

Aoyama Zaisan Networks

First Half Business Summary for Fiscal Year 2016 (26th period)

January 1 to June 30, 2016

Aoyama Zaisan Networks Provides the Most Comprehensive Asset Management Solutions



President

Masazumi Hasumi

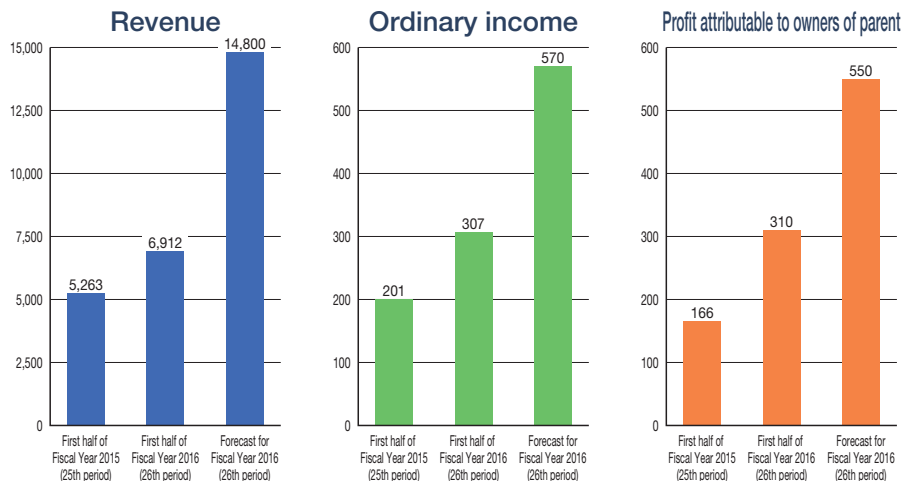
We at Aoyama Zaisan Networks Co., Ltd. have set the management objective of “contributing to the happiness of our customers through the management, administration, and succession of property” and, in accordance with the objective, we are offering one-stop and comprehensive property consulting primarily to individuals and business owners from the three perspectives of property succession, business succession, and property management.

Although the Japanese economy has been on a modest recovery trend as corporate earnings and yen appreciation since the start of the year have clouded the outlook for corporate earnings and personal spending. Uncertainties are also heightening for the global economy given the slowdown in emerging economies and events such as Brexit and the upcoming US presidential election, which will have a significant impact on the economy. In addition, the path to fiscal health remains steep, and we expect the increase in the maximum rate for inheritance taxes and the reduction in basic deduction amounts, which went into effect last year, and the introduction of the “My Number” personal identification number system this year to add momentum to reinforced tax collection efforts targeting wealthy people.

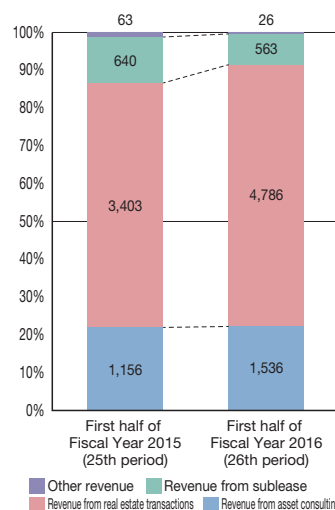
As a result, many people feel more concerns about inheritance, concerns that their land might cease to be “an asset,” concerns that the value of their yen assets might erode, etc. and so interest in inheritance strategies and protection of property has become higher than ever before. We believe that we can achieve smooth property and business succession and accurate property management by offering comprehensive property consulting consisting of “accurate analyses of the present state,” “a clear direction,” “specific planning and reliable execution” and “review on a regular basis” and everyone at our company is working together to provide a high-quality property consulting service.

Business Results for the First Half of Fiscal Year 2016

Highlights of Consolidated Business Results (unit: million yen, rounded down to the nearest million)



Revenue by Segments (unit: million yen, rounded down to the nearest million)



The above forecasts are based on the information available as of the preparation of this document, involving some uncertainty. Actual business results might prove different from these forecasts, depending on the changes in business conditions.

Operating Report

In the first half of the fiscal year under review, the Japanese economy was solid as corporate earnings and employment conditions improved based on the effects of government policies. However, the yen strengthened and the stock market softened at the start of the year, followed by the Bank of Japan's introduction of negative interest rates. This, coupled with a slowdown in emerging economies and the UK's decision to leave the European Union, means that the outlook remains uncertain. In the real estate industry, which has a substantial effect on the Group, the bipolarization between land prices in urban areas, such as Tokyo, and in regional cities has become extremely pronounced. In particular, purchasing demand is rising sharply in the income property market in Tokyo's five central wards.

