

Translation

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**Summary of Consolidated Financial Results
for the Year Ended December 31, 2020
(Based on Japanese GAAP)**

February 9, 2021

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 of ordinary general meeting of shareholders: March 26, 2021
 Scheduled date to file Securities Report: March 26, 2021
 Scheduled date to commence dividend payments: March 29, 2021
 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, 2020 (from January 1, 2020 to December 31, 2020)

(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, 2020	19,118	0.3	1,303	(18.7)	1,195	(20.5)	800	(52.2)
Year ended December 31, 2019	19,061	10.6	1,603	9.4	1,503	10.7	1,676	44.2

	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, 2020	66.02	65.65	12.7	7.6	6.8
Year ended December 31, 2019	140.00	138.67	31.1	10.8	8.4

(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, 2020	16,001	6,566	39.8	524.78
As of December 31, 2019	15,492	6,390	40.6	518.96

(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, 2020	1,942	(753)	(215)	9,424
Year ended December 31, 2019	2,300	723	1,215	8,494

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, 2019	—	17.00	—	33.00	50.00	605	35.7	10.9
Year ended December 31, 2020	—	20.00	—	33.00	53.00	643	80.3	10.2
Year ending December 31, 2021 (Forecast)	—	22.00	—	33.00	55.00		52.2	

3. Forecast of consolidated financial results for the year ending December 31, 2021 (from January 1, 2021 to December 31, 2021)

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	21,000	9.8	1,630	25.1	1,530	27.9	1,280	59.8	105.42

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2020

(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, 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 December 31, 2020	124 shares	As of December 31, 2019	124 shares
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Average number of shares during the period

Year ended December 31, 2020	12,130,903 shares	Year ended December 31, 2019	11,973,697 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2019	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	8,494,808	9,428,038
Accounts receivable - trade	545,500	521,733
Real estate for sale	1,145,027	319,452
Other inventories	1,586	891
Income taxes receivable	–	40,281
Other	366,137	330,410
Allowance for doubtful accounts	(619)	(944)
Total current assets	10,552,441	10,639,863
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,654,459	2,699,550
Accumulated depreciation	(132,785)	(216,336)
Buildings and structures, net	2,521,674	2,483,214
Land	195,666	195,666
Other	199,180	284,744
Accumulated depreciation	(117,655)	(150,773)
Other, net	81,524	133,971
Total property, plant and equipment	2,798,866	2,812,852
Intangible assets		
Goodwill	–	37,158
Software	231,356	610,386
Other	2,086	29,440
Total intangible assets	233,443	676,985
Investments and other assets		
Investment securities	1,249,125	1,154,492
Shares of subsidiaries and associates	27,748	32,472
Deferred tax assets	318,900	296,599
Other	312,227	388,644
Total investments and other assets	1,908,001	1,872,208
Total non-current assets	4,940,310	5,362,046
Total assets	15,492,751	16,001,910

(Thousands of yen)

	As of December 31, 2019	As of December 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	117,404	139,105
Short-term borrowings	100,000	100,000
Current portion of long-term borrowings	1,013,128	1,021,295
Current portion of bonds payable	514,000	434,000
Income taxes payable	158,994	39,575
Accounts payable - other	753,519	932,376
Other	889,139	698,563
Total current liabilities	3,546,185	3,364,915
Non-current liabilities		
Bonds payable	826,000	412,000
Long-term borrowings	3,281,812	4,203,597
Long-term leasehold and guarantee deposits received	1,390,019	1,397,871
Long-term accounts payable - other	58,408	57,281
Total non-current liabilities	5,556,240	6,070,750
Total liabilities	9,102,425	9,435,666
Net assets		
Shareholders' equity		
Share capital	1,143,304	1,153,520
Capital surplus	1,304,783	1,314,999
Retained earnings	3,651,968	3,810,271
Treasury shares	(201)	(201)
Total shareholders' equity	6,099,855	6,278,591
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	229,952	166,988
Foreign currency translation adjustment	(43,187)	(73,612)
Total accumulated other comprehensive income	186,764	93,375
Share acquisition rights	103,705	193,620
Non-controlling interests	–	656
Total net assets	6,390,326	6,566,243
Total liabilities and net assets	15,492,751	16,001,910

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

(Thousands of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Net sales	19,061,077	19,118,353
Cost of sales	15,162,252	15,491,365
Gross profit	3,898,825	3,626,987
Selling, general and administrative expenses	2,295,593	2,323,603
Operating profit	1,603,232	1,303,384
Non-operating income		
Interest income	1,019	611
Dividend income	9,746	2,371
Surrender value of insurance policies	3,837	–
Share of profit of entities accounted for using equity method	1,569	4,726
Foreign exchange gains	9,085	–
Other	4,743	3,467
Total non-operating income	30,002	11,177
Non-operating expenses		
Interest expenses	48,982	64,117
Bond issuance costs	3,527	–
Guarantee commission	11,704	5,583
Commission expenses	51,885	15,531
Foreign exchange losses	–	33,172
Other	13,141	352
Total non-operating expenses	129,241	118,757
Ordinary profit	1,503,993	1,195,803
Extraordinary income		
Gain on sales of investment securities	379,472	–
Total extraordinary income	379,472	–
Extraordinary losses		
Loss on valuation of investment securities	6,167	–
Loss on valuation of golf club membership	–	11,949
Loss on retirement of non-current assets	–	37,277
Impairment loss	–	47,007
Total extraordinary losses	6,167	96,234
Profit before income taxes	1,877,298	1,099,568
Income taxes - current	305,023	259,213
Income taxes - deferred	(103,988)	44,789
Total income taxes	201,034	304,003
Profit	1,676,263	795,565
Loss attributable to non-controlling interests	–	(5,343)
Profit attributable to owners of parent	1,676,263	800,909

