,666	1,413,121
Cost of sales - real estate	3,859,756	4,484,292
Total operating cost	5,310,423	5,897,414
Operating gross profit	1,690,380	1,796,477
Selling, general and administrative expenses	989,175	1,077,171
Operating profit	701,205	719,305
Non-operating income		
Interest income	1,489	8,023
Dividend income	8,774	9,016
Insurance premiums refunded cancellation	–	7,654
Other	3,053	2,793
Total non-operating income	13,317	27,487
Non-operating expenses		
Interest expenses	28,029	30,638
Commission fee	571	17,166
Bond issuance cost	9,835	6,287
Foreign exchange losses	24,406	24,304
Other	5,984	9,567
Total non-operating expenses	68,827	87,964
Ordinary profit	645,694	658,828
Extraordinary income		
Gain on sales of non-current assets	33	–
Gain on sales of investment securities	999	–
Total extraordinary income	1,033	–
Extraordinary losses		
Loss on valuation of golf club membership	3,120	–
Total extraordinary losses	3,120	–
Profit before income taxes	643,608	658,828
Income taxes - current	104,588	123,661
Income taxes - deferred	401	133,842
Total income taxes	104,990	257,504
Profit	538,618	401,323
Profit attributable to owners of parent	538,618	401,323

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Profit	538,618	401,323
Other comprehensive income		
Valuation difference on available-for-sale securities	70,259	299,704
Foreign currency translation adjustment	(21,429)	(9,506)
Total other comprehensive income	48,829	290,198
Comprehensive income	587,448	691,522
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	587,448	691,522
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Cash flows from operating activities		
Profit before income taxes	643,608	658,828
Depreciation	39,439	44,345
Amortization of goodwill	40,550	40,550
Increase (decrease) in allowance for doubtful accounts	(12,235)	(51)
Increase (decrease) in provision for bonuses	362,973	323,966
Increase (decrease) in net defined benefit liability	(18,878)	–
Interest and dividend income	(10,263)	(17,039)
Interest expenses	28,029	30,638
Bond issuance cost	9,835	6,287
Surrender value of insurance	–	(7,654)
Loss (gain) on sales of investment securities	(999)	–
Loss (gain) on sales of non-current assets	(33)	–
Loss on valuation of golf club memberships	3,120	–
Decrease (increase) in notes and accounts receivable - trade	(89,478)	(159,797)
Decrease (increase) in inventories	(355,818)	2,713,111
Decrease (increase) in accounts receivable - other	(5,417)	(16,066)
Decrease (increase) in advance payments	44,418	(180,000)
Decrease (increase) in advances paid	3,561	14,957
Increase (decrease) in notes and accounts payable - trade	(878)	(13,492)
Increase (decrease) in accounts payable - other	(319,548)	(393,260)
Increase (decrease) in accrued consumption taxes	(35,232)	86,455
Increase (decrease) in deposits received	(136,870)	(125,042)
Increase (decrease) in long-term accounts payable - other	18,455	(3,063)
Increase (decrease) in lease and guarantee deposits received	41,943	49,491
Other, net	7,186	18,096
Subtotal	257,463	3,071,260
Interest and dividend income received	10,263	17,039
Interest expenses paid	(28,347)	(33,135)
Income taxes (paid) refund	(117,833)	(49,695)
Net cash provided by (used in) operating activities	121,546	3,005,469
Cash flows from investing activities		
Purchase of property, plant and equipment	(106,959)	(24,012)
Proceeds from sales of property, plant and equipment	34	–
Purchase of intangible assets	(10,659)	(19,900)
Purchase of investment securities	(571,207)	(1,828,911)
Proceeds from sales and withdrawal of investment securities	742,649	2,125,064
Purchase of shares of subsidiaries and associates	(1,981)	(1)
Payments for lease deposits	(2,848)	–
Proceeds from cancellation of insurance funds	–	18,190
Other, net	1,938	212
Net cash provided by (used in) investing activities	50,965	270,642

(Thousands of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	–	(2,120,000)
Proceeds from long-term loans payable	800,000	400,000
Repayments of long-term loans payable	(406,577)	(592,100)
Proceeds from issuance of bonds	510,164	293,712
Redemption of bonds	(140,151)	(242,196)
Proceeds from exercise of share options	42,489	–
Purchase of treasury shares	(346,500)	(72)
Cash dividends paid	(177,205)	(215,863)
Net cash provided by (used in) financing activities	282,219	(2,476,519)
Effect of exchange rate change on cash and cash equivalents	(43,232)	(7,791)
Net increase (decrease) in cash and cash equivalents	411,498	791,800
Cash and cash equivalents at beginning of period	5,350,016	5,386,770
Cash and cash equivalents at end of period	5,761,515	6,178,570