The Group believes that people must have "financial, physical and emotional well-being," as well as a balance between these three, to be happy. The Group focuses on the "financial" part of this equation by augmenting its customers' economic foundation, bringing happiness through consultation services on succession, management and administration of personal properties, as well as consulting on corporate business succession and real estate solutions, such as the effective use, purchase and sale of real estate, which accounts for two-thirds of individuals' properties. These financial consultation services are based on the Group's belief that financial assets are the foundation for leading a happy life.

Japan's social environment faces major changes, such as a declining population and the aging of the baby boom generation. We believe that it is essential that we accurately ascertain the need for business succession, asset investment and inheritance measures expected to continue over the next 20 years, and as such we run our comprehensive asset consulting business with the aim of standing by our customers and guiding them in a better direction. Based on its management principle of "we will remain your best partner over one hundred years," the Group brings together its expertise, human capabilities and a dynamism that enables it to meet customer expectations at

all times, thus satisfying its customers as an independent comprehensive asset consulting company.

We have begun our first local revitalization project as a real estate specified joint enterprise utilizing a special purpose company (SPC), permitted under the revised Real Estate Specified Joint Enterprise Act. In response to the open call for private business operators for the construction of a mixed-use building in Komatsu City, Ishikawa Prefecture, we proposed a project utilizing this business scheme jointly with Shimizu Corporation, and were granted first refusal rights on October 21, 2014. This multi-purpose building on the site of the former Daiwa Komatsu store in front of JR Komatsu Station is the keystone of Komatsu City's urban revitalization plan, and will include the Hotel Grand Binario KOMATSU (provisional name), retail shops, a book café, a play area for children and the public Komatsu College (provisional name).

A basic agreement was signed on June 30, 2016, by the four entities involved, namely Komatsu City; Joint Corporation Aoyama Life Promotion, the SPC that will construct and own the building; the Aoyama Zaisan Networks Group, which will undertake asset management for the SPC; and Komatsu Revitalization Center Corporation, Komatsu City's third sector. A groundbreaking ceremony was held for this multi-use building on the same day, and construction is expected to be completed in autumn 2017.

The need for redevelopment projects targeting the area near train stations and urban redevelopment projects is rising, particularly in regional cities. We will be actively involved in regional development projects to contribute to regional economic development as part of our contributions to society. Meanwhile, we will continue to actively operate ADVANTAGE CLUB®. As a result, revenue totaled ¥6,912 million (up 31.3% over the previous fiscal year), operating income was ¥424 million (up 125.0%), and ordinary income amounted to ¥307 million (up 52.5%) in the first half of the fiscal year. Net income attributable to owners of parent totaled ¥310 million (up 86.8%).

Consolidated Financial Data in the Second Quarter

Million yen, rounded down to the nearest million

Consolidated Balance Sheet

Item	Term	Fiscal Year 2015 Dec. 31, 2015	First half of Fiscal Year 2016 Jun. 30, 2016
Assets			
Current assets		5,299	9,309
Cash and deposits		4,093	4,577
Accounts receivable		231	215
Securities		-	220
Real estate held for sale		765	3,941
Other inventories		11	2
Deferred tax assets		120	206
Others		102	187
Allowance for doubtful accounts		(26)	(41)
Fixed assets		1,921	2,584
Tangible fixed assets		137	135
Intangible fixed assets		322	369
Investments and other assets		1,460	2,079
Total assets		7,220	11,893

Item	Term	Fiscal Year 2015 Dec. 31, 2015	First half of Fiscal Year 2016 Jun. 30, 2016
Liabilities			
Current liabilities		2,453	5,782
Fixed liabilities		1,856	2,981
Total liabilities		4,310	8,763
Net assets			
Shareholders' equity		2,694	2,877
Common stock		1,044	1,057
Capital surplus		750	763
Retained earnings		898	1,056
Accumulated other comprehensive income		194	237
Valuation difference on available-for-sale securities		194	239
Foreign currency translation adjustment		(0)	(2)
Subscription rights to shares		20	15
Total net assets		2,909	3,130
Total liabilities and net assets		7,220	11,893

Consolidated Financial Data in the Second Quarter

Million yen, rounded down to the nearest million

Consolidated Income Statements

Item	Term	First half of Fiscal Year 2015 from Jan. 1, 2015 to Jun. 30, 2015	First half of Fiscal Year 2016 from Jan. 1, 2016 to Jun. 30, 2016
Revenue		5,263	6,912
Operating cost		4,327	5,597
Gross operating income		936	1,315
SG & A		748	890
Operating income		188	424
Non-operating revenue		33	12
Non-operating expenses		20	129
Ordinary income		201	307
Extraordinary income		0	–
Extraordinary loss		–	1
Income before income taxes		201	305
Income taxes-current		35	80
Income taxes-deferred		–	(85)
Total income taxes		35	(5)
Profit		166	310
Profit attributable to owners of parent		166	310

