

# Aoyama Zaisan Networks Company (8929)

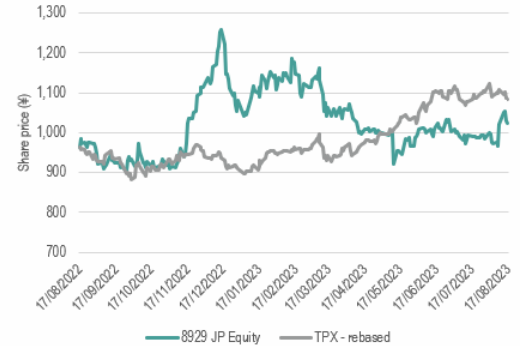
Pioneering market leader aligned with Japan's aging megatrend

Share price: ¥1,025 Market cap: ¥25.1bn

## Initiating coverage

17 August 2023

- Specialist property consultancy geared for growth** – Aoyama Zaisan Networks Company is a comprehensive property consulting firm, offering wealth management, succession, and estate administration solutions to asset-owning individuals and business owners. It aims to become the market leader in offering strategic individualized services such as ADVANTAGE CLUB, a highly successful real estate fractional ownership product. This unique offering allows individuals to invest in high-value real estate located in prime metropolitan areas providing stable and low-risk income. Management is executing improvements in both profitability and productivity, raising earnings visibility for the medium term.



Source: Bloomberg

## Enduring property consulting services

- Structural tailwinds, conducting business with a long-term view** – with Japan's aging demographic, structural demand for wealth and succession planning continues to grow. The company's expertise in property consulting differentiates it from other advisory businesses, resulting in its strong market positioning. Real estate makes up nearly 50% of inherited assets in Japan making it a major asset class, and the company seeks to service its customers on a multigenerational basis to capture long-term recurring business.
- ESG** – We score the company as 'Amber' under our Astris-Sustainability model scorecard.
- Valuations** – The shares are trading on an estimated PER FY12/2024 8.0x on robust EPS growth of 36.4% YoY, and a high free cash flow yield of 16.5% indicating the value-generative nature of this consultancy business. We believe double-digit earnings growth is sustainable for the medium term, driven by new customer acquisition, leveraging technology with digital transformation, and high customer retention.

Price Performance				
	YTD	1mth	3mth	12mth
Abs (%)	-5.1	+3.1	+7.7	+6.2
Rel (%)	-20.3	+2.5	+2.0	-5.4

Company sector	
Real Estate Management/Services	Wealth Management

Stock data	
Price (¥)	1,025
Mkt cap (¥bn)	25.1
Mkt cap (\$m)	171.8
52-week range (¥)	894-1,277
Shares O/S (m)	24.5
Average daily value (\$m)	0.7
Free float (%)	77.6
Foreign shareholding (%)	16.2
Ticker	8929
Exchange	Tokyo Standard
Net Debt/Equity (x)	N/A
FFO leverage (x)	3.7
BBG BUY   HOLD   SELL	1   0   0

Source: Bloomberg

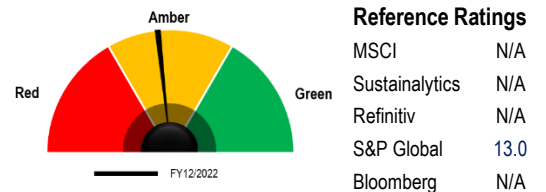
Year-end	12/2021	12/2022	12/2023E	12/2024E	12/2025E
Sales (¥bn)	24.21	35.95	40.29	44.56	47.23
OP (¥bn)	1.86	2.63	3.40	4.63	5.22
NI (¥bn)	1.48	1.69	2.27	3.10	3.52
EPS (¥)	61.22	69.82	93.69	127.80	144.93
DPS (¥)	28.00	35.00	46.84	63.90	72.46
Sales growth YoY (%)	+26.6	+48.5	+12.1	+10.6	+6.0
OP growth YoY (%)	+42.4	+41.6	+29.6	+35.9	+12.9
NP growth YoY (%)	+85.0	+14.4	+34.2	+36.4	+13.4
EPS growth YoY (%)	-7.3	+14.0	+34.2	+36.4	+13.4
PER (x)	16.7	14.7	10.9	8.0	7.1
EV/EBITDA (x)	42.1	23.8	10.9	8.1	7.2
EV/Sales (x)	1.7	1.1	1.0	0.9	0.9
PBR (x)	3.5	3.0	2.7	2.2	1.9
ROE (%)	22.0	22.0	25.7	29.9	28.8
ROCE (%)	13.7	15.8	19.1	23.6	24.3
FCF yield (%)	8.6	8.3	16.5	16.5	17.6
Dividend yield (%)	2.7	3.4	4.6	6.2	7.1

Source: Company, Astris Advisory (estimates)

## Business Overview

Aoyama Zaisan Networks Company is a market-leading comprehensive property consulting firm.

## Astris-Sustainability ESG rating



## Next events

Q3 FY12/2023 results November 2023

Tel: +81 3 6868 8797

Email: [Corporateresearch@astrisadvisory.com](mailto:Corporateresearch@astrisadvisory.com)

**This report has been commissioned and paid for by the company**

# Contents

Summary.....	3
Company description .....	4
Our commentary on Japan’s aging demographics and inheritance planning .....	12
Strategy.....	15
Business model.....	16
Peer group analysis .....	20
Balance sheet .....	25
Capital allocation.....	27
Recent results .....	28
Medium-term management plan .....	30
Astris earnings estimates and key assumptions .....	33
Company information .....	34
Astris Quant Sheet.....	40
Astris-Sustainability ESG assessment .....	42
Areas of discussion .....	44



## Summary

Aoyama Zaisan Networks Company is a market-leading **comprehensive property consulting firm**. Operating in the domestic Japanese market with escalating needs for inheritance and business succession planning, its track record of growth is driven by the following key differentiating factors:

- **Market-leading expertise in real estate fractional ownership products** with the unique ADVANTAGE CLUB product, enabling high-net-worth individuals access to low-risk and stable earnings.
- **Proven expertise and track record** in tailoring optimal customer solutions, whether their needs relate to asset management, inheritance planning, or business succession issues, resulting in continued growth in customers.
- A **differentiated end-to-end service** aiming to serve a customer for multiple generations.

Astris Advisory estimates the company will drive medium-term growth via the following factors:

- **Sales growth** is driven by new customer acquisitions, particularly driven by the ADVANTAGE CLUB service, and structural demand driving Wealth Consulting services.
- We believe that the combination of **improving consultant productivity** will enable the company to reach its 10% operating margin target in FY12/2024.

The shares are trading on an estimated PER FY12/2024 8.0x on a robust EPS growth profile of 36.4% YoY. The dividend yield of 6.2% is based on a 50% payout ratio. Free cash flow yield of 16.5% is high, indicating low capex intensity and working capital requirements with high-quality human capital and leveraging digital transformation initiatives.



# Company description

## Overview

Established in 1991, a comprehensive property consulting firm with 2,377 (+14.5% YoY) customers in FY12/2022

Customers are high net worth individuals with ¥1.0bn average assets, or are business owners

Operates a network of 95 locations nationwide

Market-leading real estate securitization product **ADVANTAGE CLUB**, with 50% market share

Aoyama Zaisan Networks Company (AZN) is a **comprehensive property consulting firm** serving individual asset owners (with average assets of ¥1.0bn/\$7.7m) and business owners. It offers long-term consulting services that address both current and multigenerational issues being faced by the customer. The goal is to achieve an optimal asset structure and ensure a smooth succession of assets.

Established in 1991 as Funai Zaisan Doc Co., Ltd, AZN was formerly a group company of Funai Research Institute Co. Building long-term customer relationships resulting in high retention rates, the company successfully executed strategic M&A and formed alliances to scale and become a comprehensive wealth consultation provider. The company has established partnerships with local accounting firms and tax offices, creating a referral network of 95 locations nationwide. It has strengthened its international network by establishing overseas subsidiaries in Singapore and Indonesia.

We believe AZN's key competitive advantages are its **market-leading expertise in real estate fractional ownership products with ADVANTAGE CLUB** which has a 50% market share, and **proven expertise and track record with a differentiated end-to-end service aiming to serve customers for the long-term.**

Figure 1: Timeline summary

Key dates	Details
Sep. 1991	Funai Zaizan Doc was established as a group company of Funai Soken Holdings.
April 1999	The trade name was changed to Funai Zaisan Consultants (the focus was on consulting for individual asset owners).
May 2002	ADVANTAGE CLUB commenced operations.
<b>July 2004</b>	<b>Listed in the Mothers Section of the Tokyo Stock Exchange</b>
Oct. 2008	Integrated Proggest Holdings to expand into business succession consulting.
Nov. 2011	Established Aoyama Wealth Management Pte. Ltd in Singapore.
July 2012	The name changed to Aoyama Zaisan Networks
Oct 2013	Acquired Nippon Asset Research to strengthen estate consulting.
<b>May 2015</b>	<b>Moved to the Second Section of the Tokyo Stock Exchange.</b>
Jan. 2016	Established a JV firm "Shinsei Aoyama Partners" with SBIShinsei Bank.
Aug. 2016	Established a JV firm "Business Succession Navigator" with Nihon M&A Center. The JV underwent a company name change to "NextNavi".
May 2017	Established PT Aoyama Zaisan Networks INDONESIA.
Oct. 2020	Established Aoyama Financial Services.
Jan. 2021	Established Aoyama Family Offices.
Sept. 2021	Celebrated 30 <sup>th</sup> anniversary.

Source: Company

The company was listed in the Mothers section of the Tokyo Stock Exchange in 2007, transferring to the Second Section of the Tokyo Stock Exchange in 2015. It is currently traded on the Standard section.



## Business segmental data

As a comprehensive wealth advisor and consultancy service, AZN offers a wide range of services which are separated into two reporting segments.

