

Aoyama Zaisan Networks Company, Limited

Integrated Report 2023



株式会社 青山財産ネットワークス
Aoyama Zaisan Networks Company, Limited

We will remain your best partner in 100 years.

We are a comprehensive property consulting firm
that safeguards both assets and the future.

Management objectives

- ① We seek to contribute to the happiness of our clients through the succession, operation and management of property.
- ② We seek to ensure both the physical and mental well-being of the members whom we work with.

Core values

- ① We are committed to helping our clients resolve their asset-related problems, and we will continue to grow into a company that takes true pleasure in helping our clients.
- ② As we work for AZN, we accumulate virtues and undergo growth into people with strong interpersonal skills.
- ③ We seek to maintain the balance among financial, physical, and mental resources and to enrich and expand each of these aspects, enabling our clients to lead happy lives, and us too.
- ④ Each of us understands his or her role, and to fulfill that role, each of us seeks to develop his or her wisdom, capacity for action, and interpersonal skills, always displaying tenacity and passion.

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● Editorial Policy of this Report

This report primarily covers performance for FY2022 (January 1, 2022 to December 31, 2022). But some parts deal with data or events from prior years or from most recent years. Essentially, the subject of this Report is Aoyama Zaisan Networks and its group companies (11 consolidated subsidiaries) as of December 31, 2022.

● Notes on future prospects

The contents of this Integrated Report that are not historical facts are future forecasts made by Aoyama Zaisan Networks Company, Limited based on its outlook and plans. These future forecasts contain factors including risks and variables; actual outcomes and performance may vary from them.

● Published in May 2023

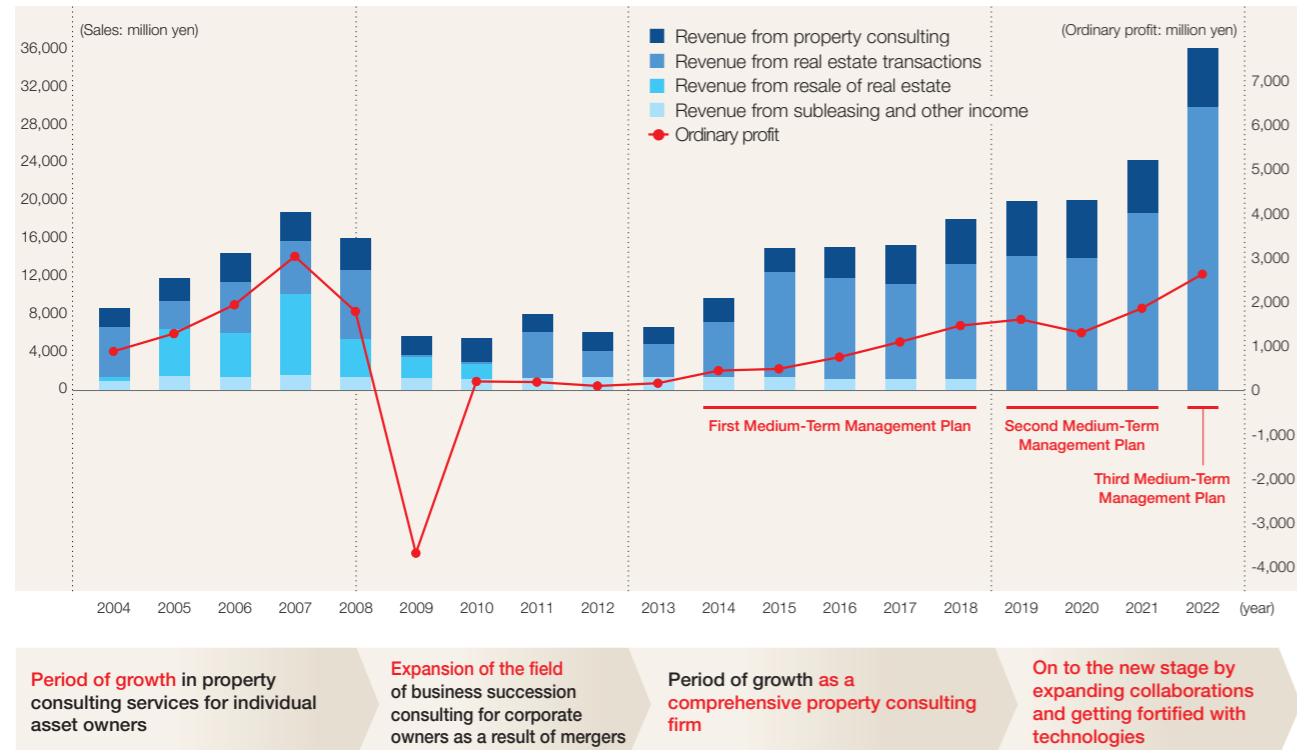
Growth trajectory

Aoyama Zaisan Networks (AZN) is a property consulting group serving both individual asset owners and business owners. After commencing business in 1991 as a group company of Funai Consulting Incorporated, the firm focused initially on the real estate business. With the global financial crisis of 2008 as a turning point, we expanded our business from a short-term profit taking structure centered on resale of real estate to a long-term, total optimization standpoint on property consulting for our clients as our main focus. Our revenue classifies broadly

from property consulting to real estate transactions, with property consulting revenue being our main source of profits.

Through comprehensive property consulting for the perpetuation of families and businesses, Aoyama Zaisan Networks contributes to the happiness of its clients. We will continue to grow sustainably to become Japan's No. 1 comprehensive property consulting firm, supported by clients who know, "When it comes to property, it's Aoyama Zaisan Networks."

Transitions in business portfolio and net sales



Business line

Comprehensive property consulting, which lies at the core of our business, is a consulting service designed to achieve the optimal property structure to perpetuate our clients' families and businesses. We offer a one-stop consulting service for the succession, operation, and management of property and business succession for individual asset holders (landowners and financial asset holders) and corporate owners.

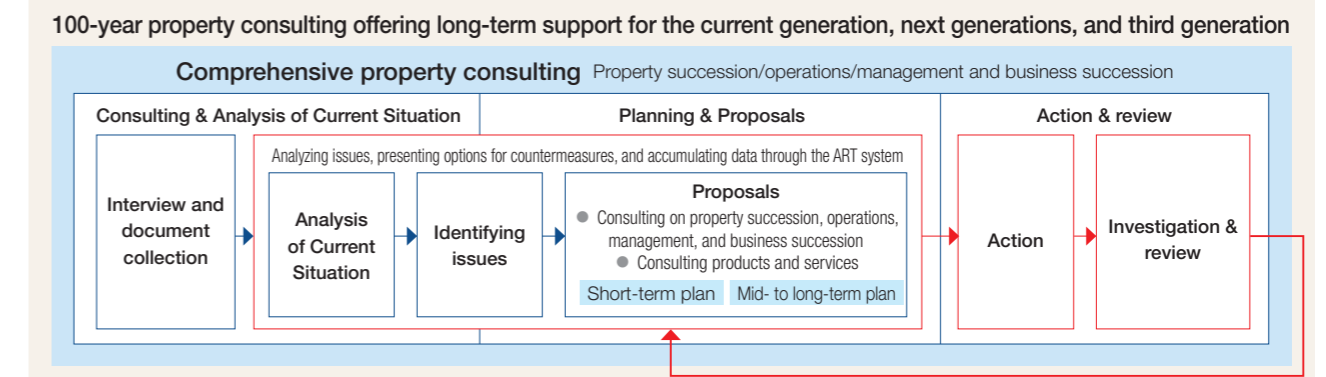
Our group supports total optimization planning and implementation for our clients through expert perspectives, with more than 150 national certificates holders employed by AZN, and through our unique analytical methods built up over many years.

Business and service overview



Our business model and 100-year property consulting

Business model



The Aoyama Zaisan Networks business model involves building relationships of trust by contributing to the happiness of its clients and earning ongoing property consulting revenue from these long-term relationships.

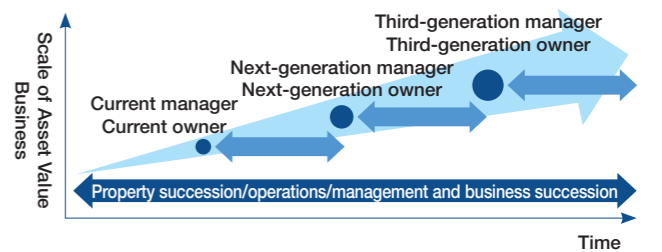
Our consulting process is firmly based on interviews with our clients and collection of documentation. We provide long-term support to our clients by repeating this cycle: analysis of the current situation, identification of issues, planning and proposals, implementation, verification, and review by our own analysis tools and experts. By utilizing AZN Group's proprietary ART system, we provide high-quality consulting services ranging from analysis of current situations to planning and proposals.

In the fields of property and business consulting, AZN is committed to 100-year property consulting to look after property not only for the current generation, but also for the next generation and the following generations. Working from a total optimization standpoint, we are always striving to solve issues related to the succession, operations, and management of property as well as business succession

by building long-term relationships with our clients and proposing methods to smoothly facilitate succession and operations. By doing this, we maintain and expand the size of our clients' assets and perpetuate their families and their businesses, providing the foundation for AZN Group to earn stable revenue.

100-year property consulting

A business model in which long-term relationships are built with clients, which generates long-term revenues through consulting from the current generation to the next generation and beyond.



The market environment & our strengths

In January 2015, Japan's Inheritance Tax Act was amended, reducing the basic inheritance tax exemption and raising the maximum tax rate to 55%. This has resulted in a sharp increase in the number of persons now subject to taxation, as well as a significant increase in the percentage subject to taxation. As a result, we have received an increasing number of inquiries from individual asset owners, and some of them have become our clients.

In terms of business succession, Japan's declining birthrate and aging population have caused a chronic shortage of suitable successors for businesses. By 2020, the average age of company presidents in Japan was in excess of 60 years, and the percentage of companies without designated successors hovered around 60%.

We anticipate that our clients' needs for the succession,

operation and management of their property as well as succession of business will continue to expand. By leveraging AZN's strengths as a group and consistently working to resolve these issues, we will continue to accompany our clients into the future.

Strengths of Aoyama Zaisan Networks

- Expert insights and application of technology
- Ability to propose and implement total optimization based on 5 standpoints
- Comprehensive property consulting services for assets and business
- Reliability that comes from being listed on the stock exchange, and neutrality that comes from being independent

Our Value Creation Story

AZN Group's Management Objectives are "To contribute to the happiness of our clients through the succession, operation and management of property" and our mission is "To achieve the optimal property structure through consulting on the succession, operation, and management of property so that our clients' families and businesses can develop and prosper."

In order to realize this mission, AZN Group exists to "deliver optimal proposals from a bird's-eye, big-picture perspective in order to solve our clients' problems." We contribute to our clients' happiness through the enrichment of their property,

bodies, and minds by solving property-related problems that exists in society, in the belief that the enrichment of social property will lead to sustainable growth for society. We have outlined the process of value creation as shown in the diagram below.

Firstly, as an AZN comprehensive property consulting firm, we provide total optimal solutions to the property concerns of asset owners and business owners that have some bearing upon social issues.

We contribute to our clients' happiness by helping to resolve issues and eliminate concerns, and by helping to

build relationships of mutual support between property and business/family for our clients. Our clients' families will continue to grow and prosper, passing on better assets and better businesses to the next generation and onwards to the following generations.

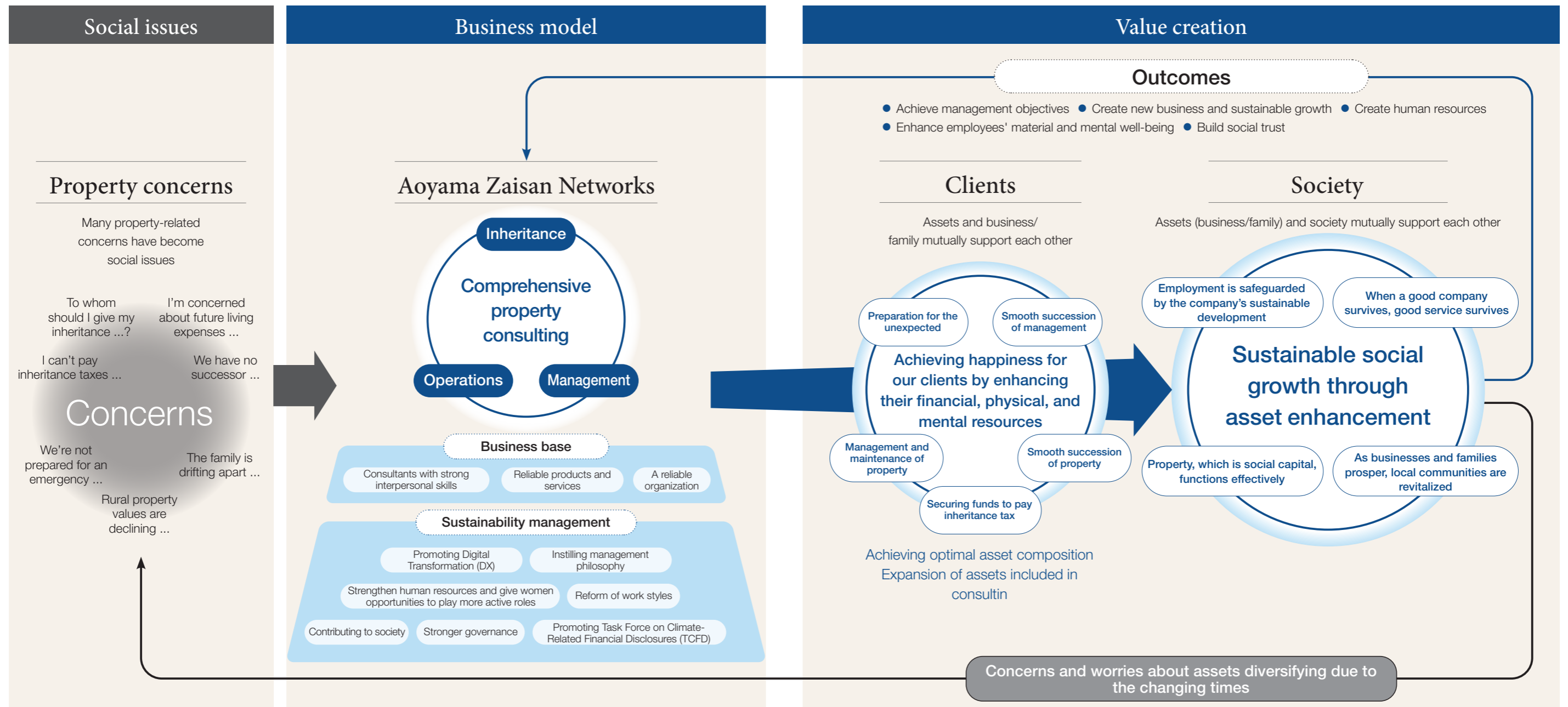
Our society will see the benefits of these businesses and assets growths, aiding in the achievement of a sustainable society in which communities and society prosper, employment grows, and quality services continue, which in turn will support the sustainable growth of AZN Group. This enables us to realize our management objectives and our

philosophy, which in turn will lead to creation of value for our clients and for society.