Consolidated Cash Flows

Item	Term	First half of Fiscal Year 2015 from Jan. 1, 2015 to Jun. 30, 2015	First half of Fiscal Year 2016 from Jan. 1, 2016 to Jun. 30, 2016
Cash flow from operating activities		642	(3,000)
Cash flow from investing activities		(19)	(676)
Cash flow from financing activities		(504)	4,421
Effect of exchange rate change on cash and cash equivalents		(0)	(39)
Net increase (decrease) in cash and cash equivalents		118	704
Cash and cash equivalents at beginning of period		3,069	4,093
Increase in cash and cash equivalents resulting from change of scope of consolidation		13	–
Cash and cash equivalents at end of period		3,201	4,797

TOPICS

TOPIC 1

Joint venture established with Nihon M&A Center

On August 4, 2016, we established the Business Succession Navigator Corporation, a joint venture with Nihon M&A Center Inc., to provide comprehensive consulting services on business succession and asset utilization.

The Group formed a business affiliation with Nihon M&A Center so that we could provide one-stop consulting while offering a range of options for customers' business succession by utilizing each other's strengths on asset succession for business managers.

We believe that providing support to the many business managers struggling with successor issues during the process of deciding on a successor will be even more important going forward. For this reason, we established Business Succession Navigator, which will combine the knowledge of those who have experienced business succession (primarily the Group's and Nihon M&A Center's clients) with the expertise of professionals to provide new services.



Nihon M&A Center Inc.
Suguru Miyake, President

TOPIC 2

Start of local revitalization projects

The Group launched a series of local revitalization projects, using a scheme whereby a real estate specified joint enterprise utilizes a special purpose company (SPC), permitted under the revised Real Estate Specified Joint Enterprise Act.

As our first such project, we partnered with Shimizu Corporation to present a joint proposal utilizing this business scheme in response to an open call for private business operators to construct a mixed-use building in Komatsu City, Ishikawa Prefecture, and were granted first refusal rights on October 21, 2014. This multi-purpose building on the site of the former Daiwa Komatsu store in front of JR Komatsu Station is the keystone of Komatsu City's urban revitalization plan, and will include the Hotel Grand Binario KOMATSU (provisional name), retail shops, a book café, a play area for children and the public Komatsu College (provisional name).

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We will be actively involved in regional development projects to contribute to regional economic development as part of our contributions to society.



TOPIC 3

Dividend forecasts

As a result of the revisions to the earnings forecasts announced on May 11 and August 9, 2016, our interim and year-end dividends per share will be as follows.

	Fiscal year ended in December 2016 (previous forecasts)	Fiscal year ended in December 2016 (revised forecasts)
First half of fiscal year	6 yen	8 yen
End of fiscal year	12 yen	14 yen(forecast)
Total (annual)	18 yen	22 yen(forecast)

TOPIC 4

Shareholder Incentive Plan

The Company provides benefits under the following conditions to shareholders recorded in the shareholder register as of June 30.

Shareholders who hold 1,000 shares or more	Shareholders who hold 10,000 shares or more continuously for over 1 year
<p>Select 1 from 10 products worth 3,000 yen</p>	<p>A meal certificate from UKAI CO., LTD. (20,000 yen) or Ukai special select beef (worth 20,000 yen)</p>

Stock Information / Corporate Data

Stock Overview

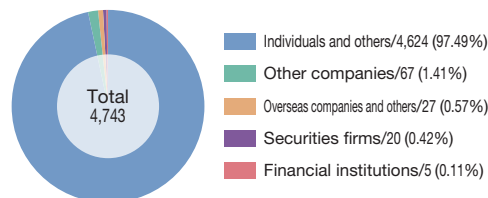
(as of June 30, 2016)

Number of shares in issue	11,825,400
Number of shareholders	4,743

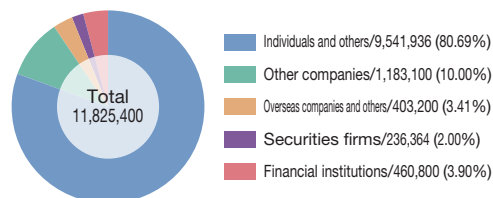
Major Shareholders (Top 10)