Figure 2: Business segment details

Business segment	Key services	Details of core services
Wealth Consulting	• <b>Inheritance</b>	Proposal and execution of the optimal asset structure for affluent individuals with an eye toward inheritance. Prioritize smooth asset succession, securing funds for inheritance tax payments, asset management and preservation, and preparation for unexpected events. The services include the following: <ul style="list-style-type: none"> <li>○ Pre- and post-inheritance planning and implementation</li> <li>○ Effective utilization of real estate</li> <li>○ Real estate restructuring</li> <li>○ Real estate purchase and sale</li> </ul>
	• <b>Business Succession</b>	Services include: <ul style="list-style-type: none"> <li>○ Family succession</li> <li>○ Employee succession</li> <li>○ M&amp;A support</li> <li>○ Business closure and transition support</li> </ul>
	• <b>Customized Products</b>	Proprietary product development and provide operational services. <ul style="list-style-type: none"> <li>○ ADVANTAGE CLUB (hereinafter "AD") - Real estate fractional ownership product (recognizing fees during product composition, ongoing management, and dissolution)</li> <li>○ Local revitalization consulting</li> <li>○ Financial product management services by Independent Financial Advisors (IFA)</li> <li>○ Operating lease products</li> <li>○ Overseas investment products</li> </ul>
Real Estate Solutions	• <b>ADVANTAGE CLUB ("AD")</b>	Real estate fractional ownership products centered around Tokyo's central 3 wards (Recognizing revenue from real estate sales).
	• <b>Real estate solutions</b>	Providing single-property real estate offerings apart from AD.

Source: Company



## ADVANTAGE CLUB – a market-leading real estate fractional ownership product

The company is a market leader in offering a real estate fractional ownership product generating stable returns called **ADVANTAGE CLUB (AD)**. Based on Japanese legislation ‘Act on Specified Joint Real Estate Ventures’, this allows joint purchases via a voluntary partnership of real estate by a collection of individual customers that generates leasing income. Customers can invest units of ¥10m in high-value real estate in central Tokyo.

AZN has formed 63 ADVANTAGE CLUB partnerships to date, raising ¥116.8bn

Attesting to AD’s far-reaching appeal, AZN has formed 63 individual ADVANTAGE CLUB partnerships supported by 4,284 investors since its inception in May 2002, raising a cumulative amount of ¥116.8bn to date. AD’s unique value propositions can be summarized as follows:

Property acquisitions are funded 100% in cash

Property located in prestigious metropolitan areas

ADVANTAGE CLUB investors have an average return of 6.12% per year, with an average holding period of 9 years and 3 months

- Acquisition of real estate is **funded by 100% equity** (total cash purchase), with no leverage. This allows the generation of **stable returns with a definitive exit strategy**. Acquired assets tend to be old properties that would be off-limits for conventional bank borrowing, located in prestigious addresses with a track record of rising resale value. Examples would include office buildings approaching their 50<sup>th</sup> anniversary since construction in areas such as Ginza and Omotesando.
- The company has been able to reach high-net-worth investors through **alliances with 95 accounting firms and 40 financial institutions nationwide**.
- Urban locations are critical since they are one of the few areas that offer stable rental income streams. However, such properties are expensive and require expertise in management and maintenance. AD’s structure is designed to address these challenges, with AZN’s experienced professional teams handling the **selection and management of the property**.
- **AD investors’ return over an average holding period of 9 years and 3 months is 6.12% per year.**

During FY12/2022, AZN formed six new ADs which are all located in the metropolitan Tokyo area.

Figure 3: ADVANTAGE CLUB – new partnerships formed in FY12/2022

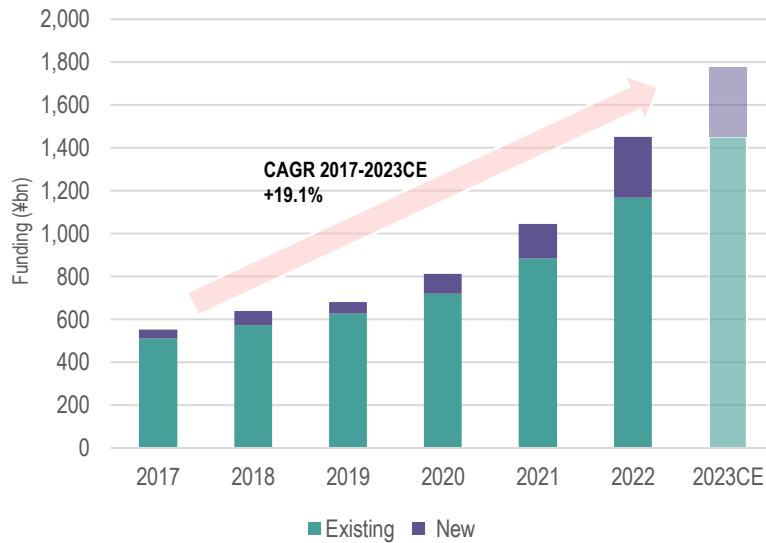
Location of Property	Kudanshita	Nishi Ginza-dori 6-chome, Ginza	Omote sando	Nishiazabu	Iwamoto-cho, Kanda	Tsukiji
Formation date	3/2022	3/2022	6/2022	9/2022	12/2022	12/2022
Initial capital (¥bn)	0.77	10.40	4.72	6.15	1.55	4.90

Source: Company

AD has enjoyed steady acceptance by investors, with a robust 7-year CAGR of 52%. Based on the current pipeline, AZN estimates new AD formation could reach ¥325bn in FY12/2023.



Figure 4: ADVANTAGE CLUB track record and FY12/2023 target



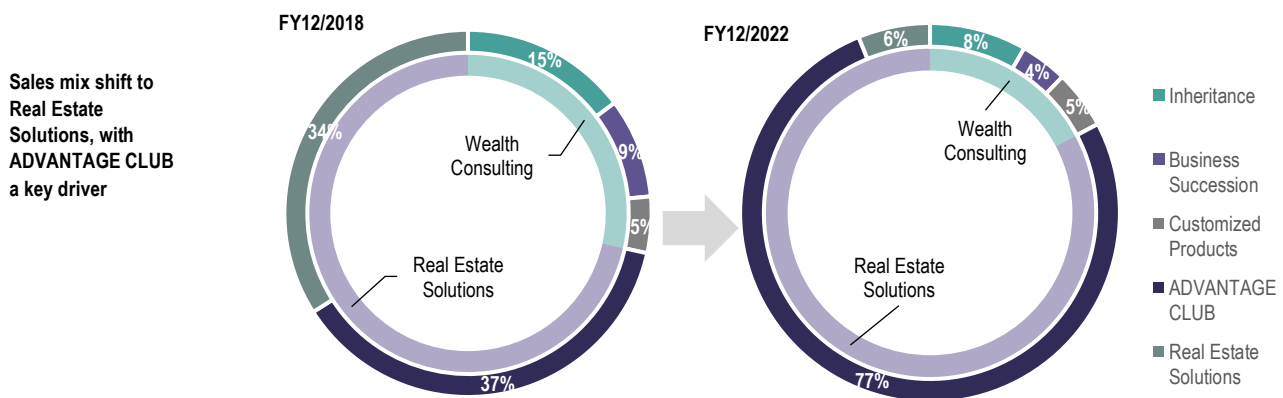
Source: Company  
 \*Note: CE is the company estimate

Management estimates that AD has an industry-leading market share of about 50% in real estate securitization in FY3/2021.

## Sales by business segment

Over the last five years, the sales mix has seen a noticeable increase in real estate transactions.

Figure 5: Annual sales by Business Segment and Key Services – FY12/2018 to FY12/2022

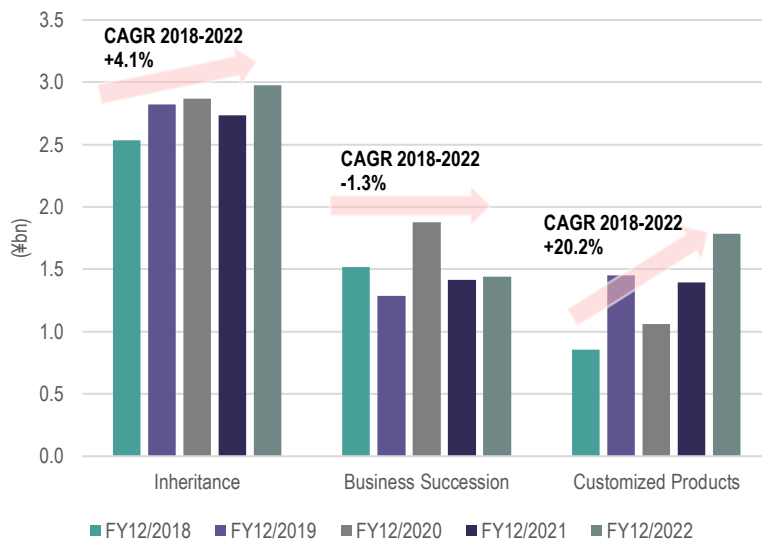


Source: Company

Wealth Consulting sales dipped YoY in FY12/2021, due to the restriction of some in-person meetings under COVID-19 restrictions. Sales resumed a steady upward trajectory in FY12/2022.

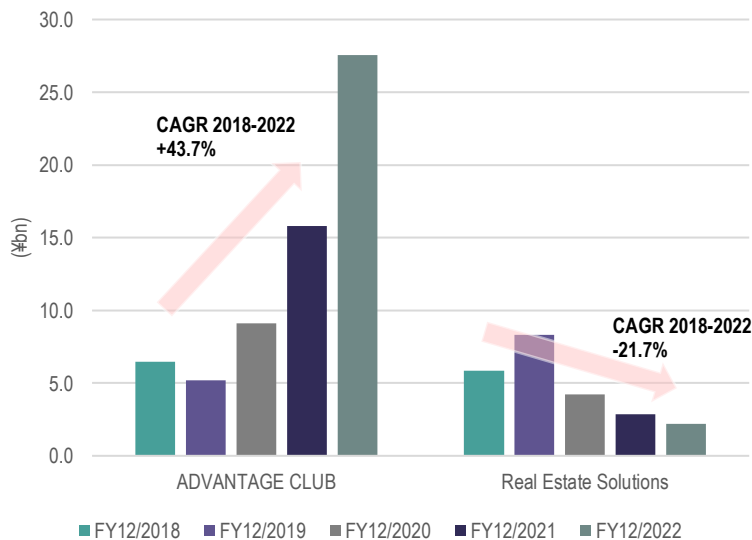


Figure 6: Annual sales trend – Wealth Consulting Key Services



Source: Company

Figure 7: Annual sales trend – Real Estate Solutions Key Services



Source: Company

Sales in Real Estate Solutions doubled during the same period thanks to robust growth in ADs.