As times change, so do social issues and our clients' property concerns. For new concerns and new social issues, we envision a cycle of processes in which we, as a group of experts, provide new solutions to help our clients develop further. This is the value creation story of our AZN Group.

In the future, we will focus not only on succession and value creation around property and business, but also on helping to create value to pass on the family's philosophy and aspirations.

Value creation process at Aoyama Zaisan Networks



Our Vision

Japan's top comprehensive property consulting firm supported and chosen by many clients as
 "When it comes to property, it's Aoyama Zaisan Networks"



Aoyama Zaisan Networks started business in 1991 as a group company of Funai Consulting Incorporated.

We have operated as a property consulting company offering real estate solutions.

We have expanded our business in Japan and overseas as a consulting company providing comprehensive property-related solutions to "individual asset owners" and "corporate owners," marking our 30th anniversary in 2021.

Having declared our management objectives as, "We seek to contribute to the happiness of our clients through the succession, operation and management of property," we will continue to make further strides to realize our long-term vision to

look after the assets of our clients and, by extension, of society, and to lead them into the future.

Our Strategy Medium-Term Management Plan

Third Medium-Term Management Plan

Our vision is to become Japan's No. 1 comprehensive property consulting firm, supported by clients' who know, "When it comes to property, it's Aoyama Zaisan Networks." Our Medium-Term Management Plans are formulated to realize this long-term vision.

Following the First Medium-Term Management Plan in our venture phase and the Second Medium-Term Management Plan in our growth phase, the Third Medium-Term Management Plan for the three-year period beginning in FY2022 is positioned as a period of expansion and growth as a comprehensive property consulting firm.

AZN Group's profits and sales grew steadily during the venture period, but from FY2019 to FY2021, which had been positioned as a growth period, our profits, sales, and productivity per consultant remained flat, and AZN Group is currently experiencing something of a growth plateau. Therefore, for our Third Medium-Term Management Plan, we have formulated a plan with clear quantitative targets, keeping in mind the paramount issues of increasing

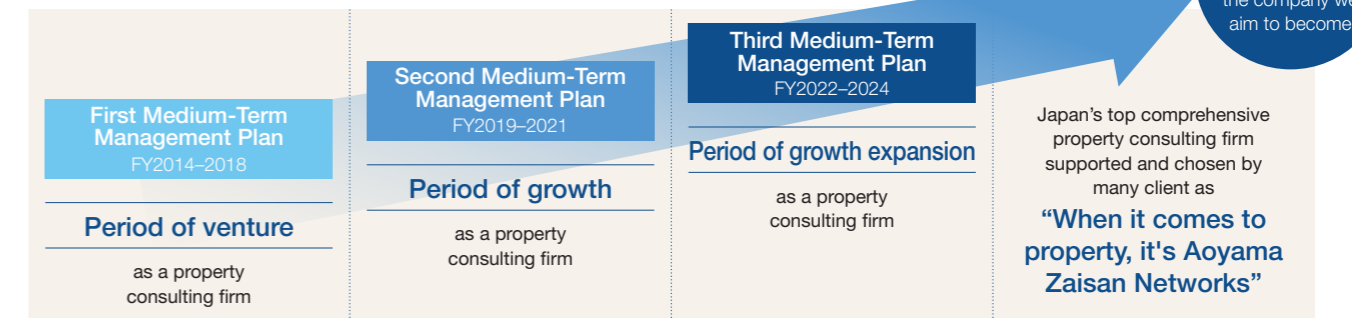
profitability and productivity.

With regard to operating profit, in order to be able to provide services that exceed client expectations, we aim for continuous growth each year. In the final fiscal year of this plan, FY2024, we expect gross profit of 7.5 to 8 billion yen, operating income of 4.5 to 5 billion yen, and an operating profit ratio of 10%.

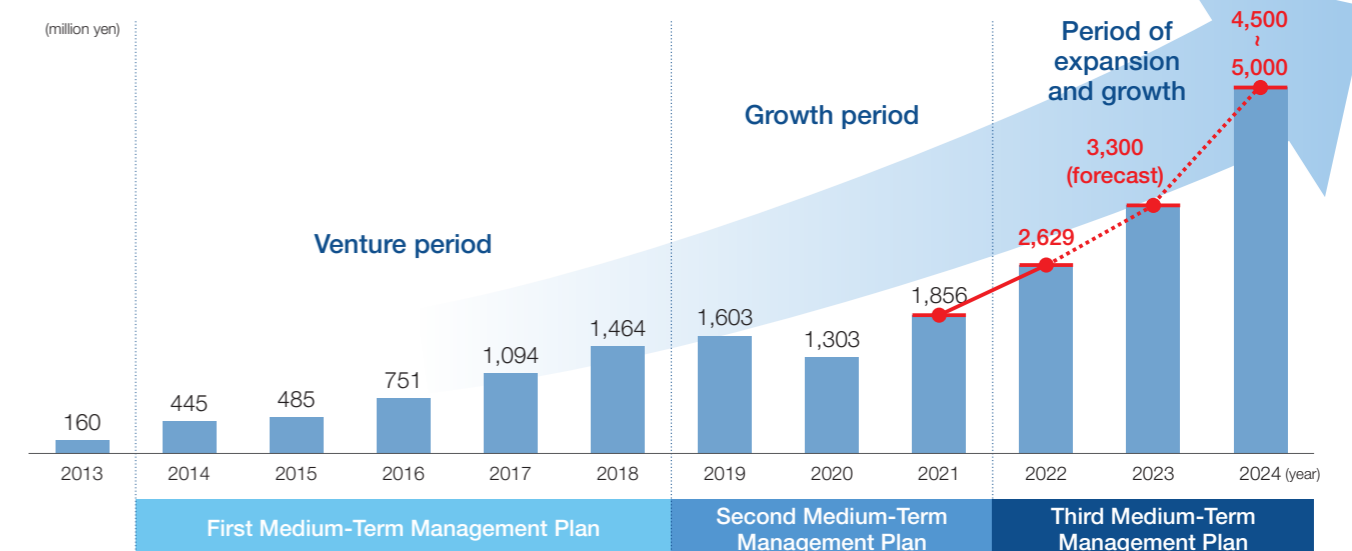
With respect to the 203 consultants currently on staff, AZN aims to increase the proportion of property consulting revenue in its gross profit and improve sales by substantially increasing the number of consultants through aggressive investment in human resources. At the same time, we will be promoting DX to increase productivity and improve our operating profit ratio.

To accomplish these goals, various measures have been formulated for the Third Medium-Term Management Plan, based on the 4 standpoints outlined on the following page.

Third Medium-Term Management Plan (Overview)



Shifts in operating profit in the Third Medium-Term Management Plan



Our Strategy Medium-Term Management Plan

● 4 standpoints of the Third Medium-Term Management Plan

| | | | |
|---|---|---|---|
| Standpoint 1 Achieving higher quality and quantitative expansion of our client services, based on the twin cornerstones of strategic individualized services and comprehensive property consulting services | Standpoint 2 We offer property consulting services via smartphone and online communication tools as standard services | Standpoint 3 Growing into a consulting group with strong interpersonal skills | Standpoint 4 Proactive approach to social contribution activities |
|---|---|---|---|

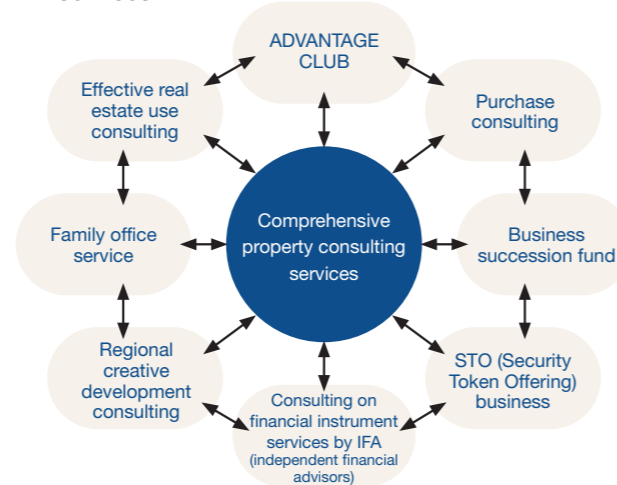
Standpoint 1 Achieving higher quality and quantitative expansion of our client services, based on the twin cornerstones of comprehensive property consulting services and strategic individualized services

AZN Group offers eight strategic individualized services, including Advantage Club®, a small-lot real estate product, and aims to improve quality and expand quantity in conjunction with its other cornerstone of comprehensive property consulting services.

Some new clients may feel that suddenly dealing with a comprehensive suite of property consulting services is too much. For this reason, we believe that by first making contact with our clients through strategic individualized services that meet their needs, and then using that as a starting point, we can smoothly connect them to our comprehensive property consulting services.

We look forward to increasing revenues by meeting client needs through the synergistic effect of these services and by building long-term relationships.

● The relationship between strategic individualized services and comprehensive property consulting services



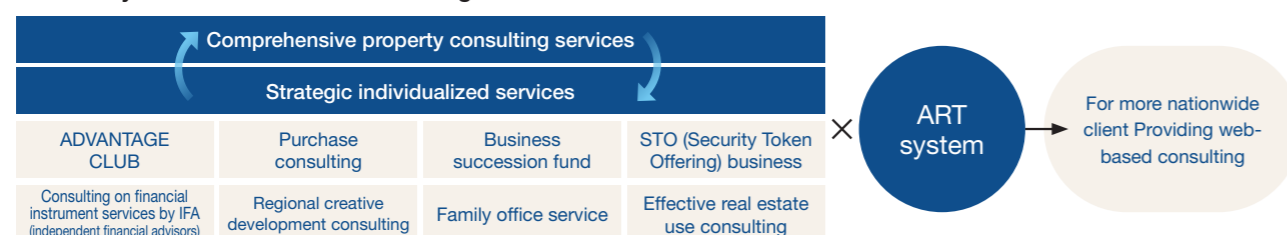
Standpoint 2 We offer property consulting services via smartphone and online communication tools as standard services

We will aggressively promote DX to increase profitability and productivity. The core of this approach is the ART system, which was developed and introduced by the

Group in February 2021.

The ART system integrates and incorporates the knowledge of top consultants in various fields, including

● ART system & web-based consulting



inheritance strategies, business succession, and utilization of real estate. With the simple input of client data, the system can speedily analyze issues and present options for strategies and measures. By utilizing the ART system and online services, we are able to provide consulting services to numerous clients throughout Japan.

Also, by introducing the ART system, we have established a system for division of labor in consulting work. Our inside sales team handles the initial stage of each project, and is able to provide standardized consulting using the ART system. This allows our highly specialized consultants to demonstrate their expertise, to focus on comprehensive property consulting work, and to

provide more extensive care to clients than ever before.

The system is currently undergoing improvement to provide standard services using smartphones and online communication tools. For example, from 2022 we introduced the ability for users to check the status of their investments and dividends using Advantage Club, our flagship product for strategic individualized services, via a smartphone app, and we plan to introduce a function enabling purchases in the future. We are also strengthening our direct marketing and considering new developments, including the use of platforms to provide a digital window into the market.

● Improving productivity and customer service with DX

| | Contact point with new client | Receiving inquiry | Meeting & consulting | Application | Ongoing follow-up |
|-----------------------------|---|--|---|---|--------------------------------------|
| Before | Consultant responds to referral from financial institutions, etc. | Consultant handles everything from the initial stage | Mainly face-to-face for clients in the Tokyo area (online meetings also used) | Written application | Personalized follow-up by consultant |
| After (From 2022 onward) | Utilize digital platforms | Division of labor x ART system | For clients nationwide Online meetings x ART system | Application via smartphone (ADVANTAGE CLUB, etc.) | Utilize digital platforms |

Standpoint 3 Growing into a consulting group with strong interpersonal skills

For our consultants, it is of paramount importance to earn the trust of our clients in order to successfully consult with them about their valuable assets and businesses.

To achieve this, it is essential that we grow into a consulting group that possesses strong interpersonal skills combining integrity, kindness, and compassion. Among the interpersonal skills required, AZN considers a sense

of wanting to help others—the desire to contribute to the happiness of our clients—to be particularly essential.

In order to build up such interpersonal skills, in addition to ideals training conducted in-house, we promote initiatives such as supporting participation of Group employees in activities that contribute to society outside the company too.

Standpoint 4 Proactive approach to social contribution activities

In conducting sustainable operations, it is also important that companies actively engage in social contribution activities as part of their corporate social responsibility. AZN has been continuously making donations to the Tokyo Medical Association and providing supplies to medical institutions, using a portion of the profits generated through its business.

Since last year, in addition to donating to organizations

tackling social issues such as elimination of pet euthanasia and promoting subsidized meals for children, we have also promoted our employees' own social contribution activities and have established a new social contribution plan as a shareholder benefit, among other efforts. We will continue to make company-wide contributions through cross-functional organizations such as our Sustainability Committee to help realize a society that sustains many people in happiness.

Enhancing customer support by accelerating DX and full efforts to improve interpersonal skills

To meet the growing need for consulting on property succession and management, we are focusing on recruiting and training human resources and accelerating the development of support systems for our consulting staff and services.

2023 is the second year of our Third Medium-Term Management Plan.

We are undertaking diverse measures to reach our goals by 2024, the final year of the Plan.



Growing demand for property and business succession

— How do you envision the business environment changing?

