# CFO's Message

## Aiming for business growth and increased dividends based on improved productivity of human resources


Director, Managing Executive Officer

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Our 2022 financial results met the targets of the Third Medium-Term Management Plan, so the first year of the plan got off to a great start. We will strive to respond to market needs that are expected to expand, while we improve our consultants' capacity and productivity through DX measures and other means.

### Favorable external environment, with interim targets achieved

— Can you speak about the business environment and the progress of the Third Medium-Term Management Plan?

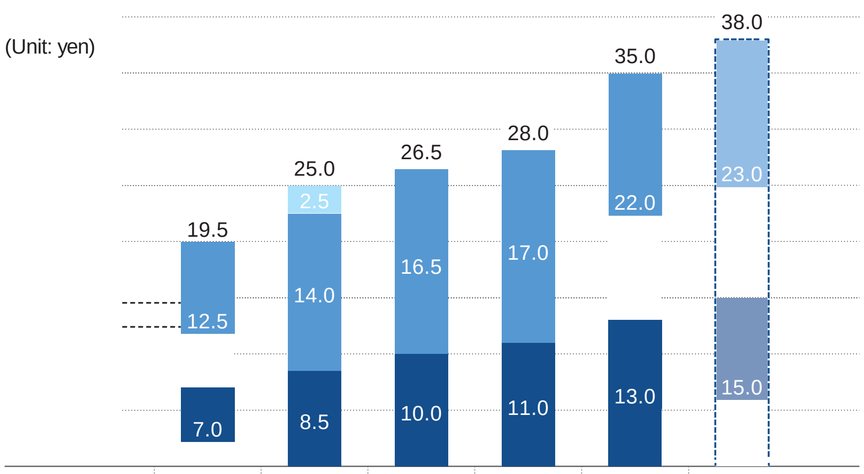
We recognize that the external environment is favorable at the moment. One factor we are presently viewing with caution that might prompt future changes in the business environment is the government's debate over inheritance taxes. In response to severe fiscal circumstances, it is possible that taxation will be increased. As the movement to seriously consider preparedness for inheritance expands, so do client needs. To support this, we need to work to improve the quality and quantity of our consultants and to promote DX. This is the biggest theme for Aoyama Zaisan Networks.

Our Third Medium-Term Management Plan sets an operating profit target of 35% growth annually on average through 2024. In 2022, profit increased by 41.6%, thus meeting the target. AZN also achieved its 2022 targets of a dividend payout ratio of 50% and a dividend on equity (DOE) ratio of 10%. The actual figures were 50.1% and 11.0%, respectively. This performance too is according to plan. Our basic policy is to achieve profit growth through business growth and increase dividends.

— What impact do you anticipate from the expected rise in interest rates in the future?

Due to the nature of the consulting business, we do not have a strong need to increase assets. In addition, since 2010, AZN has strictly adhered to a policy of not owning any real estate for sale. The majority of our assets held as investments are securities and other items that can be converted to cash in the short term. We hold cash and cash equivalents sufficient to cover labor + sales and administrative expenses for two years, and we are ready to continue serving our customers even in the event of a major economic crisis. Even if interest rates rise above a certain level, our financial position enables us to respond to economic conditions, including repayment of loans.

### Transitions in dividends & dividend payout ratio

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|---|---|---|---|---|---|---|
| Payout ratio | 38.3% | 35.7% | 80.3% | 45.7% | 50.1% | 46.6% |
| Year | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 (forecast) |

### Measures for business growth and ROIC management

— Could we hear your thoughts on financial perspectives for business growth?

Growth through increasing our client base will require us to improve our consultant capacity and productivity to meet the needs of our clients. We are undertaking DX as one solution to this issue. We are also working to expand our areas of service, including strategic individualized services. We believe we can expand overall property consulting revenue by acquiring new clients through diverse services, then connecting them to our comprehensive property consulting services.

— Can you tell us about measures to increase corporate value?

Starting in 2021, we have set return on invested capital (ROIC) as internal target figures for each business division. Each division is tasked with making the most efficient use of the capital it has received. Each division then considers what must be done to improve its ROIC. With ROIC, it is easy to create an inverted tree structure and set KPIs. Each division is required to track KPIs on a monthly basis and to explain how changes in KPIs have affected ROIC.

Although confusion was experienced in some business divisions when the system was first introduced, operational expertise was gradually accumulated, and it seems that ROIC management started functioning well in 2022. Of course, management is also very conscious of ROIC for the entire company.