

**Translation**

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**Summary of Consolidated Financial Results  
for the Year Ended December 31, 2017  
(Based on Japanese GAAP)**

February 6, 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 of ordinary general meeting of shareholders: March 27, 2018  
 Scheduled date to file Securities Report: March 27, 2018  
 Scheduled date to commence dividend payments: March 28, 2018  
 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, 2017 (from January 1, 2017 to December 31, 2017)

(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, 2017	14,562	1.0	1,094	45.6	943	50.1	768	30.8
Year ended December 31, 2016	14,420	1.0	751	54.7	628	33.3	587	13.3

	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, 2017	66.74	66.18	22.2	8.6	7.5
Year ended December 31, 2016	49.75	49.47	18.9	7.6	5.2

(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, 2017	12,587	3,624	28.7	316.81
As of December 31, 2016	9,258	3,329	35.8	279.72

(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, 2017	(1,277)	(840)	2,174	5,386
Year ended December 31, 2016	1,177	(1,061)	1,116	5,350

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, 2016	—	8.00	—	15.00	23.00	272	46.2	8.8
Year ended December 31, 2017	—	11.00	—	19.00	30.00	342	45.0	10.1
Year ending December 31, 2018 (Forecast)	—	14.00	—	21.00	35.00		45.4	

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
Six months ending June 30, 2018	8,600	22.8	590	(15.9)	560	(13.3)	450	(16.5)	39.43
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 year ended December 31, 2017

(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, 2017	11,963,500 shares	As of December 31, 2016	11,864,100 shares
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Number of treasury shares at the end of the period

As of December 31, 2017	550,042 shares	As of December 31, 2016	– shares
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Average number of shares during the period

Year ended December 31, 2017	11,517,452 shares	Year ended December 31, 2016	11,807,374 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of December 31, 2016	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	5,350,016	5,386,770
Accounts receivable - trade	145,237	331,094
Real estate for sale	234,799	2,771,485
Other inventories	3,090	4,863
Deferred tax assets	260,588	291,782
Other	729,516	724,943
Allowance for doubtful accounts	(91,246)	(79,270)
Total current assets	6,632,002	9,431,668
Non-current assets		
Property, plant and equipment		
Buildings and structures	169,707	236,814
Accumulated depreciation	(89,475)	(99,504)
Buildings and structures, net	80,231	137,310
Land	1,406	1,406
Other	130,483	157,092
Accumulated depreciation	(79,000)	(92,487)
Other, net	51,482	64,605
Total property, plant and equipment	133,120	203,321
Intangible assets		
Goodwill	141,927	60,826
Software	165,091	152,757
Other	2,330	2,249
Total intangible assets	309,349	215,832
Investments and other assets		
Investment securities	1,836,661	2,303,508
Shares of subsidiaries and associates	29,671	108,028
Deferred tax assets	1,329	1,197
Other	316,487	324,066
Total investments and other assets	2,184,150	2,736,800
Total non-current assets	2,626,621	3,155,955
Total assets	9,258,623	12,587,623

(Thousands of yen)

	As of December 31, 2016	As of December 31, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	78,171	82,938
Short-term loans payable	200,000	2,120,000
Current portion of long-term loans payable	761,877	888,200
Current portion of bonds	320,000	494,000
Income taxes payable	134,337	65,600
Accounts payable - other	517,329	705,565
Other	509,421	418,377
<b>Total current liabilities</b>	<b>2,521,137</b>	<b>4,774,683</b>
<b>Non-current liabilities</b>		
Bonds payable	910,000	1,384,000
Long-term loans payable	1,359,460	1,467,460
Long-term lease and guarantee deposited	971,214	1,105,243
Long-term accounts payable - other	43,017	61,472
Net defined benefit liability	18,878	–
Deferred tax liabilities	105,174	170,745
<b>Total non-current liabilities</b>	<b>3,407,744</b>	<b>4,188,921</b>
<b>Total liabilities</b>	<b>5,928,881</b>	<b>8,963,605</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,066,156	1,088,937
Capital surplus	772,235	795,016
Retained earnings	1,238,803	1,703,941
Treasury shares	–	(346,548)
<b>Total shareholders' equity</b>	<b>3,077,196</b>	<b>3,241,347</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	245,578	397,190
Foreign currency translation adjustment	(4,201)	(22,616)
<b>Total accumulated other comprehensive income</b>	<b>241,376</b>	<b>374,573</b>
Subscription rights to shares	11,169	8,097
<b>Total net assets</b>	<b>3,329,742</b>	<b>3,624,018</b>
<b>Total liabilities and net assets</b>	<b>9,258,623</b>	<b>12,587,623</b>

