

# Aoyama Zaisan Networks

Full-year Business Summary for Fiscal Year 2016 (26th period)

January 1 to December 31, 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.

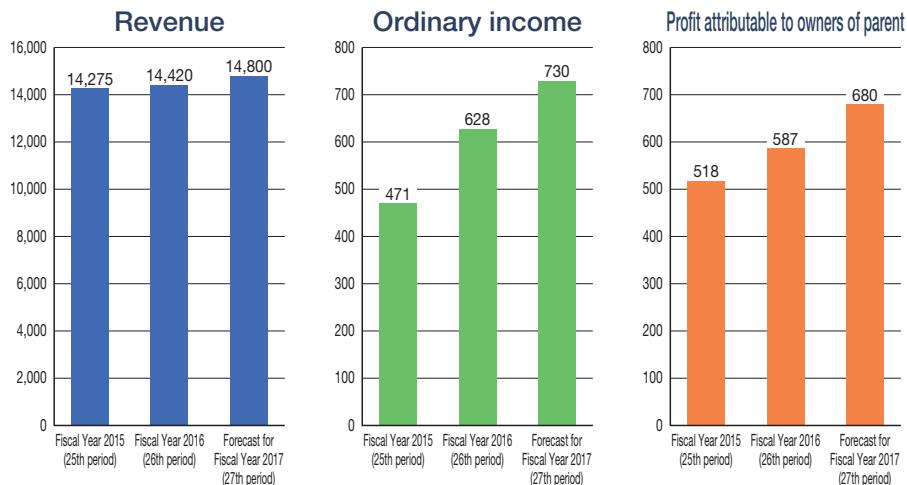
Although corporate earnings and the employment and income environment have been improved by various measures by the Japanese government and the Bank of Japan, the Japanese economy remains in a temporary lull. Moreover, a series of events have changed the conventional framework of the politics and economics, such as the UK’s decision to leave the EU and the wave of anti-globalism following the US presidential election. As for the tax system, 2017 tax reforms will increase property and inheritance taxes on high-rise condominiums to close a tax loophole, strengthen inheritance taxes on foreign assets, and review anti-tax haven rules. This will add momentum to the reinforced tax collection efforts targeting the wealthy.

Against the backdrop of those significant changes in the social environment and the increased interest in inheritance strategies and protection of property more than ever, everyone at our company will put our effort to contribute to the happiness of our customers while also ensuring sustainable growth in profits and reinforcing shareholder returns. We believe this will further enhance our corporate value.

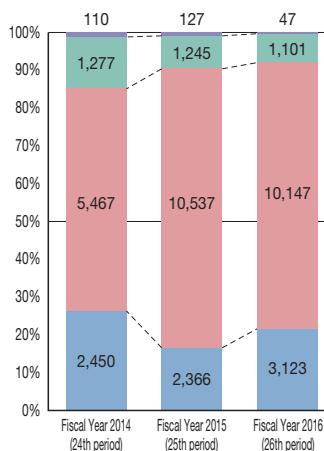
We ask for our shareholders’ continuing support and cooperation.

## Business Results for 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.

■ Other revenue ■ Revenue from sublease  
■ Revenue from real estate transactions ■ Revenue from asset consulting

## Operating Report

In the fiscal year under review, the Japanese economy saw modest improvements in corporate earnings and the employment and income environment on the back of monetary easing. Overseas, however, the economic slowdown in emerging countries, the UK's decision to leave the EU (European Union), and the US's shift to a new administration have led to turmoil in currency and stock markets, making the outlook 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. This project is the

keystone of urban revitalization plan of Komatsu City, Ishikawa Prefecture, and will include the construction of a mixed-use facility, consisted of public facilities, educational institutions, accommodations, and commercial facilities on the site of the former Daiwa Komatsu store located in front of JR Komatsu Station.