For the past three or more years, there have been special circumstances: the COVID-19 pandemic. While many companies were forced into stagnation, several others increased their borrowings. Repayments, deferred due to certain policy measures, will now begin in earnest. In addition, we often hear from age group “baby boomers” approaching their late 70s about asset inheritance or management and from small business owners considering passing on their businesses to the next generation while they are concerned about their current cash flow. From now on, together with business succession, supporting restoration of financial soundness will be a major theme for our Group.

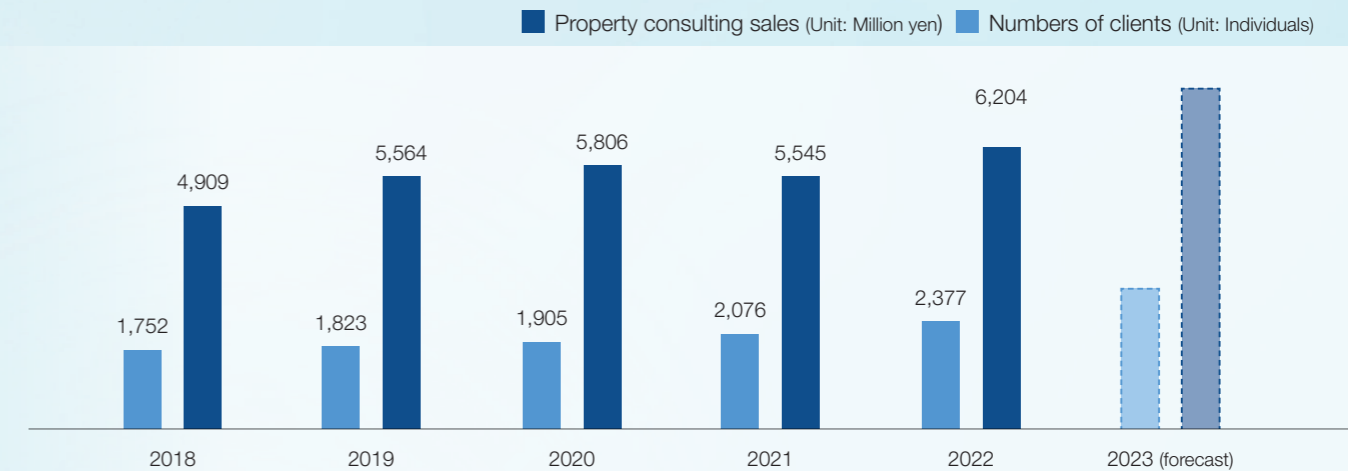
In regard to property succession, the number of asset owners who own real estate is declining overall. However, metropolitan real estate prices are on an upward trend, especially in Tokyo and the three neighboring prefectures, which drives the need for strategic inheritance tactics inheritance strategy, including securing funds to pay inheritance taxes. Land prices are also rising in some regional cities, with many asset owners—and not only in the Tokyo metropolitan area—seemingly concerned about property succession.

Considering the Group's resources to provide services to these clients, it is clear that some challenges exist. As in many industries, the shortage of human resources, especially in recruitment and training of consultants facing clients, is an extremely significant issue. To expand our business, we need to increase the number of consultants while maintaining and improving the quality of our services.

President

Masazumi Hasumi

Transitions in numbers of clients and property consulting sales



Consultants cannot be trained overnight; however, if they are cultivated as slowly as in the past, We won't be able to respond to the rapid changes in the business environment. For this reason, our Group is working on promoting DX to support consultants in their work.

An example is the development and use of the ART system, which systematizes the expertise and skills of skilled consultants. When interviewing clients, having the skill to ask the correct questions without missing the point is crucial. The ART system assists consultants in this process and carries out simulation calculations such as asset composition studies on their behalf, allowing consultants to concentrate on communicating with clients.

However, at present, this system has not reached its full potential. We also believe that DX will help our consultants develop faster. We will continue to improve and expand the system and provide training for consultants to achieve tangible results, such as greater productivity and human resource development.

Advantage Club® performance exceeded expectations

— Can you talk about the progress of the Third Medium-Term Management Plan?

In 2022, the first year of the Plan, progress was achieved as planned. For example, in our mainstay property consulting business, our number of clients and our sales both grew.

One of the important cornerstones of our Third Medium-Term Management Plan is improving the quality and expanding the quantity of our client services through strategic individualized services and comprehensive property consulting services. Our strategic individualized services comprise services, including Advantage Club, a real estate joint ownership system with contracts starting at 10 million yen per unit; regional creative development consulting, which contributes to regional revitalization

through development and operation of public real estate and other assets; consulting on effective utilization of land, which helps clients make effective use of their land, and several more. We offer these strategic individualized services to new clients in order to build trust. We then analyze the current status of the property using the ART system to identify issues and make recommendations to resolve them, which leads to comprehensive property consulting.

Within our strategic individualized services in 2022, the performance of Advantage Club exceeded expectations. We have also seen a positive response to our regional creative development consulting, and have made solid progress in laying the groundwork for each of our individualized services. However not all strategic services were performing good enough yet and we believe that strengthening each individually will be key in 2023.

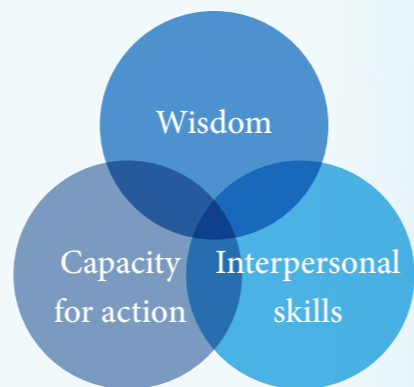
Interpersonal skills of consultants who come face-to-face with our clients

— The COVID-19 pandemic has changed the way people work. Is there a need for change in management methods too?

Many companies now recognize greater diversity in work styles, including telecommuting. There is also a trend toward greater employee diversity. Our Group is certainly headed in that direction. We will be called upon to create a workplace in which everyone can work in comfort regardless of gender, age, nationality, or other attributes, and to create an environment where people can continue to work for the Group even as they act as caregivers for parents or study as mature-age students.

Creating an environment such as this is a challenge from which we cannot shy away. So how can we ensure that close communication and productivity are not compromised when people work from home? We are

The keys to managing human capital in the Group



currently discussing various approaches and building our expertise through a process of trial and error. As we pursue these efforts, we hope to increase diversity in our work styles and our workplaces.

— Recent years have seen a growing interest in human capital management.

In a consulting firm, the source of value is the consultant, who is, of course, human. They meet with clients, listen to their problems and concerns, and make optimum recommendations from the client's point of view. To this end, interpersonal skills are essential. In simple terms, these are sincerity, honesty, kindness, empathy, consideration, and gratitude. Combining these interpersonal skills with both wisdom and capacity for action results in high-level outcomes. This is our approach.

The importance of interpersonal skills also holds true in other workplaces besides consulting. It is essential to create a pleasant working environment so that each individual can enhance his or her interpersonal skills and fully demonstrate his or her strengths. A highly motivated, energetic workplace naturally leads to greater performance. In this regard, we believe that increasing employee satisfaction is crucial.

Education and employee satisfaction improve wisdom, capacity for action, and interpersonal skills. The Group believes that these two factors are the keys to human capital management.

Focused measures to strengthen governance and expand business

— What initiatives are you pursuing in terms of strengthening governance?

We established the Nominating Committee, Compensation Council, and Sustainability Committee in 2022. Each of these committees continues to become more active. For example, the flow of initiatives in the

Sustainability Committee involves summarizing the results of discussions held by employee-led subcommittees and reporting these to the Board of Directors, which then approves and implements any measures. Some of the measures discussed by the subcommittee on work styles have already been approved and entered the implementation phase. Through this initiative, we have expanded the mechanism by which opinions and ideas, discussed mainly by our front-line members, can reach management. We believe that this has increased the momentum of improvement for workplaces and operations within the company.

— What are some particular priority themes for future business growth?

The most important theme is enhancing the quality and quantity of our consultants. While it is important we ensure the content of various services is even more attractive, including strategic individualized services, we will focus on improving our consultants' interpersonal skills, wisdom, and capacity for action.

DX is also essential for this purpose. Our goal is to create a system that allows us to provide consulting services via digital platforms. For example, when a client is considering purchasing real estate, the consultant consults the database on the spot using a PC or tablet and recommends the optimal plan for the client. This is our vision for the future. This not only increase the value we deliver to our clients, but also enhance the productivity of our consultants. We may not be able to construct such a system immediately, but we are moving steadily toward this vision of the future.

More and more clients are concerned about the succession of their assets and businesses. It is our social responsibility to respond to such concerns to the very best of our ability. To fully meet this responsibility, we intend to strengthen our human resource development and DX initiatives.

CFO's Message

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

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.



Director, Managing Executive Officer

Shintaro Hashiba

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.

Measures for business growth and ROIC management

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

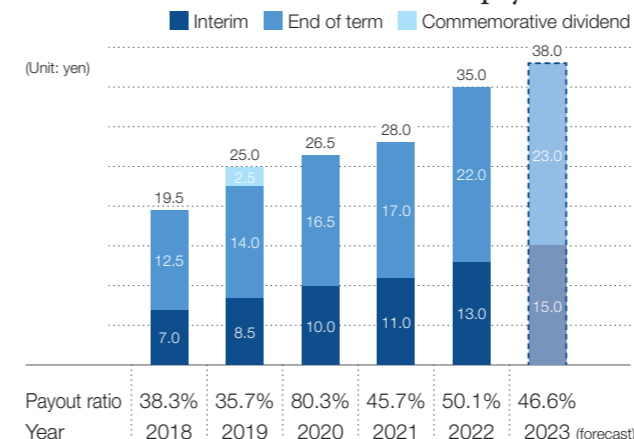
Growth through increasing our client base will require us to improve our consultant capacity and productivity to meet the needs of our clients. We are undertaking DX as one solution to this issue. We are also working to expand our areas of service, including strategic individualized services. We believe 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.

Transitions in dividends & dividend payout ratio



Our Value Drivers Reliable products and services

The role of comprehensive property consulting is to smoothly facilitate inheritance and business succession and to achieve the optimal property structure to perpetuate families and businesses.

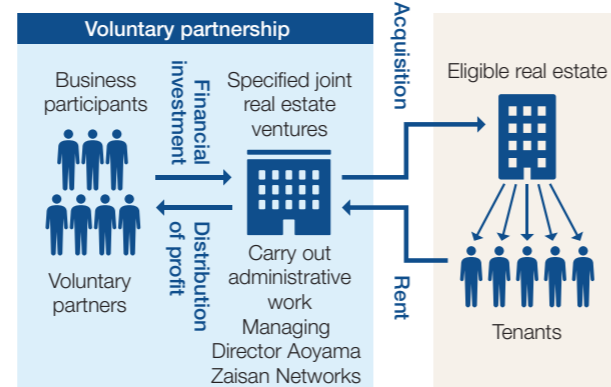
Until now, AZN has focused on providing comprehensive property consulting services, but in order to expand our points of contact with new clients, we have established a

system of eight strategic individualized services that will see wider use in our Third Medium-Term Management Plan.

In collaboration with leading partners, we intend to increase the added value of each strategic individualized service, and by undertaking DX, we are making improvements to make our services both easier to use and more extensive.

ADVANTAGE CLUB®

Based on the Act on Specified Joint Real Estate Ventures, this is a real estate leasing system that jointly purchases high-value real estate in central Tokyo and receives income from real estate leasing. Clients can invest from units of 10 million yen, stable income can be expected, and the real estate management system is unparalleled. As of December 31, 2022, AZN had 63 partnerships with cumulative total assets of more than 110 billion yen and No. 1 market share.^{*1} Our target for 2023 is 32.5 billion yen of new investment. In order to make our services available to new clients, we have been working with financial institutions since 2021, and have formed partnerships with 40 institutions^{*2} to date. As the market leader, we will continue to play a role in driving the market.



Depending on the voluntary partnership, the type of real estate lease may vary.
 *ADVANTAGE CLUB® is a trademark of Aoyama Zaisan Networks

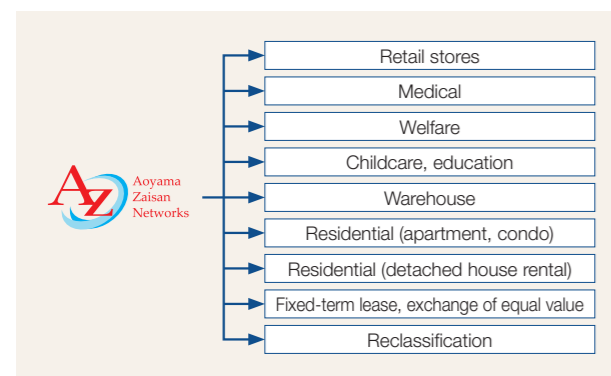
Effective real estate use consulting

We assist our clients in planning and implementing effective utilization of land in the Tokyo metropolitan area. AZN's team of experts in effective land utilization works to gather information and consider problems related to your land or buildings, such as underutilized land, unprofitable land, vacancy issues, or deteriorating buildings, and proposes the best utilization of real estate to solve your problems.

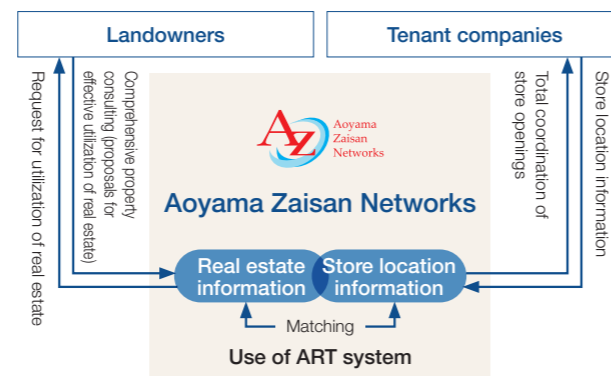
In general, proposals from companies involved in the effective use of land tend to be partially optimized, skewed by

a bias toward their respective areas of expertise. On the other hand, since AZN assigns each job to property consulting teams with specialized skills, we are able to provide one-stop proposals featuring total optimization methods of utilization best suited to the land, after first confirming the overall situation of the property, taking into consideration various conditions such as verification of cash flow and selection of construction providers, design companies, construction companies, and operating companies.