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

(Thousands of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Operating revenue		
Operating revenue	4,272,957	5,058,919
Real estate sales	10,147,428	9,503,585
Total operating revenue	14,420,385	14,562,504
Operating cost		
Cost For Sales	2,396,913	2,592,129
Cost of sales - real estate	9,380,035	8,805,453
Total operating cost	11,776,949	11,397,583
Operating gross profit	2,643,436	3,164,920
Selling, general and administrative expenses	1,891,571	2,070,526
Operating profit	751,864	1,094,394
Non-operating income		
Interest income	1,895	6,287
Dividend income	9,878	9,434
Foreign exchange gains	8,891	–
Other	3,484	3,711
Total non-operating income	24,149	19,433
Non-operating expenses		
Interest expenses	73,976	58,405
Bond issuance cost	19,743	21,125
Commission fee	35,294	826
Income from partnership management expenses	6,811	61,331
Foreign exchange losses	–	16,518
Other	12,021	12,492
Total non-operating expenses	147,847	170,699
Ordinary profit	628,166	943,128
Extraordinary income		
Gain on sales of non-current assets	–	33
Gain on sales of investment securities	–	2,099
Total extraordinary income	–	2,133
Extraordinary losses		
Loss on retirement of non-current assets	1,639	1,587
Loss on valuation of investment securities	–	43,832
Loss on valuation of golf club membership	–	3,120
Impairment loss	2,772	–
Total extraordinary losses	4,412	48,540
Profit before income taxes	623,754	896,722
Income taxes - current	177,325	160,476
Income taxes - deferred	(141,008)	(32,401)
Total income taxes	36,316	128,074
Profit	587,437	768,647
Profit attributable to owners of parent	587,437	768,647

## Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Profit	587,437	768,647
Other comprehensive income		
Valuation difference on available-for-sale securities	51,142	151,612
Foreign currency translation adjustment	(4,149)	(18,414)
Total other comprehensive income	46,992	133,197
Comprehensive income	634,430	901,845
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	634,430	901,845
Comprehensive income attributable to non-controlling interests	—	—

## Consolidated statements of changes in equity

Fiscal year ended December 31, 2016

(Thousands of yen)

	Shareholders' equity				Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	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	1,044,800	750,879	898,994	2,694,674	194,435	(52)	194,383	20,696	2,909,753
Changes of items during period									
Dividends of surplus			(247,628)	(247,628)					(247,628)
Issuance of new shares - exercise of subscription rights to shares	21,356	21,356		42,713					42,713
Profit attributable to owners of parent			587,437	587,437					587,437
Net changes of items other than shareholders' equity					51,142	(4,149)	46,992	(9,526)	37,466
Total changes of items during period	21,356	21,356	339,809	382,522	51,142	(4,149)	46,992	(9,526)	419,988
Balance at end of current period	1,066,156	772,235	1,238,803	3,077,196	245,578	(4,201)	241,376	11,169	3,329,742

