

Aiming for 100 years of dividend increases by strengthening our property consulting system

Director, Managing Executive Officer, and General Manager of Corporate Planning Division **Shintaro Hashiba**

Aoyama Zaisan Networks has entered a period of expansion and growth toward its long-term vision of becoming Japan's No. 1 comprehensive property consulting firm supported by clients who know, "When it comes to property, it's Aoyama Zaisan Networks." CFO Shintaro Hashiba discusses current circumstances and future projects from a financial perspective.

Favorable business environment expected to continue

— Performance in 2020 and 2021 was affected by the COVID-19 pandemic, but could you tell us about your longer-term outlook for the business environment?

I think that the business environment is looking good. With the increase in the number of people subject to inheritance tax following the 2015 revision of the taxation law, we are receiving a lot of inquiries from wealthy individuals. Business performance is becoming increasingly polarized, and the respective needs for business succession by family members or employees, M&As, and business closures are all growing. Moreover, the value of assets in rural areas is declining and companies are transferring assets to Tokyo. The question of how to pass on assets and ensure the survival of companies and of families has become a key social issue throughout Japan.

For more than 30 years, AZN has taken a different approach in providing services to address these social issues and client needs. We have accumulated a great deal of expertise, which has enabled us to build a unique position in the property consulting field. For regional matters, we have established an **AZN National Network** with accounting firms, and have strengthened cooperation with

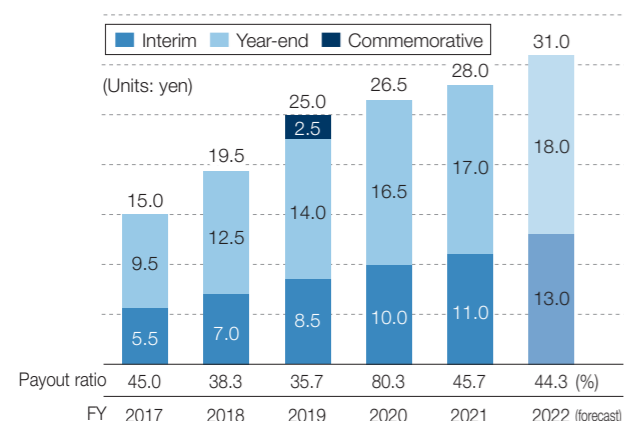
regional financial institutions and other organizations. We have also upgraded our own systems, making it possible for us to deliver our property consulting services throughout Japan.

— Amid these circumstances, this year marks the start of the Third Medium-Term Management Plan. Could tell us more about financial policies?

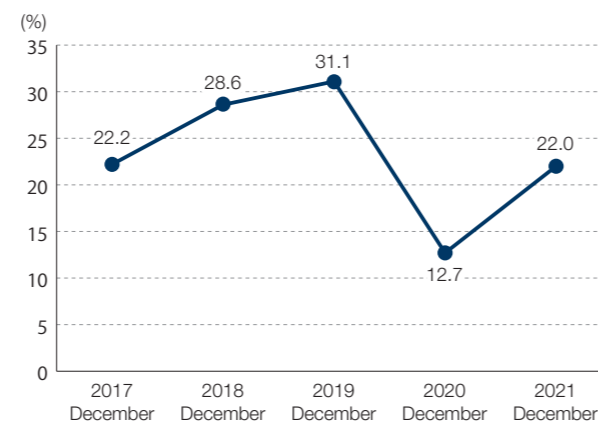
In 2009, AZN posted a significant loss due to the global financial collapse. This led to a significant shift in our business model—from the pursuit of short-term profits to a business model of steadily accumulating profits through property consulting by building long-term relationships with our clients. After 10 years, we believe we have built a financial structure that is capable of generating stable earnings.

As its corporate slogan, AZN proudly declares "We will remain your best partner in 100 years." This means that we will have to continue providing our consulting services across successive generations. With this in mind, we have made it our top financial priority to establish a level of cash and cash equivalents that will allow us to continue providing property consulting services for several years without interruption, even in the event of another major economic risk.

Dividends & dividend payout ratio



ROE (return on equity)



Building from a financially sound base, we will strive to improve profitability and minimize capital costs, and work hard to return profits to shareholders by continuously increasing dividends.



It is also essential for our continued growth that shareholders hold shares of the company's stock in a stable fashion. In FY2021, we increased dividends for 11 consecutive fiscal years, and we intend to continue our policy of increasing dividends. This may sound absurd, but we believe that if we are to realize **100-year property consulting**, we should also aim for consecutive dividend increases for the next 100 years.

Focus on building the foundation for corporate continuity

— From a financial perspective, what are the key points of the Third Medium-Term Management Plan?

We intend to continue to follow our policy of financial soundness and achieve both sustainable growth and shareholder returns, while remaining conscious of capital efficiency.

First is sustainable growth. The wellspring of AZN Group's profits is property consulting, which accounts for 63.4% of our gross profit. In our Third Medium-Term Management Plan, which runs until FY2024, we are seeking 35% growth in operating profit, centered on growth in the property consulting business.

In FY2022, the first fiscal year of this Plan, we will work to establish strategic individualized services, secure personnel for business projects, and build systems to meet the needs of new clients for property succession, management, and business succession, starting with strategic individualized services such as **Advantage Club**. In order to secure the human resources we will need over the next three years, our HR investment expenses in FY2022 will be more than 20% of the previous fiscal year's level. We will also focus on instituting divisions of labor to increase productivity and customer service, improving the office environment, creating a better working environment for women to take on active roles in the company, and investing in systems. We will also expand the functions of the **Advantage Club** application and the **ART system**, which we started operating in the previous fiscal year, and develop a real estate management system for effective utilization of land, thereby promoting the DX transformation of our property consulting services.

Meanwhile, strong demand for **Advantage Club** continues to be seen—in FY2021, we exceeded our goal of 15 billion yen, generating 16.25 billion yen. We will continue to strengthen our alliances with real estate companies, REITs, financial institutions, and accounting firms in order to achieve our cumulative goal of 30 billion yen from partnerships in FY2022.

In terms of shareholder returns, we give comprehensive consideration to our financial condition, cash flow, and revenue prospects, and place the highest priority on continuously increasing dividends, aiming for a dividend payout ratio of 50%, return on equity (ROE) of 20%, and dividend on equity (DOE) of 10%. In FY2021, we achieved a dividend payout ratio of 45.7%, ROE of 22.0%, and DOE of 10.1%, and we aim to achieve a DOE that exceeds the cost of capital.

Also, starting last fiscal year, we have set internal targets for return on invested capital (ROIC) for each business division, seeking to maximize our corporate value by improving returns on capital. We believe it is important to first secure ROE by increasing revenues, as we expect a temporary increase in debt-to-equity ratio (D/E ratio) due to our organizational restructuring, which includes the launch of subsidiaries to provide strategic individualized services, as well as our focus on **Advantage Club** business. Based on our approach of maintaining financial soundness, we will work to achieve the Third Medium-Term Management Plan by both improving profitability and minimizing capital costs.

Working for the future happiness of clients

My role is to work to solve problems while at the same time maintaining financial soundness and investment discipline appropriate for a consulting firm, while promoting growth investments that place the highest priority on human capital investment. We aim to continuously expand profits and increase the satisfaction of all stakeholders, including clients, shareholders, business partners, and employees. We will also steadily undertake ESG initiatives, driven by our Sustainability Committee, to help resolve materiality issues, and strive to improve not only our corporate value as expressed in figures, but also the kind of corporate value that society truly calls for.