Name	Shares held	Shareholding ratio
Masazumi Hasumi	1,202,100	10.17
MID Investment Co., Ltd.	670,000	5.67
Yasuo Takano	641,400	5.42
Mutsumi Shimada	431,700	3.65
The Master Trust Bank of Japan, Ltd. (trust account)	278,100	2.35
Tomio Sugimura	275,700	2.33
Eiichiro Iwase	199,600	1.69
Hiroko Iwase	179,500	1.52
Nihon M&A Center Inc.	150,000	1.27
Japan Trustee Services Bank, Ltd. (trust account)	138,600	1.17

Number of Shareholders by Category



Number of shares held by Category



Corporate Data

(as of June 30, 2016)

Name of Company	Aoyama Zaisan Networks Company, Limited
Head Office	3F Aoyama Tower Place, 8-4-14 Akasaka, Minato-ku, Tokyo 107-0052 Tel. +81-6439-5800
Incorporated	September 17, 1991
Capital stock	1,057.27 million yen
Business line	Individual property consulting, business succession consulting and real estate solutions consulting
Number of employees (Group)	163 (as of June 30, 2016)
Consolidated subsidiaries	9 companies including Aoyama Estate Co., Ltd., Nihon Shisan Soken Co., Ltd. and Proggest Co., Ltd.

Executives

(from June 30, 2016)

President	Masazumi Hasumi
Director, Managing Executive Officer	Masayuki Yagi
Director, Managing Executive Officer	Takeshi Matsuura
Director, Managing Executive Officer	Yasuo Takano
Director, Executive Officer	Yoshikazu Mizushima
Director, Executive Officer	Seido Nakatani
Director, Executive Officer	Shinji Shimane
Director, Executive Officer	Takaomi Ogawa
Outside Director	Haruo Shimada
Outside Director	Keiji Watanabe
Outside Director	Michihiro Nagasaka
Standing Auditor	Yoichiro Shimada
Auditor	Hisao Nakatsuka
Outside Auditor	Keizo Sugita
Outside Auditor	Hiroaki Rokugawa

Notes for Shareholder

Fiscal year

Base date for the determination of shareholders with year-end dividend entitlements

Base date for the determination of shareholders with interim dividend entitlements

General meeting of shareholders

Administrator of the shareholder registry/Account management institution for special account

Contact

Account management institution for special accounts

Contact

Stock exchange listings

Public announcements

(For reference)

- Due to the dematerialization share certificates, shareholders' address changes, repurchase requests, and such other procedures, as a rule, are filed with the account-administrating institutions where shareholders have their accounts (securities companies, etc.). Shareholders are requested to contact their account holding securities companies, etc., for information. Shareholders are reminded that application filings cannot be made with the administrator of shareholder registry (Mitsubishi UFJ Trust and Banking Corporation).
- For information on procedures concerning shares recorded in special accounts, shareholders are requested to contact The Sumitomo Mitsui Trust Bank, Limited, the account administration institution for special accounts. Shareholders are reminded that procedures cannot be processed by Mitsubishi UFJ Trust and Banking Corporation, which serves as the administrator of the shareholder registry.
- Dividends hitherto uncollected by shareholders are paid by Mitsubishi UFJ Trust and Banking Corporation, Head Office Branch.

January 1 to December 31

December 31

June 30

in March

Mitsubishi UFJ Trust and Banking Corporation

Mitsubishi UFJ Trust and Banking Corporation, Stock Transfer Agency Department
7-10-11, Higashisuna, Koto-ku, Tokyo, 137-8081
Tel. 0120-232-7111 (toll-free, Japan only)

Sumitomo Mitsui Trust Bank, Limited

Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Department
2-8-4, Izumi, Suginami-ku, Tokyo 168-8507
Tel. 0120-782-031 (toll free, Japan only)

TSE Second Section

To be announced on the Company's website

List of Nationwide Network

(as of July 31, 2016)

Aoyama Zaisan Networks' Nationwide Network

Hokkaido, Tohoku

- ▶ Zaisan Networks Sendai Co., Ltd. (MISAWA BUSINESS MANAGEMENT INC.)
- ▶ Zaisan Networks Fukushima Co., Ltd. (Aoki Accounting Corporation)
- ▶ Aoyama Zaisan Networks Hokkaido Support (IKEWAKI TAX, ACCOUNTING & CONSULTANTS GROUP)
- ▶ Aoyama Zaisan Networks Yamagata Support (Yutaka Licensed Tax Accountant's Corp)
- ▶ Aoyama Zaisan Networks Aomori Support (Konda Accounting Office)