A groundbreaking ceremony was held on June 30, 2016, and the 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®. Moreover, we established the Business Succession Navigator Corporation, a joint venture with Nihon M&A Center Inc., on August 4, 2016, to provide comprehensive consulting services on business succession and asset utilization.

In the past, there were no professionals able to provide comprehensive solutions to the various types of issues involved in business succession (including inheritance strategies, selecting and training a successor, M&A, and asset management after succession), and, therefore, there exists many corporate managers who are not able to receive appropriate support.

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.

Going forward, we will solidify the relationship of the business affiliation and make the most of the expertise that we both have built up respectively, and lead business successions to a successful conclusion. As a professional group whose goal is to enrich the lives of corporate managers and their families, we will strive to help resolve those issues.

As a result of the above, in the fiscal year ended December 31, 2016, revenue totaled ¥14,420 million (up 1.0% over the previous fiscal year), operating income was ¥751 million (up 54.7%), and ordinary income amounted to ¥628 million (up 33.3%), and profit attributable to owners of parent was ¥587 million (up 13.3%).

## Consolidated Financial Data

Million yen, rounded down to the nearest million

### Consolidated Balance Sheet

Item	Term	Fiscal Year 2015 Dec. 31, 2015	Fiscal Year 2016 Dec. 31, 2016
<b>Assets</b>			
Current assets		5,299	6,632
Cash and deposits		4,093	5,350
Accounts receivable		231	145
Real estate held for sale		765	234
Other inventories		11	3
Deferred tax assets		120	260
Others		102	729
Allowance for doubtful accounts		(26)	(91)
Fixed assets		1,921	2,626
Tangible fixed assets		137	133
Intangible fixed assets		322	309
Investments and other assets		1,460	2,184
<b>Total assets</b>		<b>7,220</b>	<b>9,258</b>

Item	Term	Fiscal Year 2015 Dec. 31, 2015	Fiscal Year 2016 Dec. 31, 2016
<b>Liabilities</b>			
Current liabilities		2,453	2,521
Fixed liabilities		1,856	3,407
<b>Total liabilities</b>		<b>4,310</b>	<b>5,928</b>
<b>Net assets</b>			
Shareholders' equity		2,694	3,077
Common stock		1,044	1,066
Capital surplus		750	772
Retained earnings		898	1,238
Accumulated other comprehensive income		194	241
Valuation difference on available-for-sale securities		194	245
Foreign currency translation adjustment		(0)	(4)
Subscription rights to shares		20	11
<b>Total net assets</b>		<b>2,909</b>	<b>3,329</b>
<b>Total liabilities and net assets</b>		<b>7,220</b>	<b>9,258</b>

# Consolidated Financial Data

Million yen, rounded down to the nearest million

## Consolidated Income Statements

Item	Term	Fiscal Year 2015 from Jan. 1, 2015 to Dec. 31, 2015	Fiscal Year 2016 from Jan. 1, 2016 to Dec. 31, 2016
Revenue		14,275	14,420
Operating cost		12,135	11,776
Gross operating income		2,140	2,643
SG & A		1,654	1,891
Operating income		485	751
Non-operating revenue		34	24
Non-operating expenses		49	147
Ordinary income		471	628
Extraordinary income		2	-
Extraordinary loss		-	4
Income before income taxes		473	623
Income taxes-current		79	177
Income taxes-deferred		(124)	(141)
Profit		518	587
Profit attributable to owners of parent		518	587

## Consolidated Cash Flows

Item	Term	Fiscal Year 2015 from Jan. 1, 2015 to Dec. 31, 2015	Fiscal Year 2016 from Jan. 1, 2016 to Dec. 31, 2016
Cash flow from operating activities		801	1,177
Cash flow from investing activities		(162)	(1,061)
Cash flow from financing activities		370	1,116
Effect of exchange rate change on cash and cash equivalents		1	23
Net increase (decrease) in cash and cash equivalents		1,010	1,256
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		4,093	5,350

## TOPICS

### TOPIC 1

#### Two ADVANTAGE CLUB® Locations were Formed

In the fiscal year ended in December 2016, the Company opened two new locations of the real estate joint ownership scheme called ADVANTAGE CLUB® in accordance with Real Estate Specified Joint Enterprise Act.