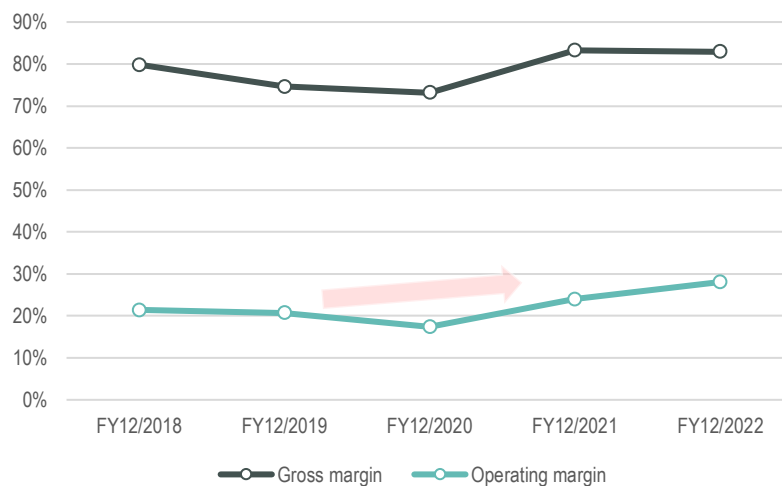
## Recent trends in profitability

The company follows the requirements of Japanese Generally Accepted Accounting Principles (GAAP) and recognizes revenue from real estate transactions on a gross basis. In this section, we will explain profitability using adjusted net revenue and adjusted cost of revenue, based on net revenue from real estate transactions

*Adjusted net revenue and adjusted cost of revenue are calculated as follows:*

- *Adjusted net revenue offsets cost related to real estate purchases from revenue.*
- *Adjusted cost of revenue deducts the cost of real estate purchases and personnel expenses from the cost of revenue related to real estate transactions.*

**Figure 8: Company gross and operating profit margin trend**

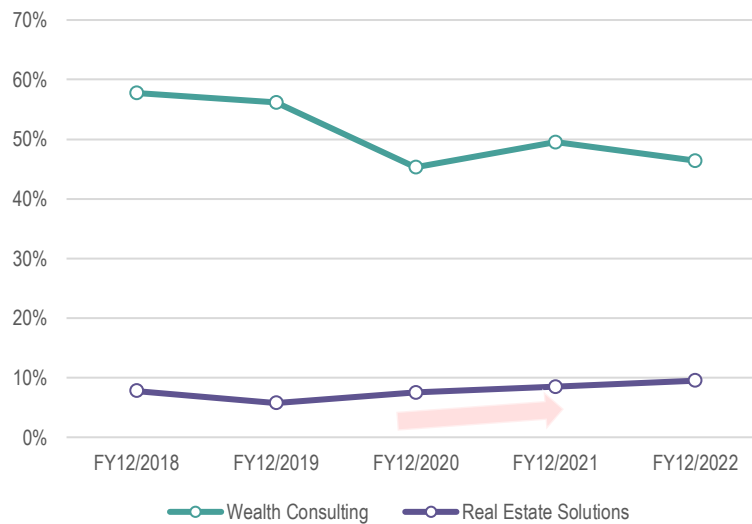


Source: Company

While both overall gross and operating margins have been on a gradual upward trend over the last five years, per business segment basis Wealth Consulting has experienced a decline in gross profitability, whilst Real Estate Solutions has been on a steady uptrend.

## Segmental profit profile

Figure 9: Segmental annual gross margin trend



Source: Company

Until 2020 the company sold ADVANTAGE CLUB to its existing customers and referrals from affiliated accounting firms. However, since 2021 AZN sells to customers of financial institutions, resulting in referral fees that have dampened gross margins in the Wealth Consulting business.

This is a core element of AZN’s growth strategy; ADVANTAGE CLUB is used to engage and acquire new customers referred from financial institutions, to provide consulting services at a later stage.

While the gross profit margin will temporarily decrease due to increased referral fees, management believes that expanding sales through new consulting contracts will result in margin recovery in the medium term.



## Group companies

AZN offers its clients comprehensive property consulting services through 11 consolidated subsidiaries.

Figure 10: Group Companies

Subsidiary	Group company status	Stake	Activities
Aoyama Sogo Estate	Consolidated	100%	Real estate management
Aoyama Zaisan Investment	Consolidated	100%	Business Consulting
Nihon Shisan Souken	Consolidated	100%	Comprehensive asset consulting
Aoyama Wealth Management Pte. Ltd.(Singapore)	Consolidated	100%	Overseas asset consulting
Aoyama Zaisan Networks USA, Inc.	Consolidated	100%	Overseas asset consulting
PT Aoyama Zaisan Networks INDONESIA	Consolidated	100%	Overseas asset consulting
Aoyama Zaisan Networks Kyushu	Consolidated	80%	Business succession and estate consulting
Nitto Fudosan	Consolidated	100%	Real estate management
Aoyama Financial Services	Consolidated	100%	Financial product intermediation
Aoyama Family Offices	Consolidated	100%	Consulting for non-financial aspects of family-owned businesses
Japan Digital Investment	Consolidated	60%	Investment Management
NextNavi	Equity Affiliate	50%	Comprehensive property consulting

Source: Company



# Our commentary on Japan's aging demographics and inheritance planning

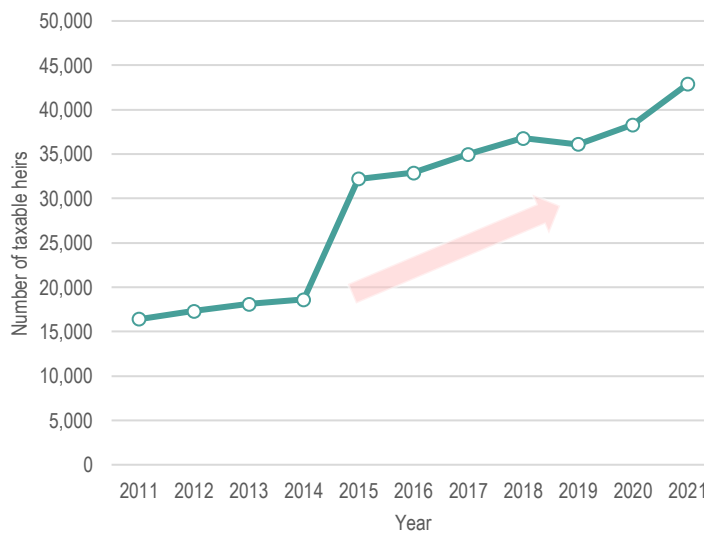
## A large total addressable market

We believe the domestic financial planning and management industry is poised to reap significant benefits from the confluence of aging demographics and recent revisions to inheritance-related regulations.

Japan is known for its high inheritance tax rates which vary depending on the amount inherited by a beneficiary. Rates start at 10% for inherited amounts up to ¥10 million, and can reach **as high as 55% for inherited amounts exceeding ¥600 million**. This upper-band rate is the highest in the world.

The revision to Japan's inheritance law in 2015 raised the highest tax rate to 55% from 50% and reduced the basic level of allowable tax deductions. This led to a significant increase in the number of taxable heirs; as shown by data for the Kanto area.

**Figure 11: Annual trend of heirs (located in Tokyo, and Chiba, Kanagawa, and Yamanashi prefectures)**



Source: Company, Tokyo Regional Taxation Bureau

As a result, among Japan's affluent individuals, there is a growing need for consulting services to achieve the optimal asset composition for smooth estate succession. It is necessary to enhance profitability through effective utilization and restructuring of real estate, maximize cash flow through the management of financial assets, and ensure funds for taxation

A large TAM, driven by aging demographics, high tax rates and business succession issues

Property makes up nearly 50% of inherited assets in Japan

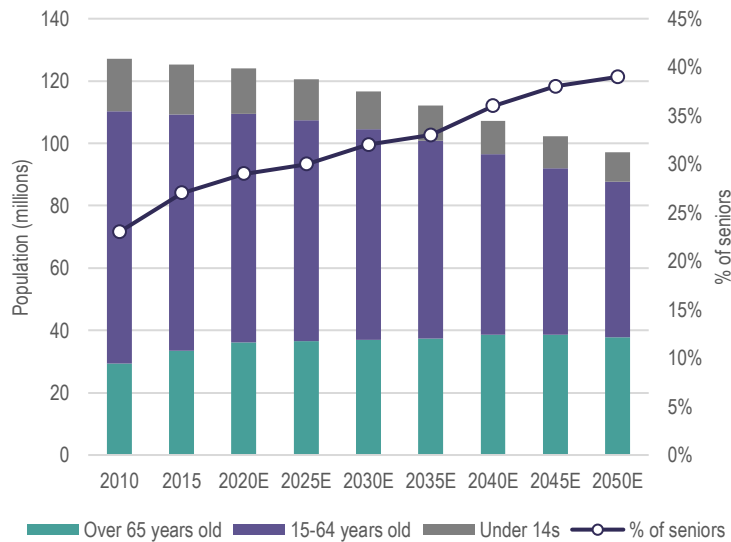


With property making up nearly 50% (with cash, deposits, and securities comprising the other 50%) of inherited assets, there is increasing demand for measures to address tax payments through the review of inheritance asset portfolios. As a result, among Japan's affluent individuals, there is a growing need for consulting services to achieve the optimal asset composition for smooth estate succession. It is necessary to enhance profitability through effective utilization and restructuring of real estate, maximize cash flow through the management of financial assets, and ensure funds for taxation

## Aging megatrend

Japan's population has been experiencing significant aging. The country is facing a demographic challenge due to a combination of factors, including low birth rates and an increasingly elderly population.