Examples of land utilization methods



Features of AZN Group's



*1 Share of cumulative total assets of voluntary partnerships under the Act on Specified Joint Real Estate Ventures (as of December 31, 2021) *2 As of December 31, 2022

Purchase consulting

In our purchase consulting services, we not only support purchases of real estate—we also understand each client's unique purchasing objectives and provide consistent support from property selection, purchase, management of holding period, consideration of sales timing, selection of buyers, to post-sale follow-up.

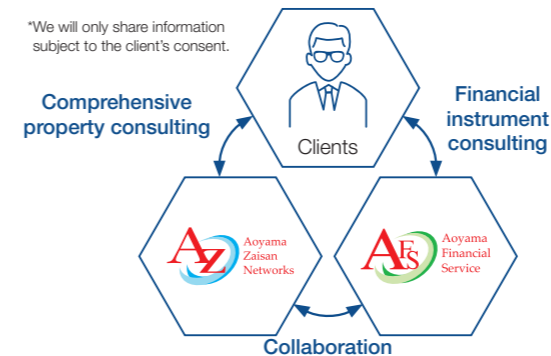


Regional creative development consulting

We develop and operate public real estate through public-private partnerships, utilizing AZN's expertise in specified joint real estate ventures and financing. Specifically, we commercialize underutilized land owned by local governments and other entities through more effective utilization, with the aim of revitalizing regional communities. AZN and its clients also contribute to the healthy development of local economies through these investments. The first project of AZN Group's regional development, Komatsu A×Z Square, a complex facility next to JR Komatsu Station in Ishikawa Prefecture, opened in 2017. The second is a land use project to the west of Tsuruga Station in Fukui Prefecture. This project is part of the TSURUGA POLT SQUARE otta complex, which opened in September 2022.

Consulting on financial instrument services by IFAs^{*3}

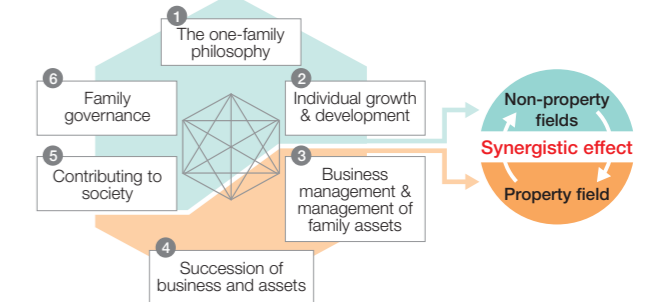
Aoyama Financial Service, our consolidated subsidiary, plays a central role in this, and through group collaboration with Aoyama Zaisan Networks as an IFA, assists clients with optimal asset management to meet their objectives from a comprehensive, long-term standpoint based on solid analysis of the current situation.



*3 IFA: Independent Financial Advisors *4 STO: Security Token Offering

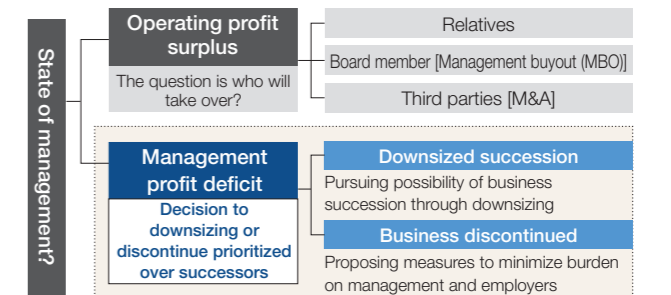
Family office service

For a family business to endure, maintaining and strengthening the supportive relationship between the company and the founding family is crucial. We provide long-term support for creating and operating mechanisms to maintain and strengthen the family unity that forms the basis of this supportive relationship, through workshops, preparation of family charters, and support for the operation of family councils.



Business succession fund

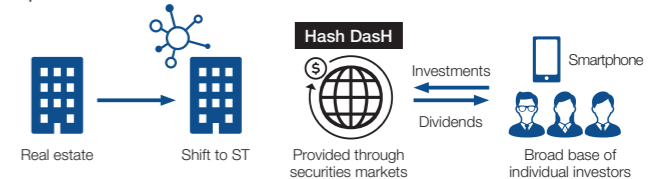
We offer optimum plans for companies that are considering closure due to difficulties with business succession. Always pursuing the possibility of business succession through downsizing, we offer measures to preserve management assets by systematically providing employment even in the event of business closure.



Aoyama Zaisan Networks has acquired trademark rights to the term "downsized succession."

STO^{*4} business

The revision of the Financial Instruments and Exchange Act in 2020 made it possible to issue digital securities, and we plan to partner with Hash DasH Holdings, which possesses blockchain technology, to offer income-producing real estate to clients 24 hours a day, 365 days a year, in small amounts. AZN Group will source income-producing real estate to back the digital securities sold by our partnering brokerage firms, thus providing a new product.



Our Value Drivers A reliable organization

One-stop solutions utilizing the power of the Group and its network

Aoyama Zaisan Networks is a property consulting company that not only provides consulting services, but is also capable of delivering proposals for solutions.

This is enabled by specialized divisions within the company. These are the Consulting Division, which provides consulting services, and the Real Estate Division, which is responsible for the creation, operation, and management of real estate products that meet the needs of our clients, with more than 150 national certification holders on staff.

Through close collaboration with our consolidated subsidiaries, affiliated corporations, and joint ventures, the Group is able to provide one-stop solutions to a broad range of client issues. Our consolidated subsidiaries provide region-specific property consulting, real estate management,

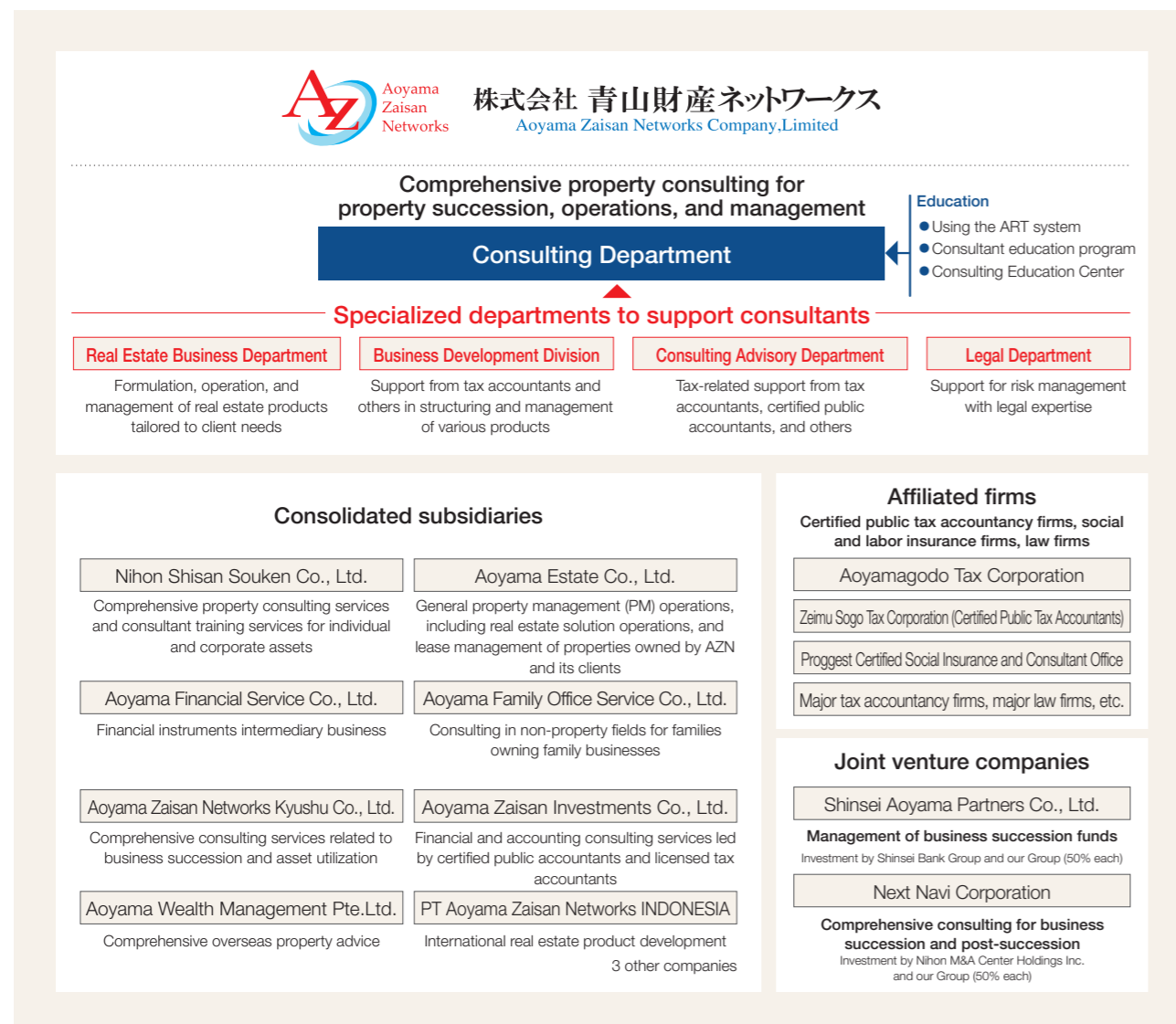
global comprehensive property advice, international real estate product development, financial product brokering, and assistance with non-property succession.

Affiliated corporations include law firms, tax accountant firms, and social and labor insurance firms, as well as joint ventures with partners who have strengths in property succession and business succession. This affords our clients a broad choice of the best options.

We have also established the AZN National Network, which connects accounting and tax accountant firms located throughout Japan. As of January 2023, the number of member firms had reached 95, making AZN's high-quality services available nationwide in Japan.

We intend to continue strengthening our organization to improve the quality of our services.

● Aoyama Zaisan Networks Group Structure



As of May 1, 2023

Consultants

Our strengths lie in expert insights and interpersonal skills

Our consultants, who are professionals in tax, finance, real estate, and other fields, serve as the face of Aoyama Zaisan Networks and provide consulting services directly to our clients. We employ 203 consultants, which is approximately 2.1 times the number at the end of 2014.

The comprehensive property consulting services that our consultants provide have two distinguishing characteristics.

The first is achieving total optimization by combining expert insights. Succession, operation, and management of property and business span very diverse fields, including tax, legal, insurance, real estate, and management. If each specialist provides advice only in his or her own respective field, inconsistencies can arise. However, AZN is able to propose and support the total optimization of succession, operation, and management planning and implementation that takes into consideration all of these fields.

At AZN, we believe it is crucial to help our clients look forward to a better future. Our goal is to set our clients upon a path that will ensure their families' wellbeing for the next 100 years. We firmly believe that our responsibility as consultants is fulfilled only when our clients are satisfied with our solutions.

Our consultants' outstanding expertise, coordination skills, and wealth of experience enable us to provide such consulting services. Moreover, our Consulting Advisory, Legal, and Business Development Divisions, which

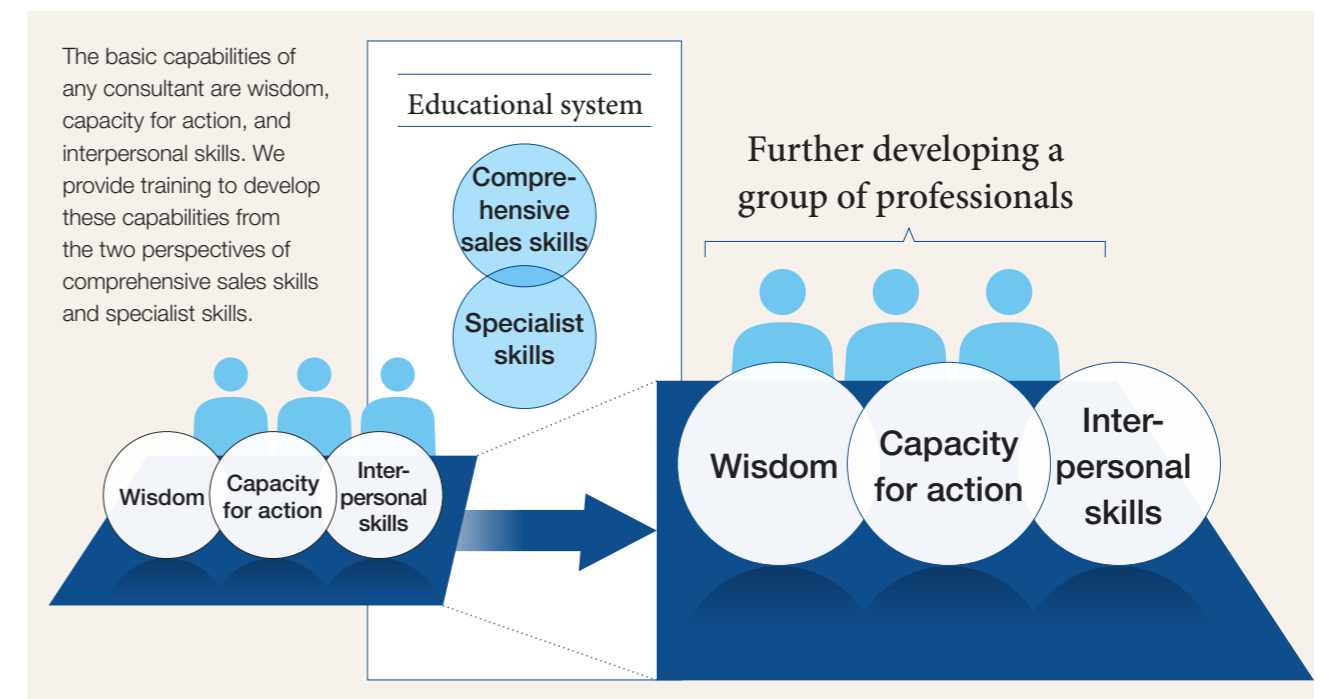
include certified public accountants and tax accountants, provide strong backup with advanced expertise.

The second distinguishing characteristic is our interpersonal skills. There is no single "right" way to pass on your property or business. Perhaps you want your children to take over your business, or you want to liquidate it in your own time. Some people want to focus their wealth-giving on those who will succeed them, while others want to distribute their wealth equally among their children. What's important is seeking the best for each client, rather than any single logical "correct" solution.

For this reason, Aoyama Zaisan Networks consultants are required to possess a broader range of knowledge, balance, presentation skills, and the ability to think from the client's standpoint than ever before. It is essential to have the mindset of wanting to resolve clients' problems, and to have the interpersonal skills (compassion) to put ourselves in each client's position and to work together with the client.