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Profit	1,676,263	795,565
Other comprehensive income		
Valuation difference on available-for-sale securities	(283,299)	(62,963)
Foreign currency translation adjustment	(12,785)	(30,425)
Total other comprehensive income	(296,085)	(93,388)
Comprehensive income	1,380,178	702,176
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,380,178	707,520
Comprehensive income attributable to non-controlling interests	–	(5,343)

Consolidated statements of changes in equity

Fiscal year ended December 31, 2019

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Share capital	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 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 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 in scope of consolidation			(24,447)		(24,447)					(24,447)
Change in scope of equity method			1,196		1,196					1,196
Net changes in items other than shareholders' equity						(283,299)	(12,785)	(296,085)	95,608	(200,477)
Total changes 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 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

Fiscal year ended December 31, 2020

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	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 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
Changes during period											
Dividends of surplus			(642,606)		(642,606)						(642,606)
Issuance of new shares - exercise of share acquisition rights	10,216	10,216			20,432						20,432
Profit attributable to owners of parent			800,909		800,909						800,909
Net changes in items other than shareholders' equity						(62,963)	(30,425)	(93,388)	89,914	656	(2,818)
Total changes during period	10,216	10,216	158,303	–	178,735	(62,963)	(30,425)	(93,388)	89,914	656	175,917
Balance at end of period	1,153,520	1,314,999	3,810,271	(201)	6,278,591	166,988	(73,612)	93,375	193,620	656	6,566,243

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Cash flows from operating activities		
Profit before income taxes	1,877,298	1,099,568
Depreciation	93,000	191,135
Amortization of goodwill	–	7,433
Share-based remuneration expenses	80,207	90,678
Increase (decrease) in allowance for doubtful accounts	(69,625)	325
Interest and dividend income	(10,765)	(2,982)
Interest expenses	48,982	64,117
Bond issuance costs	3,527	–
Surrender value of insurance policies	(3,837)	–
Loss (gain) on valuation of investment securities	6,167	–
Loss (gain) on sales of investment securities	(379,472)	–
Loss on valuation of golf club memberships	–	11,949
Loss on retirement of non-current assets	–	37,277
Impairment loss	–	47,007
Decrease (increase) in trade receivables	(135,189)	20,562
Decrease (increase) in inventories	331,326	1,030,090
Decrease (increase) in accounts receivable - other	72,104	(2,757)
Decrease (increase) in advance payments - trade	7,412	–
Decrease (increase) in advances paid	18,695	4,011
Increase (decrease) in trade payables	31,886	21,701
Increase (decrease) in accounts payable - other	(58,979)	15,008
Increase (decrease) in deposits received	109,247	(30,141)
Increase (decrease) in long-term accounts payable - other	–	(1,127)
Increase (decrease) in accrued consumption taxes	395,811	(170,609)
Increase (decrease) in leasehold and guarantee deposits received	65,106	7,902
Other, net	(44,399)	(9,274)
Subtotal	2,438,503	2,431,877
Interest and dividends received	10,765	2,982
Interest paid	(43,627)	(99,239)
Income taxes (paid) refund	(105,570)	(393,205)
Net cash provided by (used in) operating activities	2,300,071	1,942,416

(Thousands of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Cash flows from investing activities		
Purchase of property, plant and equipment	(70,113)	(68,037)
Purchase of intangible assets	(148,950)	(402,993)
Purchase of investment securities	(2,632,979)	(368,204)
Proceeds from sales and withdrawal of investment securities	3,313,498	368,236
Purchase of shares of subsidiaries and associates	(3)	–
Proceeds from sales of shares of subsidiaries and associates	5,740	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	273,343	23,000
Proceeds from cancellation of insurance funds	13,845	–
Payments of leasehold and guarantee deposits	(9,849)	(60,146)
Other, net	1,881	359
Net cash provided by (used in) investing activities	723,413	(753,343)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	100,000	(29,612)
Proceeds from long-term borrowings	2,800,000	3,530,000
Repayments of long-term borrowings	(1,502,500)	(2,600,047)
Proceeds from issuance of bonds	296,472	–
Redemption of bonds	(914,465)	(494,000)
Proceeds from exercise of employee share options	104,667	19,668
Proceeds from issuance of bonds with share options	19,467	–
Purchase of treasury shares	(79)	–
Proceeds from disposal of treasury shares	801,900	–
Dividends paid	(490,387)	(641,079)
Net cash provided by (used in) financing activities	1,215,074	(215,070)
Effect of exchange rate change on cash and cash equivalents	(270)	(44,081)
Net increase (decrease) in cash and cash equivalents	4,238,288	929,920
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	8,494,808	9,424,728