Kanto, Koshinetsu

- ▶ Zaisan Networks Tochigi Co., Ltd. (Tajima Accounting Office)
- ▶ Zaisan Networks Motegi Co., Ltd. (MOTEGI tax consultant office)
- ▶ Aoyama Zaisan Networks Saitama Co., Ltd. (CWM Research Institute)
- ▶ Zaisan Networks Kawasaki Co., Ltd. (Tokyo Japan Certified Tax Accountants' Corporation)
- ▶ Zaisan Networks Nagano Co., Ltd. (Mochizuki Tax Corporation)
- ▶ Aoyama Zaisan Networks Ibaraki Support (Masuyama Accounting Office)
- ▶ Aoyama Zaisan Networks Kanto Chuo Support (MMG Tax Corporation)
- ▶ Aoyama Zaisan Networks Denenchofu Support (Saito Tax Corporation)
- ▶ Aoyama Zaisan Networks Yokohama Support (YAMADA SYNTHETIC OFFICE)

Tokai, Hokuriku

- ▶ Zaisan Consultants Kanazawa Co., Ltd. (Hatake & Starship Tax Corporation)
- ▶ Zaisan Networks Shizuoka Co., Ltd. (Iwasaki Tax Corporation)
- ▶ Zaisan Networks Meinan Co., Ltd. (Meinan Consulting Network)
- ▶ Aoyama Zaisan Networks Fukui Support (Uesaka Consulting Firm)

Kinki

- ▶ Zaisan Networks Kyoto Co., Ltd. (SHINKEIEI SERVICE SHIMIZU Tax Co.)
- ▶ Zaisan Networks Osaka Co., Ltd. (Nihon Keiei Tax Corporation)
- ▶ Zaisan Networks Hyogo Co., Ltd. (Nihon Keiei Tax Corporation)
- ▶ Seki Soken Zaisan Partners Co., Ltd (AZ TAX Tax Corporation)
- ▶ Aoyama Zaisan Networks Wakayama Support (Nishioka Accounting Office)
- ▶ Aoyama Zaisan Networks Kyoto Nijo Support (HIROSE LICENSED TAX ACCOUNTANT)
- ▶ Aoyama Zaisan Networks Mie Support (Midland Management Group Mie)

Chugoku, Shikoku

- ▶ Zaisan Consultants Tokushima Co., Ltd. (M.A.S. AGENT GROUP)
- ▶ Midori Zaisan Consultants Co., Ltd. (Midori Tax Corporation)
- ▶ Aoyama Zaisan Networks Shimane Support (Chikashige Tax Office)

Kyushu, Okinawa

- ▶ Zaisan Networks Fukuoka Co., Ltd. (SHINOHARA CPA OFFICE)
- ▶ Zaisan Networks Okinawa Co., Ltd. (PS Accounting Office)
- ▶ Aoyama Zaisan Networks Nagasaki Support (Chuo Sogo Accounting Office)
- ▶ Aoyama Zaisan Networks Saga Support (MOROI Accounting Firm)
- ▶ Aoyama Zaisan Networks Miyazaki Support (Hasegawa Tax Corporation)

NSSTPS Business Model Association

* NSSTPS is the abbreviation for Nippon Shisan Soken Total Planning System.

Hokkaido, Tohoku

- ▶ Chiso Tax Corporation
- ▶ MISAWA BUSINESS MANAGEMENT INC
- ▶ Aoki Accounting Corporation Inc.

Kanto, Koshinetsu

- ▶ Kujirai Tax Corporation
- ▶ Kei Yo Research Institute
- ▶ Zeimu Sogo Tax Corporation
- ▶ Nihon Mirai Accounting & Tax Co.
- ▶ Nakamura Certified Public Tax Accountants Office
- ▶ Corporate Advisors Co., Ltd.
- ▶ eclat Consulting
- ▶ Top Accounting Firm & co
- ▶ Ai Partners Tax Corporation
- ▶ Oyama accounting Co., Ltd
- ▶ Masatoshi Yoshikawa Certified Tax Accountant Office
- ▶ Koyama Sadao tax accounting office

Tokai, Hokuriku

- ▶ ARIASU ZEIRISIHOUJIN.
- ▶ Takemoto Accounting Office
- ▶ MMPC Consultants Corporation
- ▶ KIMURA KEIEI BRAIN CO., LTD.

Kinki

- ▶ HIROSE LICENSED TAX ACCOUNTANT
- ▶ Seki Research Institute
- ▶ Ueda Certified Public Accountant Licensed Tax Accountant Office
- ▶ Corporate Advisors Co., Ltd.

Shikoku

- ▶ Nonaka Keiei Corporation