Figure 12: Population and demographics trend

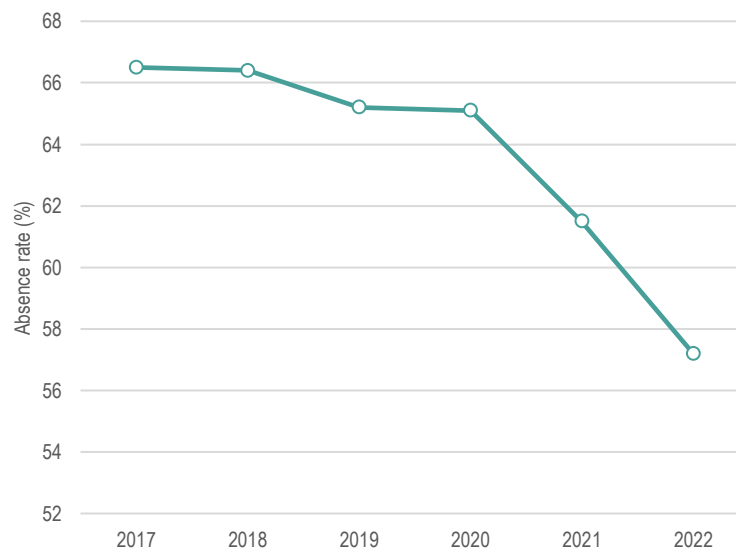


Source: Company, 2016 White Paper on Information and Communications: The Arrival of a Declining Population Society," Ministry of Internal Affairs and Communications

Note: Seniors are defined as 65 years old and over

As the population ages, so do the CEOs of SMEs (small to mid-sized enterprises). The average age of CEOs nationwide rose from 54 years old in 1990 to 60.3 years old in 2021. Some of these aging CEOs are seeking a successor, but the absence rate remains at an elevated level.

Figure 13: Absence rate for business successors - nationwide



Source: Company data, Teikoku Databank

We conclude that aging CEOs and business owners, coupled with a high absence rate for successors have made AZN's Business Succession Group (and other M&A advisory businesses) highly valuable and sought after.



# Strategy

## Core vision and objectives

Focus on property consulting its competitive strength, and building long-term customer relationships

The company's vision is **to become Japan's top comprehensive property consulting firm** and to become the default option for customers seeking real estate solutions (a strap line being "When it comes to property, it's Aoyama Zaisan Networks". The current medium-term management plan (covering FY12/2022 to FY12/2024) is formulated to realize this vision.

AZN's vision is to become a customer's **trusted consulting firm on a multigenerational basis**. To achieve this goal, the company has built an extensive portfolio of comprehensive service offerings which differentiates it from other property consulting firms:

- A team of experts achieves the optimal asset composition for clients by conducting current situation analysis, identifying challenges, proposing solutions, implementing actions, verifying outcomes, and conducting reviews.
- For the specific needs of diverse clients, the company can selectively and strategically customize the optimal service lineup

**Figure 14: Strategic individualized services**

Key services	Details
ADVANTAGE CLUB	Real estate leasing system that jointly purchases high-value real estate in central Tokyo and receives income from real estate leasing. Clients can invest in units of ¥10m earning a stable income.
Effective real estate use consulting	Assist clients in planning and implementing effective utilization of land in the Tokyo metropolitan area.
Purchase consulting	Support purchases of real estate.
Family Office Services	Provide long-term support for creating and operating mechanisms to maintain and strengthen family-run businesses.
Regional revitalization consultation	Develop and operate public real estate through public-private partnerships, utilizing AZN's expertise in specified joint real estate ventures and financing.
Business succession fund	Offer optimum plans for companies that are considering closure due to difficulties with business succession. Offer measures to preserve management assets by systematically providing employment even in the event of a business closure.
Financial Products Management Service by IFAs	Assist clients with optimal asset management to meet objectives from a comprehensive, long-term standpoint based on a solid analysis of their current situation.
STO (security token offering) Business	To issue digital securities partnering 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.

Source: Company



# Business model

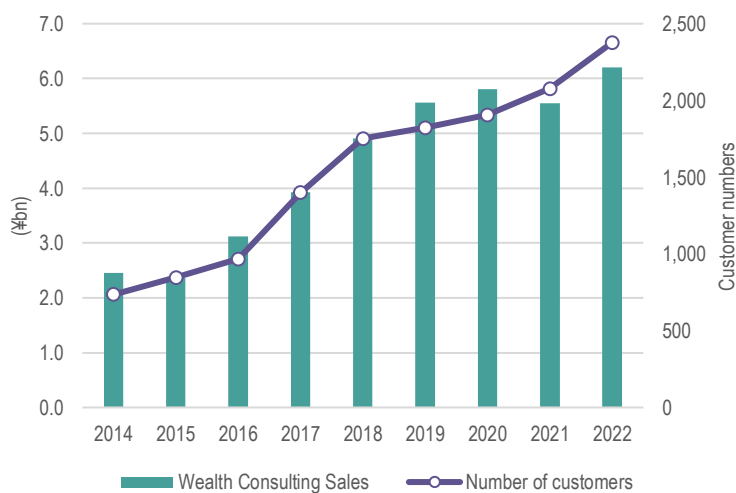
## Key concepts and unique selling points

### New customer acquisition

New customer acquisitions driven by ADVANTAGE CLUB

Management regards the growth in the number of new customers as a crucial measure of performance, as it is the core driving force behind the company's sales expansion. This increase is fueled primarily by the influx of AD investors. As such, the sustained popularity of AD serves as a compelling indicator of AZN's growth.

Figure 15: Wealth Consulting sales and customer numbers

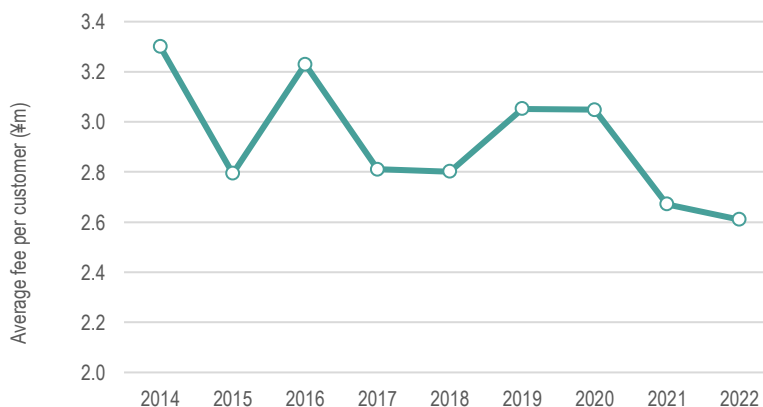


Source: Company

### Average fee per customer

The fees AZN charge per customer is a key performance indicator. Fee levels can fluctuate depending on the contents of a consulting engagement, but the average fee per customer has been maintained at a steady level for the last nine years.

Figure 16: Average annual fee per customer



Source: Company



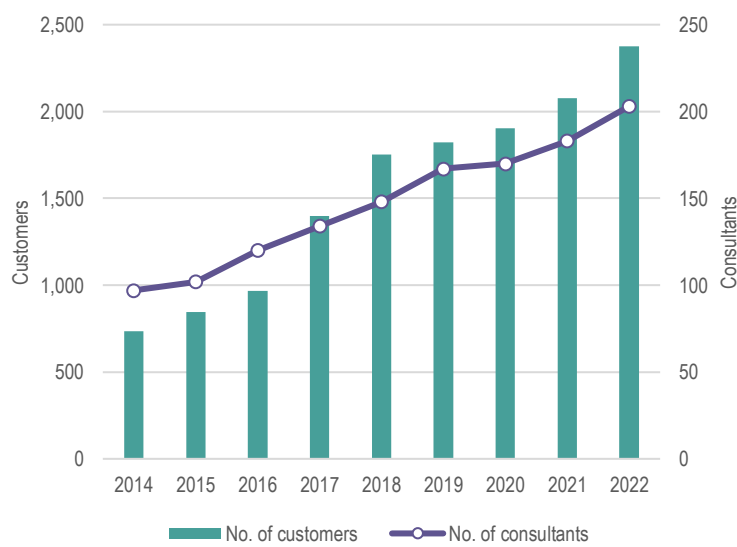


Focus on  
 productivity with  
 digitization

## Productivity per consultant

The productivity of a consultant at AZN is the third critical indicator of performance. The number of clients that a consultant can effectively serve does not necessarily indicate high productivity, as each client’s case varies in complexity. However, over the past nine years, the number of clients that one consultant can handle has been on a steadily rising trajectory. This number has plateaued recently due to an increase in newly hired consultants to support growth. The company has implemented a division of roles and responsibilities, and digitization to aid new consultants in quickly getting up to speed.

Figure 17: Trend in customer numbers and AZN consultants



Source: Company

Typically, financial consultants and advisors seek higher returns for customers. In sharp contrast, the company’s mantra is to become the best financial partner of a client's family for the next century. To this end, the company has built its business model to **preserve client assets without the least possible asset value erosion from inheritance taxes.**



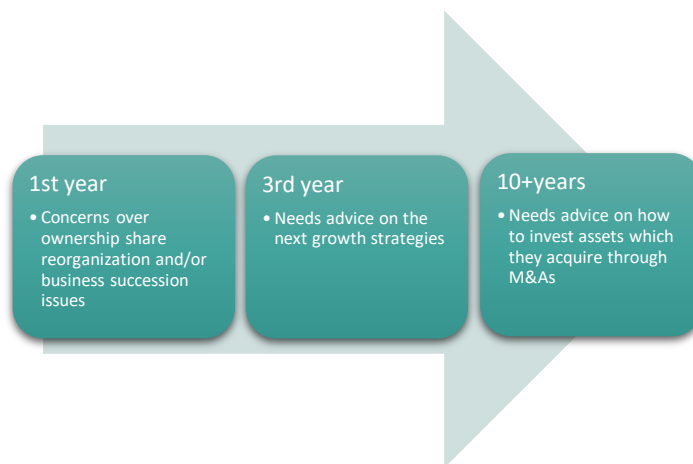
## Customer segmentation

The company's business model can be categorized under two customer segments – services for business owners, and real estate and financial asset-owning individuals.

### Business Owners

Over the different stages of business growth, the concerns and headaches of its owner take different forms. AZN can offer the owner advice when and where needed and build over the long term and maintain a sustainable advisory relationship.

