

Translation

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**Summary of Consolidated Financial Results
for the Six Months Ended June 30, 2016
(Based on Japanese GAAP)**

August 9, 2016

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: Director, Administration Division Yoshikazu Mizushima TEL 03-6439-5800
 Scheduled date to file Quarterly Securities Report: August 9, 2016
 Scheduled date to commence dividend payments: August 29, 2016
 Preparation of supplementary material on quarterly financial results: No
 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, 2016 (from January 1, 2016 to June 30, 2016)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2016	6,912	31.3	424	125.0	307	52.5	310	86.8
Six months ended June 30, 2015	5,263	25.0	188	30.9	201	11.2	166	38.8

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2016	26.38		26.21	
Six months ended June 30, 2015	14.20		14.05	

(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, 2016	11,893	3,130	26.2	263.37
As of December 31, 2015	7,220	2,909	40.0	245.43

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, 2015	–	5.00	–	13.00	18.00
Year ending December 31, 2016	–	8.00			
Year ending December 31, 2016 (Forecast)			–	14.00	22.00

3. Forecast of consolidated financial results for the year ending December 31, 2016 (from January 1, 2016 to December 31, 2016)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	14,800	3.7	700	44.0	570	20.9	550	6.1	46.70

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2016
 (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
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|--|-----|
| 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, 2016	11,825,400 shares	As of December 31, 2015	11,771,200 shares
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Number of treasury shares at the end of the period

As of June 30, 2016	– shares	As of December 31, 2015	– 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, 2016	11,778,111 shares	Six months ended June 30, 2015	11,710,909 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2015	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	4,093,019	4,577,102
Accounts receivable - trade	231,826	215,798
Securities	–	220,000
Real estate for sale	765,359	3,941,086
Other inventories	11,540	2,366
Deferred tax assets	120,913	206,655
Other	102,702	187,406
Allowance for doubtful accounts	(26,263)	(41,346)
Total current assets	5,299,098	9,309,069
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	88,475	88,357
Land	1,406	1,406
Other, net	48,050	46,189
Total property, plant and equipment	137,931	135,953
Intangible assets		
Goodwill	223,029	182,478
Software	96,647	184,779
Other	2,921	2,370
Total intangible assets	322,598	369,628
Investments and other assets		
Investment securities	1,226,949	1,832,936
Shares of subsidiaries and associates	1	3,000
Other	233,866	243,301
Total investments and other assets	1,460,816	2,079,238
Total non-current assets	1,921,346	2,584,820
Total assets	7,220,445	11,893,890

(Thousands of yen)

	As of December 31, 2015	As of June 30, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	67,372	50,462
Short-term loans payable	780,175	3,842,905
Current portion of long-term loans payable	541,600	752,308
Current portion of bonds	120,000	220,000
Income taxes payable	27,973	73,410
Provision for bonuses	–	264,579
Other provision	3,610	–
Other	913,041	579,176
Total current liabilities	2,453,773	5,782,842
Non-current liabilities		
Bonds payable	300,000	640,000
Long-term loans payable	469,600	1,305,433
Long-term lease and guarantee deposited	931,104	871,350
Long-term accounts payable - other	50,330	44,014
Net defined benefit liability	16,492	17,580
Deferred tax liabilities	89,391	102,639
Total non-current liabilities	1,856,918	2,981,017
Total liabilities	4,310,692	8,763,860
Net assets		
Shareholders' equity		
Capital stock	1,044,800	1,057,275
Capital surplus	750,879	763,354
Retained earnings	898,994	1,056,653
Total shareholders' equity	2,694,674	2,877,282
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	194,435	239,343
Foreign currency translation adjustment	(52)	(2,139)
Total accumulated other comprehensive income	194,383	237,204
Subscription rights to shares	20,696	15,542
Total net assets	2,909,753	3,130,029
Total liabilities and net assets	7,220,445	11,893,890