AZN focuses on instilling interpersonal skills, and our consultants possess not only specialized expertise but also strong interpersonal skills. We also have mechanisms for sharing and deepening the knowledge of our consultant members. This system is what enables us to provide 100-year property consulting to deliver satisfaction not only to our clients personally, but also to the next generation and on to the third generation.

● Developing a group of professionals



Our Sustainability

Introducing the Board of Directors

Director



Masazumi Hasumi

President

August 1983 Joined Aoyama Audit Corporation
 November 1991 Joined Yamada & Partners Accounting Office
 December 1996 President of Proggest Co., Ltd. (company name changed to Proggest Holdings, Ltd. in July 2005)
 July 2005 President of Proggest Co., Ltd. (current: Aoyama Zaisan Investments Co., Ltd.)
 September 2008 Director of the Company
 October 2008 President
 August 2016 Business Succession Navigator Corporation (currently Next Navi), President
 June 2017 PT Aoyama Zaisan Networks Indonesia, Director (current position)
 March 2018 Chairman of Nihon Shisan Soken Co., Ltd. (current position)
 October 2020 Aoyama Financial Service Co., Ltd. Representative Director
 January 2021 Aoyama Family Office Service Co., Ltd. President (current position)



Masayuki Yagi

Director, Managing Executive Officer

April 1990 Joined Murakami Corporation
 September 1991 Joined the Company
 March 2006 Director, Executive Officer, and Manager of First Business Department
 January 2011 Executive Officer of the Company
 Manager of Individual Asset Consulting Department
 March 2013 Director, Executive Officer, and General Manager of Business Division
 March 2014 Director, Managing Executive Officer of the Company
 Director, Executive Officer, and General Manager of Business Division
 January 2021 Director, Managing Executive Officer of the Company
 General Manager of Business Division and General Manager of Real Estate Division II
 Business Succession Navigator Corporation (currently Next Navi), Director
 June 2021 Director, Managing Executive Officer, and General Manager of Administration Division of the Company (current position)
 January 2022 Director of Aoyama Estate Co., Ltd. (current position)
 March 2022 Director of Aoyama Zaisan Investments Co., Ltd. (current position)



Takeshi Matsuura

Director, Managing Executive Officer

April 1991 Joined Daiwa House Industry Co., Ltd.
 May 1995 Joined Nissho Iwai Real Estate Corp. (current: Sojitz Corporation)
 October 2000 Joined the Company
 January 2005 Executive Officer, Manager of Real-estate Department
 January 2006 Funai Estate Co., Ltd. (currently Aoyama Estate Co., Ltd.) President
 March 2007 Director, Executive Officer, and Manager of Business Division 6
 January 2011 Executive Officer, Manager of Real-estate Department
 March 2014 Director, Executive Officer, and General Manager of Real Estate Division of the Company
 March 2016 Director, Managing Executive Officer of the Company
 General Manager of Real Estate Division
 June 2017 Director of Shinsei Aoyama Partners Co., Ltd. (current position)
 January 2021 Director, Managing Executive Officer of the Company
 General Manager of Real Estate Division I
 January 2022 Director, Managing Executive Officer of the Company
 General Manager of Real Estate Division (current position)
 March 2023 March 2022 Director of Aoyama Financial Service (current position)



Michihiro Nagasaka

Director

April 1985 Joined Wakabayashi Law Office
 March 1992 Joined Nihon M&A Center Inc.
 December 2010 Manager of Business Promotion Department
 March 2014 Outside Director of the Company
 April 2015 Manager of Sales Support Department, General Planning Division of Nihon M&A Center Inc.
 July 2021 Business Succession Navigator Corporation (currently Next Navi), Director (current position)
 March 2022 Director of the Company (current position)



Haruo Shimada

Director Outside Independent

April 1975 Associate professor of Faculty of Economics, Keio University
 April 1982 Professor of Faculty of Economics, Keio University
 March 1986 Visiting professor of Massachusetts Institute of Technology
 June 2000 Research Center for Advanced Science and Technology, the University of Tokyo
 Visiting Professor
 March 2007 Outside Director of the Company (current position)
 April 2007 President of Chiba University of Commerce
 May 2015 Outside Director of Okaya & Co., Ltd. (current position)
 January 2016 President of Shimada Sogo Kenkyujo (current position)
 April 2017 Chairperson of the Board of Trustees of Tokyo Metropolitan Public University Corporation
 February 2021 Outside Director of Tech I.S. Co., Ltd. (current position)



Keiji Watanabe

Director Outside Independent

July 1987 Aoyama Audit Corporation (current: PricewaterhouseCoopers Aarata LLC), Representative Partner
 April 1996 Joined Tohmatsu & Co. (current: Deloitte Touche Tohmatsu LLC) Representative Partner
 June 2000 Outside Director of Ichiyoshi Securities Co., Ltd.
 July 2003 Deloitte Touche Tohmatsu Global Middle Markets Leader
 June 2008 Outside Director of ASAHI KOGYOSHA CO., LTD. (current position)
 June 2010 Outside Director of SBI Holdings, Inc.
 March 2011 Outside Director of the Company (current position)
 June 2017 Outside Director of SBI Insurance Group Co., Ltd. (current position)
 June 2017 Outside Audit & Supervisory Board Member of Hokuetsu Kishu Paper Co., Ltd. (current: Hokuetsu Corporation) (current position)
 June 2018 Outside Director of UKAI Co., Ltd.



Takaomi Ogawa

Director, Managing Executive Officer

September 1992 Joined Takano Yasuo Zeirishi Jimusho (current: Zeimu Sogo Tax Corporation)
 August 2003 Director of Funai Zaisan Consultants Keiyo Co., Ltd. (currently Nihon Shisan Soken Co., Ltd.)
 December 2009 President of Funai Zaisan Consultants Keiyo Co., Ltd. (current: Nihon Shisan Soken Co., Ltd.)
 October 2013 Executive Officer, General Manager of NSS Division of the Company
 March 2016 Director, Executive Officer, General Manager of NSS Division
 June 2017 President of Nihon Shisan Soken Co., Ltd. (former: Nihon Shisan Soken Consultant Inc.) (current position)
 April 2020 Representative Director of Nitto Fudosan Co., Ltd. (current position)
 January 2022 Director, Managing Executive Officer of the Company
 Consulting Business Supervisor and General Manager of NSS Division (current position)
 March 2022 Director of Aoyama Financial Service Co., Ltd. (current position)



Shintaro Hashiba

Director, Managing Executive Officer

April 1987 Joined The Kyowa Bank, Ltd. (current: Resona Bank, Limited)
 October 2003 General Manager of Shin-Yurigaoka Branch
 October 2004 General Manager of Tokyo Central Marketing Division 1
 July 2008 General Manager of Shin-Toshin Marketing Division 3
 May 2014 Director of J-COM Co., Ltd. (current: LIKE, Inc.)
 Deputy General Manager of Sales Division and General Manager of Business Development Division
 August 2014 Director of J-COM Holdings Co., Ltd. (current: LIKE, Inc.)
 November 2015 Joined the Company, General Manager of Management Planning Office
 August 2017 Executive Officer, General Manager of Administration Division
 March 2020 Director, Executive Officer, General Manager of Administration Division
 July 2020 Director, Executive Officer, General Manager of Management Planning Division
 January 2022 Director, Managing Executive Officer of the Company
 General Manager of Corporate Planning Division (current position)
 March 2022 Aoyama Financial Service Co., Ltd. President (current position)
 March 2022 Director of Aoyama Zaisan Networks Kyushu Co., Ltd. (current position)



Shinji Shimane

Director, Executive Officer

October 1995 Joined Ota Showa Audit Corporation (current: Ernst & Young ShinNihon LLC)
 October 2000 Joined Avaya Japan Ltd.
 September 2001 Joined Proggest Co., Ltd. (currently Aoyama Zaisan Investments Co., Ltd.)
 Director (concurrent)
 August 2006 Representative Director of Shinsei Aoyama Partners Co., Ltd. (current position)
 January 2016 Director, Executive Officer
 Business succession consulting General Manager of Business Division
 March 2016 Director, Executive Officer
 General Manager of Consulting Business Division 4
 January 2021 Director, Executive Officer, General Manager of Administration Division
 January 2022 Director, Executive Officer, and General Manager of Business Succession Fund Services (current position)
 March 2022 Aoyama Zaisan Investments Co., Ltd. Representative Director (current position)

Audit & Supervisory Board Member

Hiroyuki Fujita

Audit & Supervisory Board Member

Outside Independent

April 1989 Joined The Mitsui Bank, Limited (current: Sumitomo Mitsui Banking Corporation)
 August 1995 Joined Yamazaki Certified Tax Accountant Office
 October 2000 Joined Tohmatsu & Co. (current: Deloitte Touche Tohmatsu LLC)
 Registered as a CPA
 April 2004 Appointed as outside Audit & Supervisory Board Member of the Company (current position)
 March 2018 Audit & Supervisory Board Member of Nihon Shisan Soken Co., Ltd. (current position)
 March 2018 Business Succession Navigator Corporation (currently Next Navi), Audit & Supervisory Board Member (current position)
 December 2019 Audit & Supervisory Board Member of Aoyama Zaisan Networks Kyushu Co., Ltd. (current position)
 April 2020 Audit & Supervisory Board Member of Nitto Fudosan Co., Ltd. (current position)
 October 2020 Audit & Supervisory Board Member of Aoyama Financial Service Co., Ltd. (current position)
 January 2021 Aoyama Family Office Service Co., Ltd. Audit & Supervisory Board Member (current position)
 June 2022 Nihon Digital Investment Co., Ltd. Audit & Supervisory Board Member (current position)

Hisao Nakatsuka

Audit & Supervisory Board Member

Outside Independent

April 1970 Joined The Tokai Bank, Limited (current: MUFG Bank, Ltd.)
 April 1994 General Manager of Fujisawa Branch
 January 1996 General Manager of Chofu Branch
 January 1999 General Manager of Takenotsuka Branch
 November 2001 Joined the Company
 March 2002 Director, General Manager of Consulting Department
 August 2002 Director, General Manager of Administrative Department
 March 2005 Funai Estate Co., Ltd. (former: Aoyama Estate Co., Ltd.) Audit & Supervisory Board Member
 Managing Director of the Company
 September 2008 Audit & Supervisory Board Member of Proggest Co., Ltd.
 October 2010 Director of Aoyama Estate Co., Ltd.
 October 2013 Audit & Supervisory Board Member of Nihon Shisan Soken Co., Ltd.
 March 2014 Director of Nihon Shisan Soken Co., Ltd.
 March 2015 Advisor of the Company
 March 2016 Audit & Supervisory Board Member (current position)

Hiroaki Rokugawa

Audit & Supervisory Board

Outside Independent

April 1997 Registered as Attorney (Dai-ichi Tokyo Bar Association)
 April 1997 Joined Hori & Partners
 June 2002 Joined Barack Ferrazzano Kirschbaum & Nagelberg LLP (Chicago)
 March 2007 Joined Tokyo Aoyama, Aoki, Koma Baker & McKenzie Law Office
 April 2007 Lecturer of Advanced Institute of Industrial Technology (current position)
 June 2008 Representative Attorney of Ogasawara Konno & Rokugawa
 March 2009 Outside Audit & Supervisory Board Member of the Company (current position)
 April 2013 Professor of Graduate School of Law, Tokai University
 December 2016 Tsunagu Group Holdings, Inc. Outside Director (current position)
 September 2017 Outside Auditor of OKWAVE Inc. (current position)
 September 2020 Outside Director and Audit & Supervisory Board Member of Abalance Corporation (current position)
 April 2021 Outside Auditor of Yumeshin Holdings Co., Ltd. (current position)
 April 2022 Representative Attorney of Tokyo Uchisaiwaicho Law Firm (current position)
 June 2022 Outside Director of Meiji Machine Co., Ltd. (current position)

Basic concept of corporate governance

Based on our corporate policy of always making proposals from the client's standpoint with a fair and neutral attitude, AZN firmly believes it is essential to establish corporate governance to ensure compliance-oriented management and to practice this policy. The Company's Board of Directors and Audit & Supervisory Board acknowledge that the corporate governance framework should primarily perform the following functions.

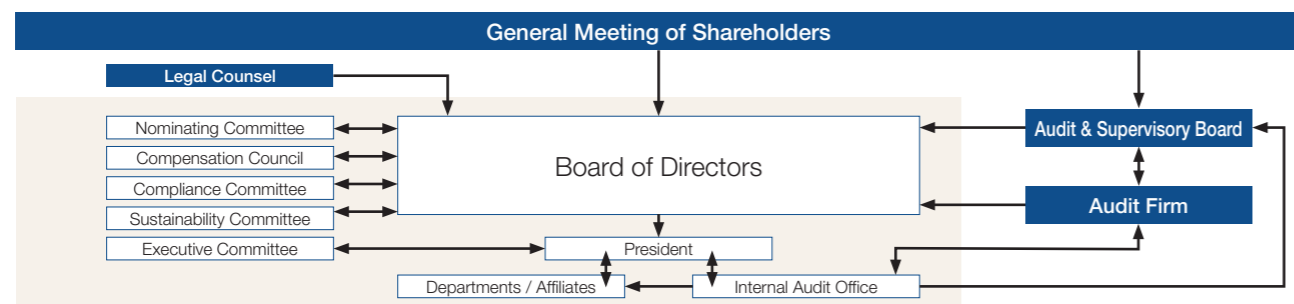
- To protect and encourage the exercise of shareholders' rights.
- To ensure equal treatment of all shareholders.
- To make timely and accurate disclosure regarding all the important matters related to the company, including its financial conditions, operating results, shareholder composition, and governance.
- To ensure the strategic orientation of the company, effective supervision of management executives, and clear accountability

Corporate Governance System

The Company ensures the effectiveness of audits of Directors' performance of their duties by maintaining the independence of its Auditors and Audit & Supervisory Board Members from the Board of Directors, and by collaborating with auditing firms and its in-house auditing

department. Moreover, to strengthen the supervisory function of the Board of Directors, the Company has established the Compensation Council and the Nominating Committee, at least two of whose members must be Outside Directors.

| | |
|-------------------------------------|---|
| (1) Board of Directors | The Board of Directors deliberates and makes decisions on important matters concerning the Company's management, and oversees the Company's business and general management. Each of the two Outside Auditors has an advanced level of expertise, and they provide reliable management oversight from their professional perspectives. |
| (2) Executive Officers | In light of the segregation of management and implementation, AZN has instituted an Executive Officer system. Executive Officers execute the operations of the divisions or departments under their control, in accordance with organizational regulations and rules on the segregation of duties set forth by the Board of Directors. |
| (3) Executive Committee | The Executive Committee, consisting of the President, full-time Directors, and Executive Officers, meets on a weekly basis to verify management policies and discuss management strategies and business execution for the purpose of sharing problem awareness and having smooth communication among all members. |
| (4) Compensation Council | Remuneration for directors, within the total scope of remuneration approved by the General Meeting of Shareholders, is determined by the Compensation Council, which is composed of Directors selected by resolution of the Board of Directors. The Compensation Council is composed of three or more Directors, at least two of whom must be outside Directors as a rule for the purpose of raising the transparency and objectivity of the review process. |
| (5) Nominating Committee | The Nominating Committee, a voluntary advisory body to the Board of Directors, deliberates on the selection and dismissal of senior management and Directors and recommends candidates to the Board of Directors, which are decided by the Board of Directors. Also, the Nominating Committee is composed of three or more Directors, at least two of whom must be outside Directors as a rule for the purpose of raising the transparency and objectivity of the review process. |
| (6) Compliance Committee | The Compliance Committee, consisting of the President, full-time Directors, Executive Officers/General Managers of the divisions, and external legal counsels (attorneys), has been established in conjunction with the Board of Directors as a forum for deliberation on risk management and legal compliance by the Company. |
| (7) Sustainability Committee | The Sustainability Committee, consisting of the President and full-time Directors, was established to build a foundation for sustainable growth, to oversee and monitor sustainability policies, strategies, and measures, and to manage and evaluate the progress of objectives resolved by the Board of Directors. |



Compensation for officers

AZN's Board of Directors has adopted a policy for determining the details of compensation for individual Directors.