Figure 18: Example service timeline for a business owner customer

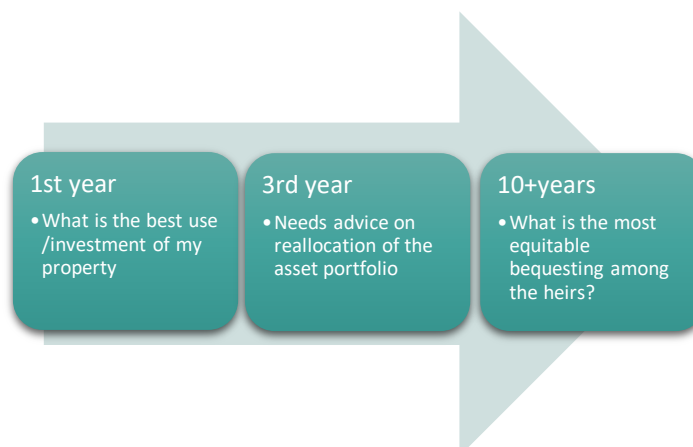


Source: Company

### Asset-owning individuals

AZN strives to provide real estate and financial asset-owning individuals with the best possible advice when and where needed and to cultivate advisory relationships for multiple generations.

Figure 19: Example service timeline for an asset-owning individuals



Source: Company



## Revenue recognition

---

### Wealth consulting

Revenue is recognized on completion of service. For real estate brokerage services based on mediation contracts, the performance obligation is recognized when it is objectively certain that the real estate transaction will be realized after the conclusion of the purchase and sale agreement.

### Real estate solutions

The performance obligation for real estate sales is met upon real estate delivery, and revenue is recognized at that time. In some real estate transactions where the company acts as an agent, revenue is recognized as the net amount received from customers after deducting the amount paid to real estate suppliers.

## Competitive advantages

---

We believe AZN's key competitive advantages are as follows:

- **Market-leading expertise in small lot real estate securitization** with the ADVANTAGE CLUB product.
- **Proven expertise and track record** in selecting the optimal options for each customer, whether their needs relate to asset management, inheritance planning, or finding solutions to business succession issues
- A **differentiated end-to-end service** aiming to serve a customer for multiple generations.



## Peer group analysis

AZN has a unique business model making it challenging to find comparable peers. We can identify very few players with a team of experts who can handle real estate transactions and offer estate management consultation. For reference, we have selected the following peers to assess AZN's returns and valuations:

- **Mid-ranking financial services and consulting companies:** we have selected our peer group from primarily mid-tier financial services and consulting companies.. Some offer brokerage operations and REIT products. Others are exposed to operating leases and M&A consulting.

Figure 20: Domestic Financial Service Companies

Company	Description
Nihon M&A Center Holdings Inc.	M&A brokerage company for small and medium-sized enterprises. Established by accountants and tax accountants. Cooperation with regional banks and accounting firms.
M&A Capital Partners Co. Ltd.	An independent M&A brokerage service company for small and medium-sized companies. Acquired Lekov in 2016. Strength in business succession.
Strike Co., Ltd.	M&A brokerage business mainly by certified public accountants and tax accountants. Strengths in the matching system utilizing the Internet.
FP Partner, Inc.	An insurance agency business for individuals and corporations, also engaged in the financial instruments intermediary business.
Japan Investment Adviser Co., Ltd.	Operating leases for aircraft is the main focus. Also provide solar power generation leases, trusts, M&A, and business succession support.
Financial Products Group Co., Ltd.	The main business is the operating lease of ships and containers. Diversification into small-scale real estate, insurance, and securities.
M&A Research Institute Holdings Inc.	M&A brokerage business. Strong in matching systems utilizing digital transformation and AI.
WealthNavi, Inc.	Development and provision of a robo-advisor that fully automates asset management.
Ichigo Inc.	A pioneer in making real estate investment accessible to small investors.
CREAL Inc.	Developing a real estate fund business for professionals and real estate crowdfunding with small investments.
Capital Asset Planning, Inc.	Providing a platform for asset management for life insurance companies, also provide individual inheritance tax solutions.
Yamada Consulting Group Co., Ltd.	Starting from financial Planner training. Management consulting is now the main business. Strength in business revitalization and succession. Also M&A consulting.

Source: Companies, Bloomberg

- **Global peers** – global peers are mid-ranking to major financial institutions with an extensive network.

Figure 21: Global companies

Company	Description
Raymond James Financial, Inc.	An American multinational independent investment bank and financial services company, providing financial services to individuals, corporations, and municipalities
Schroders PLC	A British multinational asset management company, founded in 1804. The company employs over 5,000 people worldwide in 32 locations. Headquartered in the City of London.
Hargreaves Lansdown plc	A British financial service company based in Bristol that sells funds and shares and related products via its website to retail investors in the United Kingdom.
Julius Baer Gruppe AG	A Swiss private banking group founded and based in Switzerland. Headquartered in Zurich. It provides investment management, real estate financing, and wealth management.
EFG International AG	A global private banking group offering private banking and asset management services, headquartered in Zurich. EFG International's group of private banking businesses operates in around 40 locations worldwide.
Stifel Financial Corp.	An American multinational independent investment bank and financial services company created in July 1983. Its primary broker-dealer subsidiary, Stifel, Nicolaus & Company, Incorporated, is a full-service brokerage and investment banking firm established in 1890.
Vontobel Holding AG	Swiss private banking and investment management group headquartered in Zurich. Established in 1924, core businesses are Wealth Management, Asset Management, and Digital Investing, catering to wealthy private clients as well as institutional investors.
Bank of N.T. Butterfield & Son Limited (The)	Based in Bermuda, it provides services to clients from Bermuda, the Cayman Islands, Guernsey, and Jersey, where its principal banking operations are located, and The Bahamas, Switzerland, Singapore, and the United Kingdom, where it offers specialized financial services.

Source: Companies, Bloomberg

Our key findings are as follows:

- **Profitability – on par with peers**
  - The company's LTM operating margin is 7.3% which looks lower than the domestic peer average of 22.8%. However, when AZN's real estate operating margin is calculated on a net basis, the underlying operating margin is at 28.1% for FY12/2022. M&A consulting tends to carry a high operating margin, as the M&A-focused peers' average operating margin is around 40%.
  - AZN's LTM ROE of 22.0% is on par with the peer average of 21.0%. This should be viewed positively as 1) the company maintains low leverage supported by its equity financing scheme with its AD, and 2) its pure M&A consultancy peers enjoy relatively higher returns pushing up the average ROE.
- **Track record – Higher profit growth than selected peers**
  - The last 5-year CAGR shows that AZN has grown sales in line with its domestic peers (+19.8% versus +23.7%). However, both EBIT (+21%) and EPS (+15.9%) grew at a higher pace signifying management's solid execution in raising productivity.

- **Valuations – at a discount given its above-average growth.** We believe the company is trading at a significant discount to its domestic peers, despite high underlying operating margins and high free cash flow generation.
  - The shares are trading on a PER multiple of 8.0x, which appears low given its track record of growth.
  - The free cash flow yield of 16.5% is high, reflecting high business reliance on human capital and technology, and low working capital needs.
  - On EV-based multiples, the shares are trading more in line with more pure-play consultancy peers such as M&A Capital Partners (6080) and Yamada Consulting Group (4792).



Figure 22: Peer analysis of key profitability and valuation metrics

Ticker	Company/Index	Mkt Cap US\$ (m)	Profitability				Valuation					
			OPM LTM (%)	OPM 10-yr average (%)	ROE LTM (%)	ROIC LTM (%)	EV/EBITDA 12M Fwd (x)	EV/Sales 12M Fwd (x)	Div yield 12M Fwd (%)	FCF yield 12M Fwd (%)	PER 12M Fwd (x)	PBR (x)
<b>8929 JP</b>	<b>Aoyama Zaisan Networks Co., Ltd.</b>	<b>168</b>	<b>7.3</b>	<b>6.0</b>	<b>22.0</b>	<b>10.1</b>	<b>8.1</b>	<b>0.9</b>	<b>6.2</b>	<b>16.5</b>	<b>8.0</b>	<b>3.0</b>
<b>Domestic</b>												
2127 JP	Nihon M&A Center Holdings Inc.	2,399	37.0	45.5	18.9	28.2	16.4	6.5	2.3	3.3	28.6	6.4
6080 JP	M&A Capital Partners Co. Ltd.	679	44.1	46.8	21.0	22.3	5.4	2.3	0.0	6.4	13.4	2.7
6196 JP	Strike Co., Ltd.	444	36.7	36.1	27.4	26.8	7.4	3.0	1.8	3.8	14.0	5.3
7388 JP	FP Partner, Inc.	637	14.9	9.1	38.6	29.6	18.6	2.6	2.6	4.2	14.4	9.6
7172 JP	Japan Investment Adviser	245	13.3	40.9	6.8	4.9	42.0	6.5	2.5	-	12.2	0.8
7148 JP	Financial Products Group	781	28.0	47.8	31.2	10.0	11.9	3.1	5.2	-	9.1	2.9
9552 JP	M&A Research Institute Holdings	1,463	55.1	32.3	66.8	-	28.5	15.0	-	1.7	39.9	46.9
7342 JP	WealthNavi, Inc.	471	3.1	-74.6	2.8	-1.1	13.5	6.4	-	-	166.9	6.0
2337 JP	Ichigo Inc.	896	19.1	21.6	9.3	4.5	18.8	4.3	2.9	16.3	12.1	1.2
2998 JP	CREAL Inc.	305	3.3	4.0	13.8	7.0	42.0	1.3	-	-	79.5	14.1
3965 JP	Capital Asset Planning, Inc.	34	1.3	4.2	-0.3	3.3	9.2	0.6	1.4	7.7	13.0	1.6
4792 JP	Yamada Consulting Group Co., Ltd.	212	17.5	19.6	14.9	15.7	6.0	1.0	4.3	0.5	13.0	2.1
<b>Domestic Average</b>			<b>22.8</b>	<b>19.4</b>	<b>20.9</b>	<b>13.7</b>	<b>18.3</b>	<b>4.4</b>	<b>2.6</b>	<b>5.5</b>	<b>34.7</b>	<b>8.3</b>
<b>Overseas</b>												
RJF US	Raymond James Financial, Inc.	21,818	18.5	17.1	17.1	9.2	7.2	5.4	1.8	-	11.0	2.2
SDR LN	Schroders PLC	8,278	20.8	25.5	11.2	7.0	3.1	1.0	5.3	-	12.2	1.5
HL/ LN	Hargreaves Lansdown plc	4,637	48.2	59.2	42.6	65.0	8.3	4.4	6.0	6.9	12.8	6.1
BAER SW	Julius Baer Gruppe AG	12,002	24.6	18.8	15.4	4.6	-	1.2	5.3	-	9.3	1.8
EFGN SW	EFG International AG	3,040	17.5	11.7	10.7	4.0	-	-4.2	5.3	-	11.0	1.3
SF US	Stifel Financial Corp.	6,237	21.2	17.1	12.4	5.8	-	1.2	2.6	-	8.5	1.3
VONN SW	Vontobel Holding AG	3,416	16.1	19.4	11.5	8.0	-	8.8	5.5	-	11.8	1.5
NTB US	Bank of N.T. Butterfield & Son Limited (The)	1,351	35.8	29.3	26.7	7.5	-	0.7	6.5	-	5.6	1.4
<b>Overseas Average</b>			<b>25.3</b>	<b>24.8</b>	<b>18.4</b>	<b>13.9</b>	<b>6.2</b>	<b>2.3</b>	<b>4.8</b>	<b>6.9</b>	<b>10.3</b>	<b>2.1</b>