During the 15 years since it was launched in 2002, a total of 38 locations of the scheme were opened (of which 14 have been liquidated), with 34.55 billion yen in assets under management and a total of 1,615 participants in the scheme (as of December 31, 2016). This program is steadily expanding and growing.



Hongo Todaimae (March)  
Total origination value: 1.32 billion yen



Ginza 7-chome (October)  
Total origination value: 4.25 billion yen

**T O P I C 2**

## Dividends

We increased our annual dividend per share for the fiscal year ended in December 2016 to 23 yen, five yen (two yen for the first half and three yen for the end of the year) higher than our initial forecast of 18 yen.

	Fiscal year ended in December 2016 (previous forecasts)	Fiscal year ended in December 2016 (actual)
First half of fiscal year	<b>6</b> yen	<b>8</b> yen
End of fiscal year	<b>12</b> yen	<b>15</b> yen
Total (annual)	<b>18</b> yen	<b>23</b> yen

**T O P I C 3**

## 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

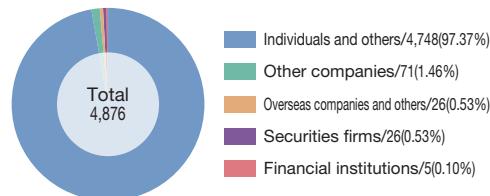
(as of December 31, 2016)

Number of shares in issue	11,864,100
Number of shareholders	4,876

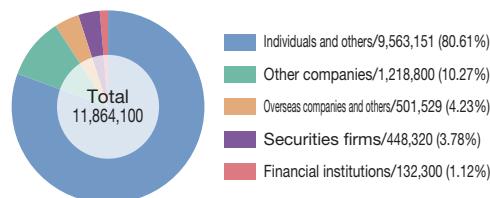
## Major Shareholders (Top 10)

Name	Shares held	Shareholding ratio
Masazumi Hasumi	1,207,100	10.17
MID Investment Co., Ltd.	670,000	5.65
Yasuo Takano	650,700	5.48
Mutsumi Shimada	300,700	2.53
Eiichiro Iwase	276,200	2.33
MSIP CLIENT SECURITIES	249,800	2.11
Tomio Sugimura	215,900	1.82
Nihon M&A Center Inc.	150,000	1.26
Hiroko Iwase	105,900	0.89
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	104,600	0.88

## Number of Shareholders by Category



## Number of shares held by Category



## Corporate Data

(as of December 31, 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	1,066.15 million yen
Business line	Individual property consulting, business succession consulting and real estate solutions consulting
Number of employees (Group)	168 (as of December 31, 2016)
Consolidated subsidiaries	9 companies including Aoyama Estate Co., Ltd., Nihon Shisan Soken Co., Ltd. and Proggest Co., Ltd.

## Executives

(from March 28, 2017)

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	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 filled 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 March 1, 2017)

## 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

- ▶ Nihon Shisan Souken Works Co., Ltd. (tax accountant office)
- ▶ 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 Nagoya Support (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)

## 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
- ▶ CREAS Corporate Advisers 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.
- ▶ Midori Management System, Co., Ltd.
- ▶ Meito Asset Consulting, Co., Ltd.
- ▶ MMPC Consultants Corporation
- ▶ KIMURA KEIEI BRAIN CO., LTD.

### Kinki

- ▶ HIROSE LICENSED TAX ACCOUNTANT
- ▶ Ueda Certified Public Accountant Licensed Tax Accountant Office. CREAS Corporate Advisers Co., Ltd.

### Shikoku

- ▶ Nonaka Keiei Corporation