Compensation for individual Directors for the fiscal year in question is determined by the Compensation Council, which is composed of 3 or more Directors (at least 2 of

whom must be Outside Directors) selected by the resolution of the Board of Directors to increase the transparency and objectivity of the review process. Its methods of determining the details of compensation and the compensation so determined shall be consistent with the decision-making policy resolved by the Board of Directors.

• Compensation for officers

| Category of officer | Total amount of compensation (thousand yen) | Total amount per type of compensation (thousand yen) | | | | | Number of eligible officers (persons) |
|--|---|--|--------------------|-------------------------------|-------|---|---------------------------------------|
| | | Basic compensation | Performance-linked | | Other | Of the following, non-monetary compensation, etc. | |
| | | | Bonus | Restricted stock compensation | | | |
| Director (except outside Director) | 210 | 96 | 78 | 24 | 11 | 36 | 7 |
| Audit & Supervisory Board Member (excluding Outside Audit & Supervisory Board Members) | 5 | 4 | 0 | — | — | — | 1 |
| Outside Officer | 43 | 37 | 6 | — | — | — | 5 |

Evaluation of the effectiveness of Board of Directors

AZN strives constantly to improve the effectiveness of its Board of Directors. AZN undertakes an annual questionnaire survey of all Directors and Audit & Supervisory Board Members regarding the effectiveness of the Board of Directors, using the evaluation points listed at right. The results are then discussed and reported to the Board of Directors. See right for a summary of last fiscal year's survey results.

| Questionnaire evaluation items | Summary of questionnaire results |
|---|--|
| <ul style="list-style-type: none"> • Composition of the Board of Directors and Executive Officers • Operation of the Board of Directors • Agendas of meetings of the Board of Directors • Supervisory framework by the Board of Directors • Supervisory framework by shareholder | About the Board of Directors of the Company, there were no important matters raised in each evaluation item, whereas some findings about the Board of Directors operations were noted. We intend to make some improvements, aiming to realize a more effective Board of Directors. |



Risk management

Based on its Crisis Management Regulations, AZN defines external crises, internal crises, disasters, and other crises as described at the right, and defines how to respond to crises when they occur. In the event of a crisis that seriously threatens corporate operations, a task force is immediately formed and company-wide action is taken to resolve the problem.

| | |
|-------------------------|---|
| 1 External risks | <ol style="list-style-type: none"> 1 Information leak 2 Problems involved in business operations (including customer consulting services) 3 Civil violent incidents, contact/problems with anti-social forces 4 Criminal acts by employees (fraud etc.) 5 Other risks/incidents associated with AZN's credit |
| 2 Internal risks | <ol style="list-style-type: none"> 1 Traffic accidents by employees (property/personal damage) 2 Internal troubles (sexual harassment etc.) 3 Mishaps of employees and their families, other work accidents 4 Other cases constituting a crime by employees |
| 3 Disasters etc. | <ol style="list-style-type: none"> 1 Extraordinary disasters including natural disasters |

Information security management

For the purpose of continually maintaining and strengthening our information security management structure including personal information management, we have obtained the International Organization for Standardization (ISO) 27001 international accreditation

and information security management system certification. We have developed and maintain systems based on this standard, and continue to further strengthen our systems for managing confidential information.

Compliance initiatives

For the purpose of practicing fair and bona fide management in compliance with laws, a Compliance Committee consisting of the President, full-time Directors, Executive Officers/General Managers of the divisions, and outside legal counsels (attorneys) has been established. The Compliance Committee performs the following operations:

- 1 To recognize potential risk of losing trust from the securities market and clients in business operations, and prepare countermeasures (draft)
- 2 To review if there is any compliance issue with specified joint real estate venture operations, and give approval of their execution
- 3 To review and report preventive measures against serious compliance violations
- 4 To examine/check suspicious compliance activities (potential compliance violations)

Creating an organization where harmony among diverse personalities generates vital energy

Needs for management and succession of property in Japan are on the rise. It is becoming increasingly important for consultants to be able to analyze diverse customer situations and make optimal proposals. For this reason, the Group focuses on training consultants and creating pleasant workplaces.

As Japan's population ages, there is a growing need for asset utilization and management due to uncertainty about society's future. Japan also has many family businesses with long histories, and highly specialized consulting services related to asset management and business succession are in high demand among the community. We help to ensure the business continuity of family-owned businesses that play a major role in the local community. Socially, this is very meaningful. Our Group has been providing consulting services while prioritizing our relationships with clients passing on assets and businesses. It is important to sustain these kinds of relationships over the long term.

To further enhance the quality of the Group's management, it needs to consider three perspectives:

Outside Director

Haruo Shimada



investors, clients, and society. Needless to say, our reputation among investors and clients is of paramount importance. In recent years, society's view of the company has also grown in significance. Pursuing an optimal balance among these three perspectives is sure to improve quality of management.

Amid an ever-changing external environment, our clients' family structures and asset situations are becoming more diverse. As a consulting company, our Group is committed to understanding and analyzing each client's situation in order to make optimal recommendations. To carefully carry out a series of processes, it is essential to have consultants who have a deep love for people as well as true sensitivity. This is why we need to focus more than ever on recruiting and training human resources. Beyond improving the skills of individual consultants, it is also essential to take a team approach to complement each other.

In the future, it will be more important to improve the quality of services through the use of digital technology. In recent years, we have been making a dedicated commitment to DX. The cornerstone of these efforts is the ART system. We will continue to evolve the ART system and devote efforts to increasing the uptake of the system by users.

But how can consultants and other employees in various divisions be highly motivated to work? This question is key to the future growth of our business. The Group established a Sustainability Committee in 2022, and part of the Committee's responsibility involves reforming the way we work. We intend to be a company that promotes understanding of diversity, creating workplaces where everyone can work in comfort, where all employees can feel fulfilled in their daily work and always want to give their best.

Creating an organization in which diverse personalities can coexist in harmony and create vital energy is an extremely challenging task for all Japanese companies. We will redouble our efforts to be recognized as a pioneer in overcoming this significant challenge.

Amid strong performance, now is the time to implement measures looking to the future

In 2022, the Group's property consulting and real estate-related businesses grew, and ROIC management became established. As a result, the company achieved its best ever performance. Toward further future growth, we are strengthening our efforts in human resource development, DX, and reform of work styles.

Ever since Spring 2020, the Group's core property consulting business has been severely constrained by the prolonged COVID-19 pandemic. Despite a challenging environment in which meeting with clients was not easy, AZN as a whole managed to achieve record sales and profits in 2022. I believe this is the result of the efforts of our consultants and other front-line employees.

In 2022, we steadily increased the number of clients and sales in our property consulting business, while Advantage Club, one of our strategic individualized services, achieved significant growth. With an increasing number of similar products from other companies now following suit, we need to further enhance the appeal of Advantage Club without taking our high market share for granted. Moreover, after the USA, Japan has the second-

largest number of financial asset holders owning more than 100 million yen in financial assets. Great business opportunities are evident in the IFA and STO businesses that we have established.

Return on invested capital (ROIC)-based management, which we have been working on since 2021, has also taken firm root in 2022 after a year of experience. Use of ROIC has driven activities for improvement in every division, leading to increased productivity. ROIC and return on equity (ROE) for 2022 were 12.2% and 22.0%, respectively—well above the levels of typical Japanese companies. This is the result of effective use of funds entrusted to us by investors.

Even though our current performance is solid, we need to undertake initiatives with an eye to future changes in the environment. Companies with management philosophies and purposes such as ours are necessary for society, and I would like to point out three key points for growth.

The first key point is human resource development. In particular, it is very important to train many consultants able to think from the client's perspective, build relationships of trust, and make recommendations that satisfy clients.

The second key point is DX initiatives. Digital technology is a powerful tool in proposing optimal solutions to clients with diverse needs. Digitalization is also an essential factor in improving the performance of consultants. Significant tools in our Group include the ART system, but we need to focus more on training people to use it to its fullest potential. In the future, we will also need to consider how to incorporate technologies such as AI and big data. I believe that eventually, we will consider establishing new organizations such as a research and development center.

The third key point is even further development of work style reforms. In the summer of 2022, we conducted an internal survey that clearly identified several issues for our Group. It is very important to create a workplace that is pleasant and rewarding to work in not only for women but also for men. We moved several measures into implementation for immediate improvement.

As a Group, we will work together to ensure that all employees find their work rewarding, are able to overcome challenges, and have ample opportunity to grow further.

Outside Director

Keiji Watanabe



Message from the Sustainability Committee

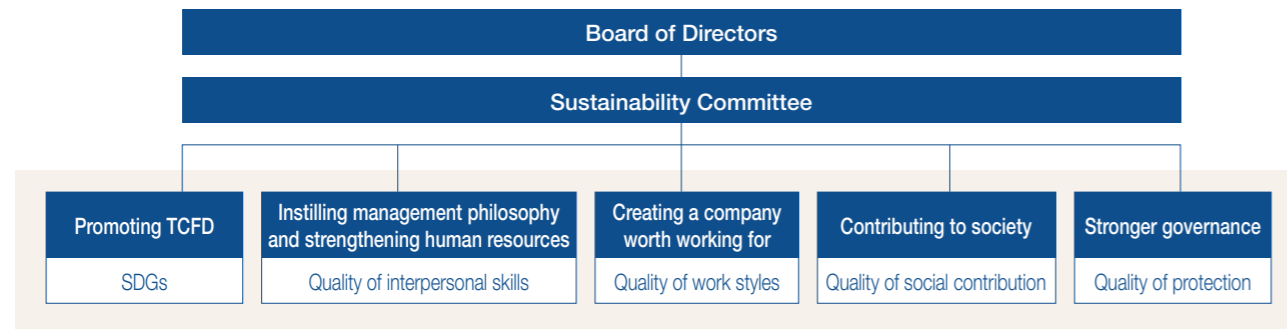
AZN aims to address ESG issues by realizing the strategies outlined in its Third Medium-Term Management Plan, which commenced in 2022. As a comprehensive property consulting company that supports the enduring development of our clients' valuable assets and businesses, we are committed to realizing our management objective of "Contributing to the happiness of our clients through the succession, operation, and management of property" by providing environmentally friendly products and services to resolve property-related concerns, as well as our efforts to reduce environmental impact in response to climate change.

As an advocate of **100-year property consulting**, AZN needs to build on the foundation of human resource development, the source of our consulting services, to ensure its own sustainable growth. Led by the Sustainability Committee, we are committed to company-wide efforts to realize a more sustainable society. The Sustainability

Committee manages and evaluates the progress of targets set by the Board of Directors, while at the same time overseeing and monitoring sustainability policies, strategies, and actions. Its members are made up of the President and Managing Executive Officers of the Company.

The Sustainability Committee has five subcommittees including Promotion of TCFD, Instilling Management Philosophy and Strengthening Human Resources, Creating A Rewarding Workplace, Social Contribution, and Strengthening Governance. It is responsible for proposing and promoting specific activities for improvement, based on various themes and perspectives. The members of each subcommittee are selected by the Executive Director from among personnel at related departments. Each subcommittee sets goals and plans for achieving these goals, and undertakes activities through a process of repeated discussion and verification.

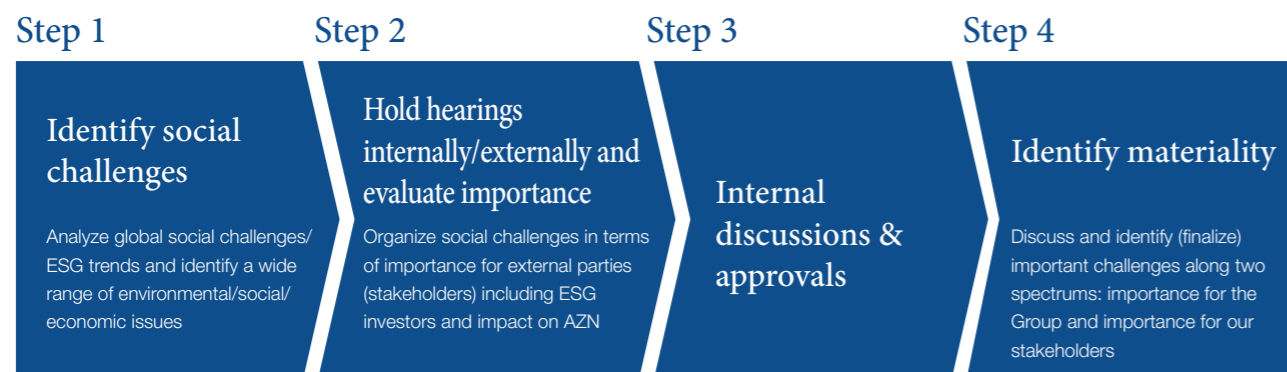
● System for promoting sustainability



A process of identifying materiality

In 2020, the Group identified as high-priority issues both project-related materialities such as reducing the environmental impact of buildings, and business infrastructure-related materialities such as human

resource development and corporate governance. In identifying materialities, we identify social issues likely to exert significant impact on our company and on society, based on the steps shown in the diagram below.