Source: FactSet, Bloomberg, Astris Advisory estimates



Figure 23: Peer analysis of track record – growth (5-year CAGR)

		Growth 5-year CAGR					Total assets growth
Stock	Name	Sales	EBIT	Net Income	EPS	BPS	
<b>8929 JP</b>	<b>Aoyama Zaisan Networks Co., Ltd.</b>	<b>19.81</b>	<b>21.24</b>	<b>17.12</b>	<b>15.90</b>	<b>16.55</b>	<b>11.68</b>
<b>Domestic</b>							
2127 JP	Nihon M&A Center Holdings Inc.	10.90	5.79	3.86	3.21	19.14	15.65
6080 JP	M&A Capital Partners Co. Ltd.	19.95	21.80	21.15	19.11	23.04	24.37
6196 JP	Strike Co., Ltd.	28.24	29.86	29.81	29.04	24.88	23.32
7388 JP	FP Partner, Inc.	-	-	-	-	-	-
7172 JP	Japan Investment Adviser Co., Ltd.	16.06	10.92	10.10	6.41	23.55	21.65
7148 JP	Financial Products Group Co., Ltd.	22.95	-1.97	-2.42	-1.39	9.31	13.80
9552 JP	M&A Research Institute Holdings Inc.	-	-	-	-	-	-
7342 JP	WealthNavi, Inc.	65.27	-	-	-	33.77	38.37
2337 JP	Ichigo Inc.	3.32	-5.11	-7.66	-6.18	4.76	2.69
2998 JP	CREAL Inc.	63.27	24.67	30.23	29.54	104.63	50.76
3965 JP	Capital Asset Planning, Inc.	2.34	-	-	-	12.99	7.41
4792 JP	Yamada Consulting Group Co., Ltd.	4.64	0.49	2.68	2.63	6.61	8.84
<b>Average</b>		<b>23.69</b>	<b>10.81</b>	<b>10.97</b>	<b>10.30</b>	<b>26.27</b>	<b>20.69</b>
<b>Overseas</b>							
RJF US	Raymond James Financial, Inc.	11.31	15.50	18.86	19.30	10.95	18.30
SDR LN	Schroders PLC	2.86	-7.16	-4.15	-3.63	4.68	-1.05
HL/ LN	Hargreaves Lansdown plc	8.41	0.31	0.43	0.45	13.36	7.73
BAER SW	Julius Baer Gruppe AG	4.10	4.01	6.14	7.00	2.63	1.53
EFGN SW	EFG International AG	2.61	16.45	30.26	25.34	3.06	0.91
SF US	Stifel Financial Corp.	8.87	23.57	29.35	30.09	11.56	11.81
VONN SW	Vontobel Holding AG	5.37	0.26	2.57	2.49	4.52	5.90
NTB US	Bank of N.T. Butterfield & Son Limited (The)	5.36	7.37	6.91	8.88	2.97	5.82
<b>Average</b>		<b>7.72</b>	<b>7.16</b>	<b>10.40</b>	<b>10.29</b>	<b>8.66</b>	<b>8.05</b>

Source: FactSet, Refinitiv

Note: There are blanks when there is no 5-year CAGR available





## Balance sheet

We make the following observations:

- Most companies selected appear liquid and have net cash, with limited needs for debt unless operating as a full-fledged real estate business.
- **Where AZN stands out is its high asset turnover**, with its asset-light consultancy model and its high efficiency in utilizing its assets to generate sales.

**Figure 24: Liquidity, leverage, and capital efficiency**

Company	Liquidity Current ratio (x)	Leverage Net debt to equity (x)	Net debt to EBITDA (x)	Interest cover (x)	Total debt to capital (%)	Equity ratio (%)	Efficiency Asset turnover (x)
<b>Aoyama Zaisan Networks</b>	3.0	-0.2	-0.7	33.2	53.8	38.0	1.8
Nihon M&A Center Holdings	5.0	-0.8	-2.9	-	0.0	82.6	0.7
M&A Capital Partners Co. Ltd.	5.9	-1.1	-3.5	136723.0	0.0	81.6	0.6
Strike Co., Ltd.	4.3	-0.9	-2.6	-	0.0	80.2	0.9
FP Partner, Inc.	2.7	-0.8	-2.0	568.7	6.4	68.1	2.3
Japan Investment Adviser	1.3	0.6	8.9	2.4	73.7	24.6	0.1
Financial Products Group	1.4	2.2	5.0	23.4	75.1	21.9	0.5
M&A Research Institute Holdings	4.1	-1.2	-1.6	9409.2	2.6	75.8	1.4
WealthNavi, Inc.	-	-0.9	-34.5	-	11.8	52.2	0.2
Ichigo Inc.	-	1.6	9.1	7.9	66.9	30.7	0.2
CREAL Inc.	-	-1.5	-7.4	15.0	49.4	14.5	1.0
Capital Asset Planning, Inc.	1.9	0.0	0.1	26.3	31.4	56.4	1.2
YAMADA Consulting Group	3.4	-0.9	-4.3	398.7	14.4	73.5	0.9
<b>Average</b>	<b>3.3</b>	<b>-0.3</b>	<b>-3.0</b>	<b>16352.7</b>	<b>27.6</b>	<b>55.2</b>	<b>0.8</b>
<b>Overseas</b>							
Raymond James Financial	-	4.5	17.2	21.3	85.4	12.6	0.2
Schroders PLC	-	-0.9	-5.0	-	8.8	20.4	0.1
Hargreaves Lansdown plc	-	-0.8	-1.5	405.3	2.4	60.4	0.5
Julius Baer Gruppe AG	3.9	-1.0	-	-	48.5	6.0	0.0
EFG International AG	0.7	-4.1	-	-	35.4	4.7	0.0
Stifel Financial Corp.	-	-0.1	-0.4	17.3	31.0	13.8	0.1
Vontobel Holding AG	0.7	4.3	-	-	86.2	6.6	0.1
Bank of N.T. Butterfield & Son Limited (The)	0.3	-1.0	-	-	18.0	6.8	0.0
<b>Average</b>	<b>1.4.4</b>		<b>0.1</b>	<b>2.6</b>	<b>147.9</b>	<b>39.5</b>	<b>16.4</b>

Source: Refinitiv, FactSet

## Loan repayment schedule

In FY12/2022 the company had the following outstanding debt.

Figure 25: Details of borrowings – FY12/2022

Item	Balance (¥bn)
<b>Due within one year:</b>	
Short term borrowing	0.0
Long-term borrowing due within one year	1.95
<b>Total</b>	<b>1.95</b>
<b>Due within:</b>	
1-2 years	1.77
2-3 years	1.42
3-4 years	1.09
4-5 years	0.40
5 years plus	1.34
<b>Total</b>	<b>6.00</b>

Source: Company



## Capital allocation

Over the last five years (FY12/2018-FY12/2022), AZN has the following track record of cumulative capital allocation:

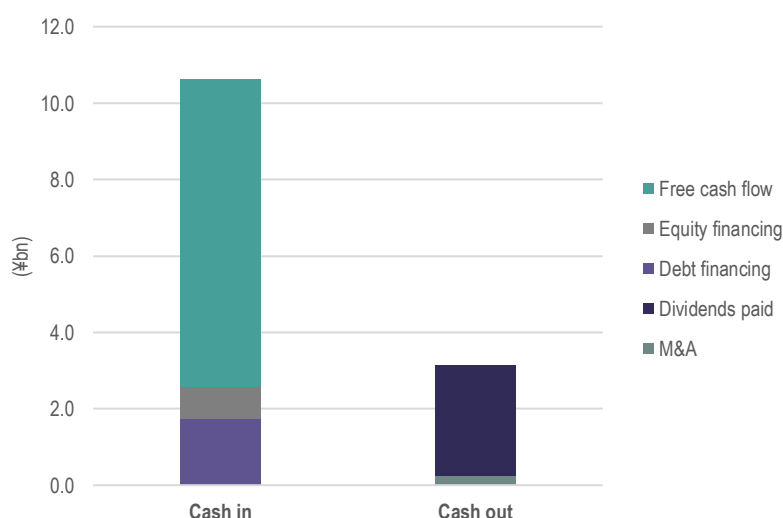
- **Positive net free cash flow generation** –the company has generated positive free cash flow for the last five consecutive years, with an average free cash flow conversion rate (to profit before tax) of approximately 70% with an improving trajectory. We believe this indicates the following:
  - Low capex requirements, with the business relying on human capital and technology.
  - Low working capital needs.
  - Long-term customer relationships result in recurring revenues and enhance the predictability and stability of cash flows.
- **Recent financing activities** – the company has issued long-term debt, in part for refinancing purposes. The balance sheet remained well-capitalized throughout the period. Equity financing relates to the disposal of treasury stock and options exercised in FY12/2019.
- **M&A** –there has been limited M&A activity during the period, In FY12/2020 the subsidiary Japan Asset Research Institute Co., Ltd. acquired a 100% stake in Nitto Real Estate Co., Ltd. for ¥0.25bn.

Figure 26: M&A track record (FY12/2018 to date)

Date	Company	Description
FY12/2020	Nitto Real Estate	Real estate management

Source: Company

Figure 27: 5-year cumulative capital generation and allocation (FY12/2018 – FY12/2022)



Source: Company

We conclude that the company is well-capitalized to continue investing in the business.