Fiscal year ended December 31, 2017

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholder's equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	1,066,156	772,235	1,238,803	–	3,077,196	245,578	(4,201)	241,376	11,169	3,329,742
Changes of items during period										
Dividends of surplus			(303,510)		(303,510)					(303,510)
Issuance of new shares - exercise of subscription rights to shares	22,781	22,781			45,562					45,562
Profit attributable to owners of parent			768,647		768,647					768,647
Purchase of treasury shares				(346,548)	(346,548)					(346,548)
Net changes of items other than shareholders' equity						151,612	(18,414)	133,197	(3,072)	130,125
Total changes of items during period	22,781	22,781	465,137	(346,548)	164,150	151,612	(18,414)	133,197	(3,072)	294,276
Balance at end 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

## Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Cash flows from operating activities		
Profit before income taxes	623,754	896,722
Depreciation	69,456	87,878
Amortization of goodwill	81,101	81,101
Share-based compensation expenses	1,043	–
Increase (decrease) in allowance for doubtful accounts	64,983	(11,975)
Increase (decrease) in net defined benefit liability	2,386	(18,878)
Increase (decrease) in other provision	(3,610)	–
Interest and dividend income	(11,773)	(15,721)
Interest expenses	73,976	58,405
Bond issuance cost	19,743	21,125
Loss (gain) on valuation of investment securities	–	43,832
Loss (gain) on sales of investment securities	–	(2,099)
investments in partnership expenses	6,811	61,331
Loss (gain) on sales of non-current assets	–	(33)
Loss on retirement of non-current assets	1,639	1,587
Loss on valuation of golf club memberships	–	3,120
Impairment loss	2,772	–
Decrease (increase) in notes and accounts receivable - trade	64,622	(179,947)
Decrease (increase) in inventories	533,685	(2,547,146)
Decrease (increase) in accounts receivable - other	(51,457)	4,211
Decrease (increase) in advance payments	(97,458)	98,268
Decrease (increase) in advances paid	(119,944)	103,472
Increase (decrease) in notes and accounts payable - trade	10,004	5,213
Increase (decrease) in accounts payable - other	6,691	181,812
Increase (decrease) in deposits received	66,933	4,381
Increase (decrease) in long-term accounts payable - other	(7,313)	18,455
Increase (decrease) in lease and guarantee deposits received	40,032	134,058
Other, net	(94,911)	(29,500)
Subtotal	1,283,171	(1,000,325)
Interest and dividend income received	11,773	15,721
Interest expenses paid	(76,405)	(61,272)
Income taxes (paid) refund	(40,701)	(231,617)
Net cash provided by (used in) operating activities	1,177,838	(1,277,493)

(Thousands of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,902)	(113,225)
Proceeds from sales of property, plant and equipment	–	34
Purchase of intangible assets	(106,507)	(28,659)
Purchase of investment securities	(550,500)	(1,395,027)
Proceeds from sales of investment securities	1,100	546,144
Proceeds from withdrawal of investments in silent partnership	–	486,572
Purchase of shares of subsidiaries and associates	(29,671)	(78,739)
Proceeds from sales of shares of subsidiaries and associates	1	75
Payments of loans receivable	(272,716)	(246,500)
Payments for lease and guarantee deposits	(81,505)	(20,059)
Other, net	1,643	8,414
Net cash provided by (used in) investing activities	(1,061,058)	(840,970)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(568,633)	1,920,000
Proceeds from long-term loans payable	1,920,000	1,100,000
Repayments of long-term loans payable	(809,863)	(865,677)
Proceeds from issuance of bonds	980,256	998,874
Redemption of bonds	(190,205)	(372,391)
Proceeds from exercise of share options	32,143	42,489
Purchase of treasury shares	–	(346,548)
Cash dividends paid	(247,437)	(302,248)
Net cash provided by (used in) financing activities	1,116,259	2,174,498
Effect of exchange rate change on cash and cash equivalents	23,958	(19,281)
Net increase (decrease) in cash and cash equivalents	1,256,997	36,753
Cash and cash equivalents at beginning of period	4,093,019	5,350,016
Cash and cash equivalents at end of period	5,350,016	5,386,770