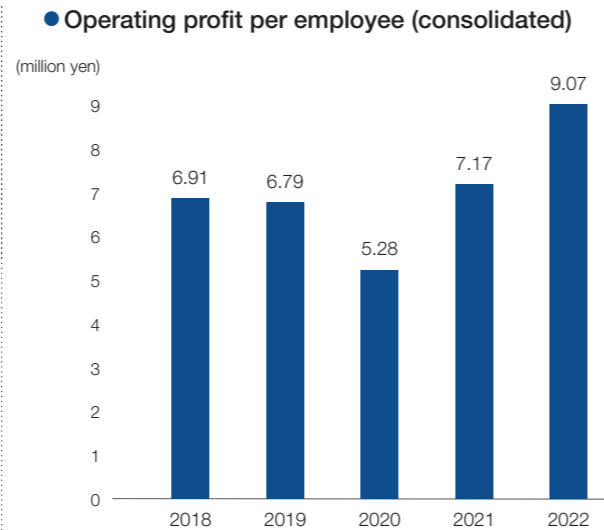


Three areas of materiality and initiatives of the Group

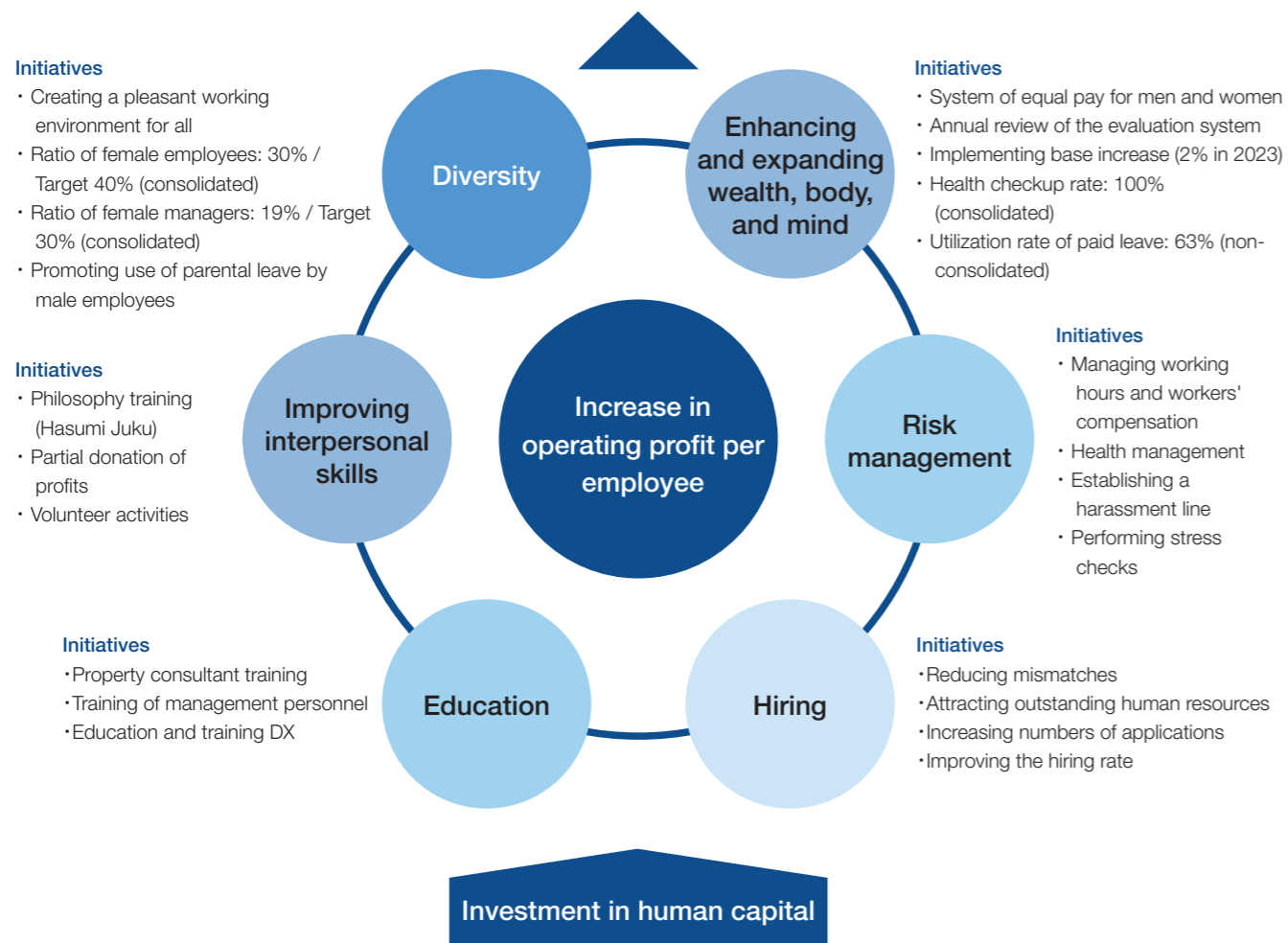
| | 2022–2023 Initiatives | Relevance to the SDGs |
|---|--|-----------------------|
| <p>E Environment</p> <p>Realizing a decarbonized, recycling-based society</p> | <p>We recognize that addressing climate change is an important management issue that affects business continuity. In particular, we view CO₂ emissions from real estate-related business activities as a major risk impacting climate change. To this end, we prioritize environmentally friendly initiatives for their ability to contribute to enhancing asset value and resolving social issues.</p> <p>Current initiatives</p> <ul style="list-style-type: none"> Switching to environmentally friendly facilities and clean energy-based electricity for Advantage Club Endorsement and disclosure of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) <p>Future initiatives</p> <ul style="list-style-type: none"> Promoting water conservation and waste reduction in conjunction with Advantage Club tenants Promoting the use of environmentally friendly materials, paints, equipment, etc. by incorporating ESG perspectives into our analysis of current situations and recommendations for land use and construction support Promoting buildings and urban development that are considerate of water environment conservation Reducing waste and greenhouse gas emissions | |
| <p>S Social</p> <p>Realizing a society that supports (the success of) diverse talents</p> | <p>In addition to reinforcing employees' own efforts to improve their interpersonal skills through social contribution, the Group is committed to promoting diversity and establishing a pleasant work environment for women and other diverse human resources, which is crucial to accepting the diverse values of customers and resolving property issues.</p> <p>Current initiatives</p> <ul style="list-style-type: none"> Instilling our management philosophy through morning meetings and corporate philosophy training conducted by President Hasumi himself Enhancing consultant training programs such as ART system training and the Consulting Education Center Promoting the use of parental leave Expanding the contract employee system to allow employees to continue working after the mandatory retirement age of 65 Donating a portion of profits to organizations dedicated to eradicating pet euthanasia, promoting subsidized meals for children, etc., and offering support through volunteer activities by employees Strengthening management training through the use of external educational institutions Implementing a health management declaration and 100% health checkup rate <p>Future initiatives</p> <ul style="list-style-type: none"> Expanding support for organizations dedicated to eradicating pet euthanasia, promoting subsidized meals for children, etc. Promoting advancement of women (increasing the percentage of female employees from approximately 30% to 40%, and the percentage of female managers from approximately 19% to 30%) Maintaining the work environment Enhance consultant training by using external educational institutions Training up management personnel Further health management, including promoting opportunities to exercise and offering dietary guidance Implementing volunteer activities for clean-ups in the Minato City area | |
| <p>G Governance</p> <p>Continuing improvement in governance</p> | <p>We regard local communities as a foundation for the life of all people including our clients, their families, and the companies and employees they value, as well as a foundation for social and economic activities and for leading happy lives. To ensure that our customers can live happily and that the value of their assets in local communities continues to increase, we are committed to engaging with local communities.</p> <p>Current initiatives</p> <ul style="list-style-type: none"> Not only contributing to welfare through land utilization for childcare facilities, seniors facilities, hospitals, clinics, and other facilities of high public benefit, but also contributing to the revitalization of local communities through real estate utilization, such as attracting commercial facilities. Creating mechanisms to give back to society by supporting the establishment of foundations Contributing to urban development and regional job creation by collaborating with partners such as public organizations, financial institutions, and companies on regional development projects <p>The Group recognizes corporate governance as an important management mechanism to make transparent, fair, rapid, and decisive decisions. Director candidates are determined by the Nominating Committee, executive compensation is deliberated upon by the Compensation Council, and the effectiveness of the Board of Directors is evaluated. We have also established the Compliance Committee consisting of the President, full-time Directors, Executive Officers/General Managers of the divisions, and external legal counsels (attorneys) as a structure to further compliance with laws and corporate ethics.</p> <p>Current initiatives</p> <ul style="list-style-type: none"> Establishing appropriate managerial structures for the Group by instituting a Nominating Committee and Compensation Council to determine director candidates, as well as succession planning, etc. Operating the Compliance Committee and a fair and transparent Compensation Council to advance legal compliance | |

Approach to human resources strategy and investment in human capital

In our Group, **human assets (capital)**, from which our consulting services stem, is an extremely important form of management capital. By improving the interpersonal skills of our employees and their capabilities to provide high-quality services, as well as increasing the diversity of our employees, we can respond to the diverse values and requests of our clients and offer further value-added property consulting services. Investing in human capital means investing in our business base and its foundation of sustainable management, which is essential for the Group's ongoing sustainable growth. We monitor operating profit per employee as an overall measure of return on investment in human capital. We seek to improve operating profit per employee by making progress in various measures related to human capital.



Achieving sustainable growth for the Aoyama Zaisan Networks Group



Endorsement of TCFD

The Group has declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The Group is engaged in business activities utilizing energies from land and other natural resources, and we recognize that addressing climate change is an important management challenge with a considerable impact on our business continuity. We prioritize environmentally friendly initiatives for their ability to contribute to enhancing asset value and resolving social issues, and we aim to meet the needs of both clients and tenants.



Governance

The Group's Board of Directors deliberates and decides on policies and important issues related to the overall issue of addressing climate change.

Strategy

We conduct analysis of risks and opportunities in the value chain in the real estate industry (small-lot real estate products), taking into account business characteristics and the surrounding environment, including political, economic, and social conditions, and we conduct scenario analysis of the impact of each risk on business.

Risk management

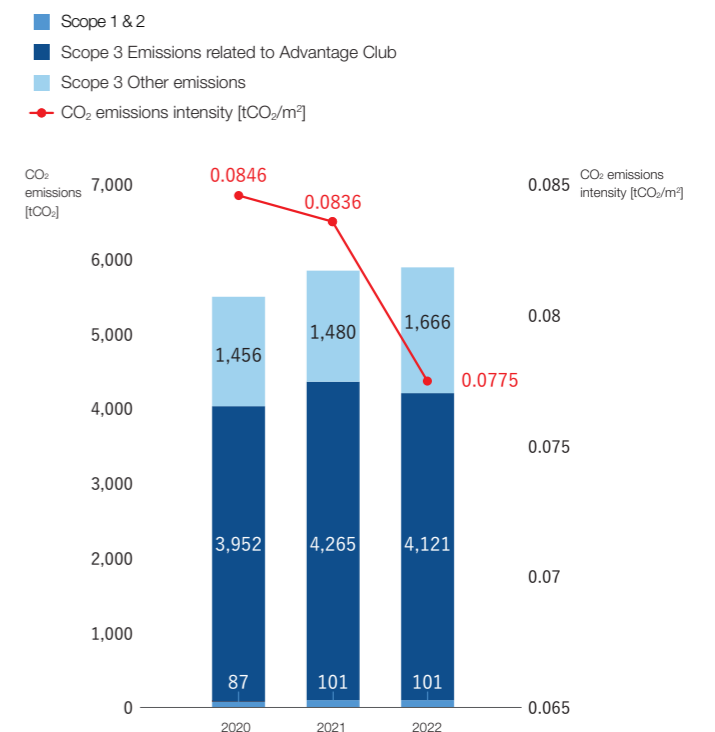
The Sustainability Committee oversees climate change risks and opportunities from a medium- to long-term perspective for the entire Group, and performs supervision and monitoring in cooperation with the Board of Directors, with the results reflected in management strategy.

Indicators and targets

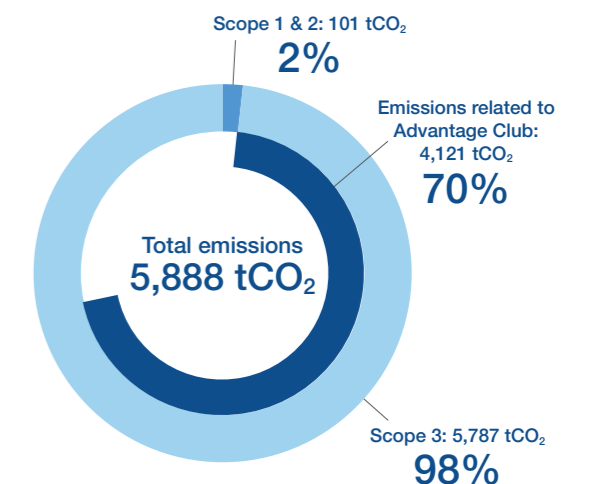
The total CO₂ emissions of our Group have been increasing due to the expansion of our business and increases in the number of employees. However, by introducing energy-saving equipment and changing power contracts to a carbon-free plan, we have been reducing CO₂ emissions per square meter (CO₂ emission intensity).

Our CO₂ emission reduction targets for 2030 and 2050 are currently under consideration. We will continue to address climate change risks by extending and expanding measures to curb emissions through ongoing TCFD disclosures.