# Recent results

## Q1-2 FY12/2023 results

Figure 28: Key financials

(¥bn)	Q1-2 FY12/2022	Q1-2 FY12/2023	Growth YoY (%)
<b>Sales</b>	<b>20.23</b>	<b>14.04</b>	<b>-30.6</b>
Gross profit/(loss)	2.67	2.57	-3.8
<b>Gross margins (%)</b>	<b>13.2</b>	<b>18.3</b>	
Operating profit/(loss)	1.10	1.10	+0.5
<b>Operating margins (%)</b>	<b>5.4</b>	<b>7.9</b>	
Recurring profit	1.04	1.25	+19.3
Net income attributable to the parent	0.71	0.83	+16.7

Source: Company

Note: above sales figures are based on JGAAP (gross method).

Figure 29: Per business segment (pre-elimination)

(¥bn)	Q1-2 FY12/2022	Q1-2 FY12/2023	Growth YoY (%)
<b>Sales</b>			
<b>Wealth Consulting</b>			
Inheritance	1.20	1.83	+53.2
Business Succession	0.72	0.47	-35.2
Customized Products	0.92	0.62	-32.7
<b>Total</b>	<b>2.84</b>	<b>2.92</b>	<b>+2.9</b>
<b>Real Estate Solutions</b>			
Advantage Club	15.51	10.69	-31.1
Other Real Estate Solutions	1.89	0.43	-77.2
<b>Total</b>	<b>17.39</b>	<b>11.12</b>	<b>-36.1</b>
<b>Gross profit</b>			
Wealth Consulting	1.16	1.25	+7.9
Real Estate Solutions	1.51	1.32	-12.8
<b>Gross margin (%)</b>			
Wealth Consulting	40.7	42.7	
Real Estate Solutions	8.7	11.9	

Source: Company

## Key highlights

Due to rearranging real estate ADVANTAGE CLUB's sales into an STO (security token offering) for Q3 FY12/2023, revenue decreased YoY (as well as lowering planned real estate gross profit for Q2). However, profitability improved due to a significant increase in revenue from Wealth Consulting (Inheritance) YoY.

A positive factor is the addition of 121 new customers acquired since FY12/2022. The company plans to increase the number of consultants for the latter half of the year.

### Wealth Consulting

- **Inheritance** – Q1-2 FY12/2023 sales grew 53.2% YoY due to an increase in customer numbers.
- **Business Succession** – sales declined 35.1% YoY, with the decrease attributed to the timing of concluding M&A deals planned for Q3 FY12/2023 and beyond, as well

as the timing of the formation of business succession funds (business closures).  
There are plans to improve revenue in H2 FY12/2023.

- **Customized Product Group** – a fall in the formation of ADs led to a decline in administrative fees YoY, pushing down overall sales by 32.8% YoY.

### Real Estate Solutions

- Due to transitioning the Shibuya Ward, Jingumae project which was procured for AD formation to an STO, there were only three AD formations in Q1-2 FY12/2023, resulting in a 36.1% decrease YoY in revenue. The properties for STO were transferred by the end of July and are planned to be recorded as revenue in Q3 FY12/2023.



# Medium-term management plan

## Period of growth expansion

---

The company embarked on its Second Medium-Term Plan from FY12/2019 to FY12/2021 aiming for growth. However, it experienced a growth plateau as sales, profits and productivity per consultant remained stagnant. To address this, AZN formulated its Third Medium-Term Management Plan covering FY12/2022 to FY12/2024 with clear quantitative targets, focusing on **increasing profitability and productivity** as the primary objectives. Four key approaches are being undertaken.

### Achieving higher quality and quantitative expansion of client services

The company offers eight strategic individualized services (please refer to the Strategy section), with its cornerstone service of comprehensive property consulting services. However, new customers may feel overwhelmed by this depth and breadth of service.

The company is aiming to ease new clients into its comprehensive property consulting services by initially providing strategic individualized services that meet their specific needs. By establishing this initial contact, they can seamlessly transition clients into the full range of services they offer.

### Digitalization

The company has developed an internal operation system called **ART System** to increase profitability and productivity. ART stands for ‘Aoyama/Assets, Real, and Technology’, and is designed **to create a standard and uniform procedure to produce a high-quality yet customizable service.**

The ART system integrates knowledge from top consultants in various fields, such as inheritance strategies, business succession, and real estate utilization. With simple input of client data, it quickly analyzes issues and offers strategy options. Using this system, the company can provide consulting services to numerous clients across Japan. Additionally, the ART system allows for a division of labor in consulting work, with the inside sales team handling the initial stage using standardized consulting, while specialized consultants focus on comprehensive property consulting, providing more extensive care to clients.

### Growing into a consulting group with strong interpersonal skills

AZN’s consultants prioritize earning the clients’ trust to provide successful consulting on valuable assets and businesses. They aim to become **a consulting group with strong interpersonal skills**, including integrity, kindness, and compassion. A sense of wanting to help others and contribute to clients’ happiness is considered vital. To cultivate these skills, they provide in-house training and support employees’ participation in society-benefiting activities outside the company.

### A proactive approach to social contribution activities

AZN recognizes the significance of corporate social responsibility and actively engages in social contribution activities to support sustainable operations. They make donations to the Tokyo Medical Association and supply medical institutions with a portion of their business-



generated profits. Additionally, they donate to organizations addressing social issues and encourage employees to participate in social contribution activities.

The company has established a new social contribution plan as a shareholder benefit and is committed to contributing to society through cross-functional organizations like its Sustainability Committee.

## Financial Policy

The basic financial policy ensures the company's stable operations:

- **Sufficient liquidity** – the company strives to maintain enough cash and deposits to cover two years' worth of personnel expenses and operating expenses (cash and debt levels will be adjusted to achieve the goal of exceeding ¥30 billion in ADVANTAGE CLUB formations).
- **Low leverage** – the company aims to maintain a D/E ratio below 1.0 and a net D/E ratio at or below zero.

## Numerical targets

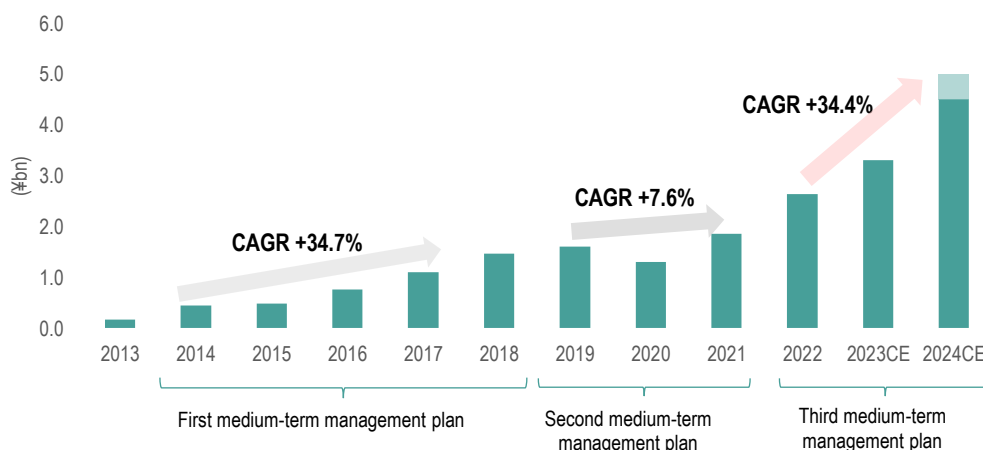
The goals for FY12/2024, which is the final year of the current Third Mid-Term Plan are as follows:

- **Gross profit** - ¥7.5bn- ¥8.0bn range (¥5.7bn in FY12/2022)
- **Operating profit** - ¥4.5bn - ¥5.0bn range (¥2.6bn in FY12/2022)

Gross profits breakdown of 65% (wealth consulting) and 35% (real estate solutions) to increase the weight of the higher margin consulting group. This is a shift from 60%/40% in FY12/2022.

- Operating margin: 10% (7.3% in FY12/2022)
- ROE: higher than 20% (22% in FY12/2022)

Figure 30: Trend in historical and forecast operating profit



Source: Company



AZN hired 31 professionals in FY12/2022 to raise its total employees to 290; an additional 20 staff are being sought to support its growth. Its recruiting venues vary from referrals to head-hunting companies.

### FY12/2023 company guidance

After Q1-2 FY12/2023 results, management has left FY guidance unchanged. The business demonstrates some seasonality as a consultant starts a customer account plan at the beginning of a year, putting the plan to work toward the latter half of the year.

Figure 31: Quantitative targets for FY12/2023

(¥m)	FY 12/2022	Q1-2 FY12/2023	FY 12/2023 Company Guidance
<b>Sales</b>			
Wealth Consulting	6,204	2,921	7,500
Real Estate Solutions	29,747	11,118	32,000
<b>Total sales</b>	<b>35,951</b>	<b>14,039</b>	<b>39,500</b>
Cost of sales	30,251	11,471	
Gross profits	5,700	2,567	
<b>Gross Margin</b>	<b>15.9%</b>	<b>18.3%</b>	
Operating Income	2,629	1,102	3,300
<b>Operating margin</b>	<b>7.3%</b>	<b>7.9%</b>	<b>8.4%</b>
Recurring Income	2,499	1,246	3,050

Source: Company

### Shareholder returns

For distribution to shareholders, the company takes into account its overall financial conditions, cash flow, and earnings outlook. It then prioritizes any distribution in the following sequence:

1. investment/M&A for business area expansion and growth.
2. shareholder returns.
3. debt reduction.

AZN aims for a dividend payout ratio of around 50%, with the 4-year average payout ratio (for FY12/2019 to FY12/2022) being 53.0%. The goal for ROE is to be 20% or higher.

The DOE target of 10.0% has been set to be higher than the estimated cost of equity capital at approximately 8.0%.