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, 2015	Six months ended June 30, 2016
Operating revenue		
Operating revenue	1,859,909	2,126,440
Real estate sales	3,403,980	4,786,515
Total operating revenue	5,263,889	6,912,955
Operating cost		
Cost For Sales	1,226,869	1,193,089
Cost of sales - real estate	3,100,354	4,404,771
Total operating cost	4,327,224	5,597,861
Operating gross profit	936,665	1,315,094
Selling, general and administrative expenses	748,040	890,712
Operating income	188,625	424,381
Non-operating income		
Interest income	534	589
Dividend income	7,197	9,231
Insurance premiums refunded cancellation	4,035	–
Compensation income	6,677	–
Other	15,224	2,993
Total non-operating income	33,668	12,814
Non-operating expenses		
Interest expenses	12,928	36,212
Commission fee	–	31,222
Bond issuance cost	6,287	11,879
Foreign exchange losses	–	44,776
Other	1,605	5,829
Total non-operating expenses	20,820	129,920
Ordinary income	201,472	307,275
Extraordinary income		
Gain on sales of investment securities	218	–
Total extraordinary income	218	–
Extraordinary losses		
Loss on retirement of non-current assets	–	1,639
Total extraordinary losses	–	1,639
Income before income taxes and minority interests	201,691	305,635
Income taxes - current	35,382	80,480
Income taxes - deferred	–	(85,529)
Total income taxes	35,382	(5,048)
Profit	166,308	310,684
Profit attributable to owners of parent	166,308	310,684

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Profit	166,308	310,684
Other comprehensive income		
Valuation difference on available-for-sale securities	125,207	44,908
Foreign currency translation adjustment	1,645	(2,087)
Total other comprehensive income	126,853	42,820
Comprehensive income	293,162	353,504
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	293,162	353,504
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Cash flows from operating activities		
Income before income taxes and minority interests	201,691	305,635
Depreciation	16,501	30,416
Amortization of goodwill	40,550	40,550
Share-based compensation expenses	4,987	1,043
Increase (decrease) in allowance for doubtful accounts	(5,057)	15,082
Increase (decrease) in provision for bonuses	107,326	264,579
Increase (decrease) in net defined benefit liability	638	1,088
Increase (decrease) in other provision	(4,128)	(3,610)
Interest and dividend income	(7,731)	(9,821)
Interest expenses	12,928	36,212
Bond issuance cost	6,287	11,879
Surrender value of insurance	(4,035)	–
Compensation income	(6,677)	–
Loss (gain) on sales of investment securities	(218)	–
Loss on retirement of non-current assets	–	1,639
Decrease (increase) in notes and accounts receivable - trade	(264)	61
Decrease (increase) in inventories	626,153	(3,197,603)
Decrease (increase) in accounts receivable - other	14,129	(66,670)
Decrease (increase) in advance payments	(9,998)	810
Decrease (increase) in advances paid	(15,270)	8,623
Increase (decrease) in notes and accounts payable - trade	(41,968)	(16,909)
Increase (decrease) in accounts payable - other	(195,703)	(302,584)
Increase (decrease) in deposits received	(95,413)	38,741
Increase (decrease) in long-term accounts payable - other	(207)	(6,316)
Increase (decrease) in lease and guarantee deposits received	79,491	(59,710)
Other, net	(36,348)	(47,596)
Subtotal	687,662	(2,954,458)
Interest and dividend income received	7,731	9,821
Interest expenses paid	(13,200)	(35,800)
Proceeds from compensation	6,677	–
Income taxes (paid) refund	(46,066)	(20,288)
Net cash provided by (used in) operating activities	642,804	(3,000,727)
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,327)	(13,495)
Purchase of intangible assets	(23,733)	(104,457)
Purchase of investment securities	–	(549,500)
Proceeds from sales of investment securities	6,009	–
Purchase of shares of subsidiaries and associates	–	(3,000)
Proceeds from sales of shares of subsidiaries and associates	–	1
Payments for lease deposits	–	(3,592)
Proceeds from cancellation of insurance funds	17,940	–
Other, net	(2,271)	(2,762)
Net cash provided by (used in) investing activities	(19,383)	(676,807)

(Thousands of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(504,331)	3,080,000
Proceeds from long-term loans payable	–	1,370,000
Repayments of long-term loans payable	(154,800)	(323,459)
Proceeds from issuance of bonds	293,712	488,120
Redemption of bonds	(30,033)	(60,066)
Proceeds from exercise of share options	7,785	18,753
Cash dividends paid	(116,790)	(151,981)
Net cash provided by (used in) financing activities	(504,457)	4,421,366
Effect of exchange rate change on cash and cash equivalents	(146)	(39,748)
Net increase (decrease) in cash and cash equivalents	118,817	704,083
Cash and cash equivalents at beginning of period	3,069,579	4,093,019
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	13,151	–
Cash and cash equivalents at end of period	3,201,548	4,797,102