● Changes in CO₂ emissions [tCO₂]



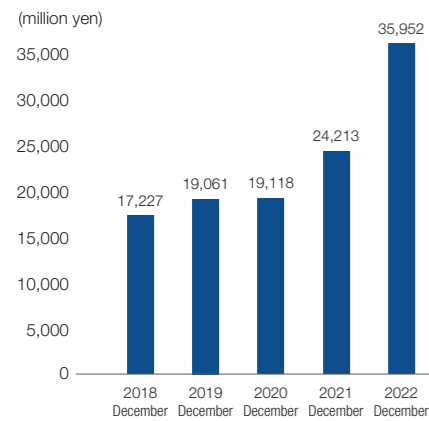
● Total CO₂ emissions ratio (2022)



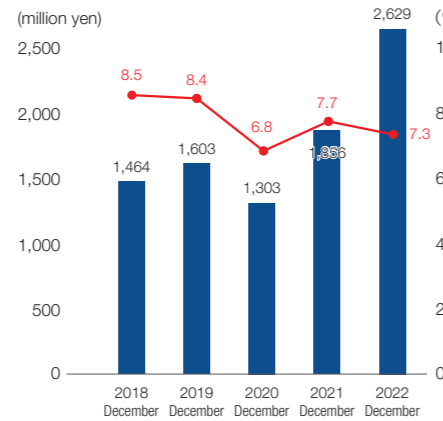
Our Data Financial & Non-financial Data (Summary)

Financial highlights

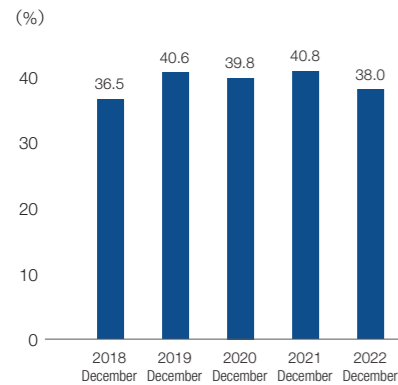
Net sales



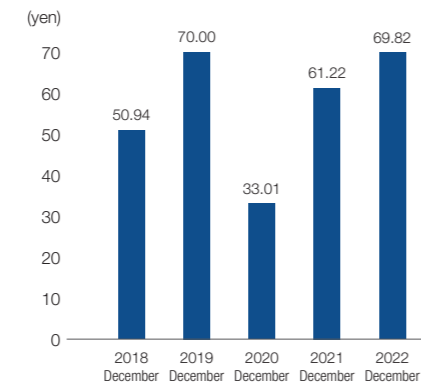
Operating profit / Ratio of operating profit



Equity ratio



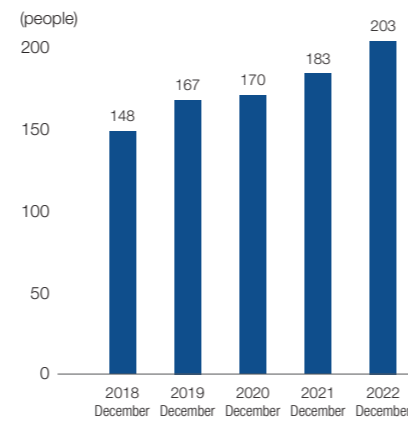
Earnings per share (EPS)



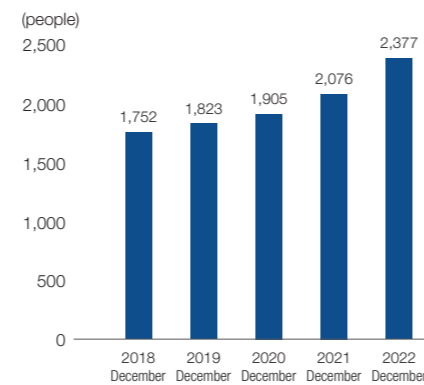
On September 1, 2021, the Company conducted a 2-for-1 stock split of its common stock. Pre-2020 amounts and percentages have been replaced by amounts and percentages that take into account this split.

Non-financial highlights

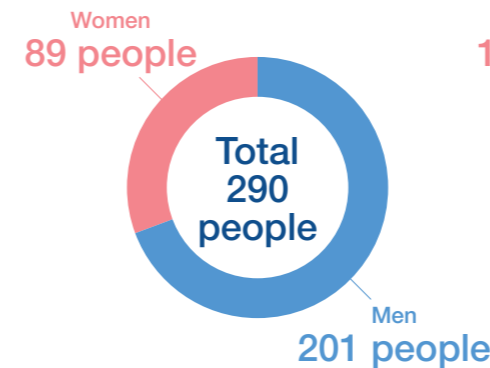
Shifts in number of consultants



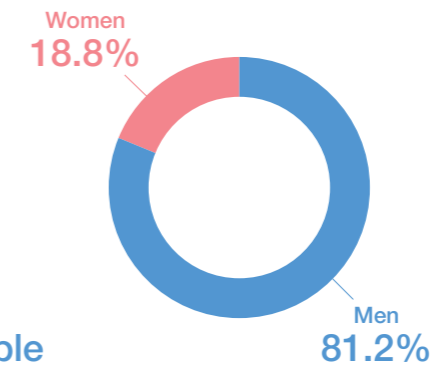
Number of clients



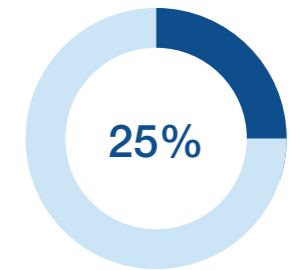
Number of employees (by gender)



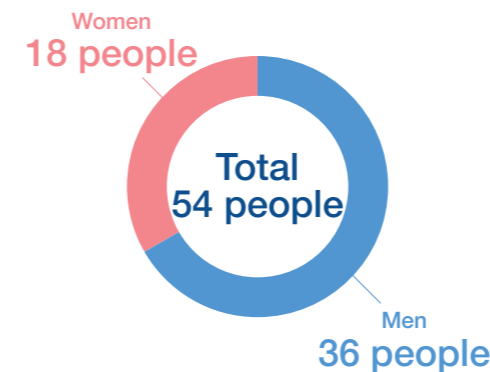
Percentage of managers (by gender)



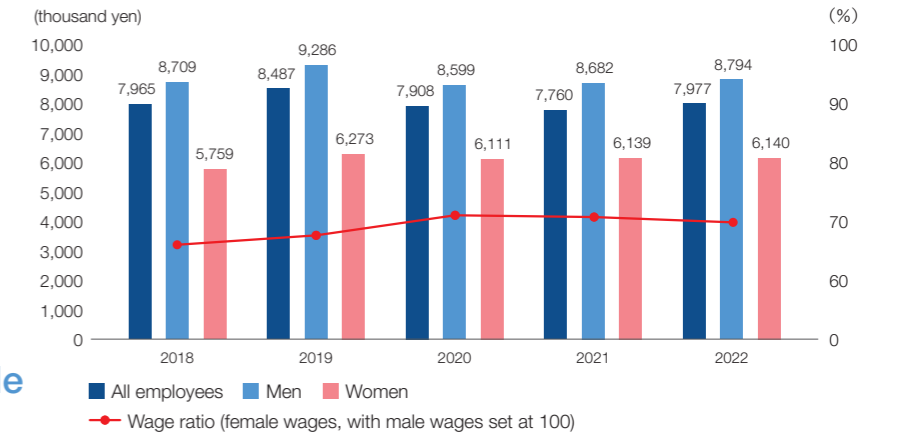
Proportion of male employees taking childcare leave



Number of new recruits (new graduates and mid-career) in FY2022



Average salary (full-time employees only, excluding directors, contract employees, and employees on leave)



Financial indicators

| | Units | December 2010 | December 2011 | December 2012 | December 2013 | December 2014 | December 2015 | December 2016 | December 2017 | December 2018 | December 2019 | December 2020 | December 2021 | December 2022 |
|--|-------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Financial data | | | | | | | | | | | | | | |
| Net sales | Million yen | 5,227 | 7,627 | 5,839 | 6,369 | 9,305 | 14,275 | 14,420 | 14,562 | 17,227 | 19,061 | 19,118 | 24,213 | 35,952 |
| Operating profit | Million yen | 200 | 186 | 98 | 160 | 445 | 485 | 751 | 1,094 | 1,464 | 1,603 | 1,303 | 1,856 | 2,629 |
| Ordinary profit | Million yen | 160 | 166 | 91 | 142 | 467 | 471 | 628 | 943 | 1,358 | 1,503 | 1,195 | 1,796 | 2,499 |
| Net income attributable to parent company shareholders | Million yen | 82 | 218 | 92 | 201 | 362 | 518 | 587 | 768 | 1,162 | 1,676 | 800 | 1,481 | 1,694 |
| Total assets | Million yen | 4,498 | 3,698 | 4,769 | 4,698 | 5,930 | 7,220 | 9,258 | 12,587 | 12,353 | 15,492 | 16,001 | 17,426 | 21,757 |
| Net assets | Million yen | 1,222 | 1,224 | 1,941 | 2,151 | 2,447 | 2,909 | 3,329 | 3,624 | 4,518 | 6,390 | 6,566 | 7,128 | 8,320 |
| Cash flow from operating activities | Million yen | 1,890 | 579 | 227 | 368 | 197 | 801 | 1,177 | -1,277 | 272 | 2,300 | 1,942 | 2,389 | 2,219 |
| Cash flow from investment activities | Million yen | 282 | 122 | -1,203 | 1,886 | 43 | -162 | -1,061 | -840 | 332 | 723 | -753 | -631 | -1,256 |
| Cash flow from financial activities | Million yen | -1,745 | -602 | 247 | -425 | 253 | 370 | 1,116 | 2,174 | -1,787 | 1,215 | -215 | -374 | 882 |
| EPS (earnings per share) | yen | 3.90 | 10.32 | 4.36 | 9.26 | 15.49 | 22.11 | 24.88 | 33.37 | 50.94 | 70.00 | 33.01 | 61.22 | 69.82 |
| BPS (book value per share) | yen | 57.83 | 57.92 | 59.74 | 91.59 | 103.63 | 122.72 | 139.86 | 158.41 | 197.59 | 259.48 | 262.39 | 294.61 | 340.13 |
| Dividend per share | yen | 2.50 | 3.25 | 3.75 | 5.00 | 7.50 | 9.00 | 11.50 | 15.00 | 19.50 | 25.00 | 26.50 | 28.00 | 35.00 |
| ROA (return on assets) | % | 2.9 | 4.1 | 2.2 | 3.0 | 8.8 | 7.2 | 7.6 | 8.6 | 10.9 | 10.8 | 7.6 | 10.7 | 12.8 |
| ROE (return on equity) | % | 6.8 | 17.8 | 7.4 | 11.8 | 15.9 | 19.5 | 18.9 | 22.2 | 28.6 | 31.1 | 12.7 | 22.0 | 22.0 |
| ROIC (return on invested capital) | % | 2.2 | 6.9 | 3.4 | 4.4 | 10.1 | 11.4 | 11.9 | 11.5 | 13.4 | 13.0 | 8.0 | 10.0 | 12.2 |
| Equity ratio | % | 27.2 | 33.1 | 26.5 | 45.7 | 40.9 | 40.0 | 35.8 | 28.7 | 36.5 | 40.6 | 39.8 | 40.8 | 38.0 |

*The Company conducted a 100-for-1 stock split of its common stock on January 1, 2014, and a 2-for-1 stock split of its common stock on September 1, 2021. Pre-2020 amounts and percentages have been replaced by amounts and percentages that take into account this split.

Corporate Data (as of December 31, 2022)

Corporate Profile

| | |
|-----------------------------|---|
| Name of Company | Aoyama Zaisan Networks Company, Limited |
| Head Office | 3F Aoyama Tower Place, |
| | 8-4-14 Akasaka, Minato-ku, |
| | Tokyo 107-0052 |
| | Phone: +81-3-6439-5800 |
| Incorporated | September 17, 1991 |
| Capital stock | 1,210.99 million yen |
| Business line | Property consulting |
| | Business succession consulting |
| | Real estate solutions consulting |
| Number of employees (Group) | 290 (across group companies) |
| Consolidated subsidiaries | Nihon Shisan Souken Co., Ltd. |
| | Aoyama Estate Co., Ltd. |
| | Aoyama Financial Service Co., Ltd. |
| | Aoyama Family Office Service Co., Ltd. |
| | Aoyama Zaisan Networks Kyushu Co., Ltd. Aoyama Zaisan Investments Co., Ltd., and 5 other companies |

Executives

(as of March 31, 2023)

| | |
|---|--------------------|
| President | Masazumi Hasumi |
| Director, Managing Executive Officer | Masayuki Yagi |
| Director, Managing Executive Officer | Takeshi Matsuura |
| Director, Managing Executive Officer | Takaomi Ogawa |
| Director, Managing Executive Officer | Shintaro Hashiba |
| Director, Executive Officer | Shinji Shimane |
| Director | Michihiro Nagasaka |
| Outside Director | Haruo Shimada |
| Outside Director | Keiji Watanabe |
| Outside Audit & Supervisory Board Member (standing) | Hiroyuki Fujita |
| Audit & Supervisory Board Member | Hisao Nakatsuka |
| Outside Audit & Supervisory Board Member | Hiroaki Rokugawa |

Stock Overview

| | |
|---------------------------|-------------------|
| Number of shares in issue | 24,520,859 shares |
| Number of shareholders | 6,208 |

Major Shareholders (Top 10)

| Name | No. of shares held | Ratio (%) * |
|--|--------------------|-------------|
| Masazumi Hasumi | 2,500,718 | 10.29 |
| Nihon M&A Center Inc. | 1,000,000 | 4.11 |
| NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB) | 797,600 | 3.28 |
| The Master Trust Bank of Japan, Ltd. (trust account) | 737,100 | 3.03 |
| Custody Bank of Japan, Ltd. (trust account) | 731,900 | 3.01 |
| GOLDMAN SACHS INTERNATIONAL | 703,600 | 2.89 |
| Yasuo Takano | 643,600 | 2.64 |
| Custody Bank of Japan, Ltd. (pension trust account) | 490,300 | 2.01 |
| HIBIKI PATH AOBA FUND | 438,180 | 1.80 |
| MSIP CLIENT SECURITIES | 404,200 | 1.66 |

*Ratio of shares held to total number of shares issued (excluding treasury stock) (%)

For more information or inquiries about this report, please contact:
Aoyama Zaisan Networks Company, Limited
Corporate Planning Division
Phone: +81-3-6439-5824
URL: <https://www.azn.co.jp/contactus/>

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