Figure 32: Recent trend in ROE, dividend payout ratio, and DOE

Fiscal year	ROE (%)	Dividend Payout Ratio (%)	DOE (%)*
2019	31.1	35.7	10.9
2020	12.7	80.3	10.2
2021	22.0	45.7	10.1
2022	22.0	50.1	11.0
4-year average	22.0	53.0	10.6
Company target	Above 20.0	50.0 level	10.0 level

Source: Company

Note: \*DOE=Dividend on Equity



# Astris earnings estimates and key assumptions

Astris' key earnings forecasts are as follows:

Figure 33: Astris Advisory earnings estimates

Year-end	FY12/2023 CE	FY12/2023E	FY12/2024E	FY12/2025E
<b>Sales (¥bn)</b>				
<b>Wealth Consulting</b>	<b>7.50</b>	<b>7.57</b>	<b>8.89</b>	<b>9.78</b>
Growth YoY (%)	+20.9	+22.0	+17.5	+10.0
<b>Real Estate Solutions</b>	<b>32.00</b>	<b>32.72</b>	<b>35.67</b>	<b>37.45</b>
Growth YoY (%)	+7.6	+10.0	+9.0	+5.0
<b>Total sales (¥bn)</b>	<b>39.50</b>	<b>40.29</b>	<b>44.56</b>	<b>47.23</b>
Growth YoY (%)	+9.9	+12.1	+10.6	+6.0
<b>OP (¥bn)</b>	<b>3.30</b>	<b>3.40</b>	<b>4.63</b>	<b>5.22</b>
OPM (%)	8.4	8.5	10.4	11.1
<b>EBITDA (¥bn)</b>	<b>N/A</b>	<b>3.75</b>	<b>5.07</b>	<b>5.70</b>
EBITDA margins (%)	-	9.3	11.4	12.1
<b>FCF (¥bn)</b>	<b>N/A</b>	<b>4.15</b>	<b>4.15</b>	<b>4.43</b>
FCF margin (%)	-	10.3	9.3	9.4
FCF conversion (%)	-	125.4	91.8	86.6
<b>FCF yield (%)</b>	<b>-</b>	<b>16.5</b>	<b>16.5</b>	<b>17.6</b>

Source: Company, Astris Advisory estimates

Note: FCF conversion is FCF/Pre-tax Profit

Our key assumptions are as follows:

- **Sales** – we estimate double-digit growth in Wealth Consulting, with high sustained steady growth in Real Estate Solutions driven by ADVANTAGE CLUB.
- **Operating profit** – we believe that the combination of continued improving consultant productivity and sales growth in Wealth Consulting will enable the company to reach its 10% operating margin target in FY12/2024.
- **Free cash flow** – with low capex intensity and limited working capital requirements, we believe the company will continue to generate high free cash flow generation.



## Company information

### Management (12 members, 0% female ratio, 2 outside directors)

<b>Representative Director and President, CEO</b>	<b>Masazumi Hasumi</b>
Shareholding (direct)	10.29%
<b>Career history</b>	
1983	Joined Aoyama Audit Corporation
1991	Yamada & Partners Accounting Firm in November (Current: Tax Accountant Corporation Yamada & Partners), Joined San-yu Audit Corporation
1996	Representative Director of Project Co., Ltd. in December (changed its trade name to Project Holdings Co., Ltd. in July 2005)
2001	Director of TFR General Research Institute Co., Ltd.
2005	Representative Director of Project Co., Ltd.(currently: Aoyama Zaisan Investments Co., Ltd.)
2008	Director of Aoyama Zaisan in September, President and Representative Director of Aoyama Zaisan in Oct.
2009	Director of Funai Estate Co., Ltd.(currently: Aoyama Comprehensive Estate Co., Ltd.)
2010	Director of KRF Corporation Co., Ltd. (currently: Aoyama Comprehensive Estate Co., Ltd.)
2011	President and Executive Officer, Representative Director of Aoyama Zaisan
2011	Aoyama Wealth Management Pte.Ltd. Managing Director(Current position)
2012	Ukai Co., Ltd. External Director
2013	Japan Asset General Research Co., Ltd. Director
2013	Aoyama Zaisan Networks USA, Inc. President(Current position)
2014	Representative Director and President of Aoyama Zaisan(Current position)
2016	Representative Director and President of Business Succession Navigator Co., Ltd. (currently Next Navi Co., Ltd.)
2017	Representative Director of Aoyama Investment Partners No. 1 Co., Ltd.
2017	Japan Asset General Research Co., Ltd. (formerly Japan Asset General Research Consultant Co., Ltd.) Director
2017	PT Aoyama Zaisan Networks INDONESIA Director (Current position)
2018	Japan Asset General Research Co., Ltd. Representative Director and Chairman(Current position)
2019	Representative Director and Chairman of Aoyama Zaisan Networks Kyushu Co., Ltd.
2020	Representative Director of Aoyama Financial Services Co., Ltd.
2021	Representative Director of Aoyama Family Office Services Co., Ltd. (Current position)
2022	Next Navi Co., Ltd. Director (Current position)

<b>Director, Managing Executive Officer, General Manager of Planning and Development Division, CFO</b>	<b>Shintaro Hashiba</b>
Shareholding (direct)	-%
<b>Career history</b>	
1987	Joined Kyowa Bank, Ltd. (now Resona Bank, Ltd.)
2003	Branch Manager of Shin-Yurigaoka Branch of the same bank
2004	Head of Tokyo Central Sales Department 1 of the same bank
2008	Head of Shin-Toshin Sales Department 3 of the same bank
2013	Director of J:COM Co., Ltd. (now Like Co., Ltd.), Deputy Head of Sales Headquarters and Head of Business Development Department
2014	Director of J:COM Holdings Co., Ltd. (now Like Co., Ltd.)
2014	President and Representative Director of Sunrise Villa Co., Ltd. (now Like Care Co., Ltd.)
2015	Joined the company, Head of Corporate Planning Office
2017	Executive Officer, Head of Corporate Planning Department
2017	Executive Officer, Head of Corporate Management Division
2017	Director of Aoyama Comprehensive Estate Co., Ltd. (current)
2017	Commissioner of PT Aoyama Zaisan Networks INDONESIA (current)
2017	Auditor of Aoyama Investment Partners No.1 Co., Ltd.
2017	Director of Japan Asset Research Co., Ltd. (formerly Japan Asset Research Consultant) (current)
2020	Executive Director, Head of Corporate Management Division
2020	Director of Nittou Real Estate Co., Ltd. (current)
2020	Executive Director, Head of Corporate Planning Division
2021	Director of Aoyama Family Office Services Co., Ltd. (current)
2022	Managing Executive Officer, Head of Planning and Development Division (current)
2022	Director of Aoyama Zaisan Networks Kyushu Co., Ltd. (current)
2022	Representative Director of Aoyama Financial Services Co., Ltd. (current)

<b>Director, Managing Executive Officer, General Manager of Administrative Department</b>	<b>Yasuyuki Yagi</b>
Shareholding (direct)	%
<b>Career history</b>	
1990	Joined Murakami Kaimei-do Co., Ltd.
1991	Joined Aoyama Zaisan (the company)
2005	Executive Officer of the company, Head of Personal Consulting Business Division
2006	Director and Executive Officer of the company, Head of the First Business Division
2011	Executive Officer of the company, Head of Personal Consulting Business Division
2013	Executive Officer of the company, Head of the General Business Headquarters
2013	Director and Executive Officer of the company, Head of the General Business Headquarters
2013	Director of Nihon Shisan Souken Co., Ltd.
2014	Managing Director and Executive Officer of the company, Head of the General Business Headquarters
2014	Director of Aoyama Wealth Management Pte.Ltd. (current)
2017	Director of Nihon Shisan Souken Co., Ltd. (formerly Nihon Shisan Souken Consultant Co., Ltd.) (current)
2017	Director of Aoyama Investment Partners No.1 Co., Ltd.
2020	Managing Director and Executive Officer of the company, Head of the General Business Headquarters and Head of the First Business Succession Consulting Division
2021	Managing Director and Executive Officer of the company, Head of the General Business Headquarters and Head of the Second Real Estate Division
2021	Director of Jigyo Keisho Navigator Co., Ltd. (currently Next Navi Co., Ltd.)
2022	Managing Director and Executive Officer of the company, Head of Management Headquarters (current)
2022	Director of Aoyama Comprehensive Estate Co., Ltd. (current)
2022	Director of Aoyama Zaisan Investments Co., Ltd (Current)

<b>Director, Managing Executive Office, Real Estate Business Division Manager</b>	<b>Ken Sugiura</b>
Shareholding (direct)	0.0%
<b>Career history</b>	
1991	Joined Daiwa House Industry Co., Ltd.
1995	Joined Nissho Iwai Real Estate Co., Ltd. (currently Sojitz Corporation)
2000	Joined the company
2005	Executive Officer, Head of Real Estate Business Division
2006	Representative Director and President of Funai Estate Co., Ltd. (currently Aoyama Comprehensive Estate Co., Ltd.)
2007	Director and Executive Officer, Head of Sixth Business Division
2010	Representative Director of KRF Corporation Co., Ltd. (currently Aoyama Comprehensive Estate Co., Ltd.) (current)
2011	Executive Officer, Head of Real Estate Business Division
2014	Director and Executive Officer, Head of Real Estate Business Headquarters
2016	Director of Nihon Shisan Soken Co., Ltd.
2016	Managing Executive Officer, Head of Real Estate Business Headquarters
2017	Director of Shinsei Aoyama Partners Co., Ltd. (current)
2017	Director of Nihon Shisan Soken Co., Ltd. (formerly Nihon Shisan Soken Consultant Co., Ltd.) (current)
2017	Director of PT Aoyama Zaisan Networks INDONESIA (current)
2017	Director of Aoyama Zaisan Networks USA, Inc. (current)
2017	Director of Project Co., Ltd. (currently Aoyama Zaisan Investments Co., Ltd.) (current)
2021	Managing Executive Officer, Head of Real Estate First Business Headquarters
2022	Managing Executive Officer, Head of Real Estate Business Headquarters (current)
2023	Director of Aoyama Financial Services Co., Ltd. (current)

<b>Director, Managing Executive Officer In charge of consulting business &amp; Head of NSS Business Division</b>	<b>Takaomi Ogawa</b>
Shareholding (direct)	0.0%
<b>Career history</b>	
1991	Joined Chiba Nichirei Service Co., Ltd.
1992	Joined Takano Yasuo Tax Accountant Office (currently Tax Accountant Corporation Tax Comprehensive Office)
1995	Joined Real Estate Accounting Comprehensive Center Co., Ltd. (currently Nihon Shisan Soken Co., Ltd.)
2003	Director of Funai Zaisan Consultants Keiyo Co., Ltd. (currently Nihon Shisan Soken Co., Ltd.)
2009	Director of Nihon Shisan Soken Consultant Co., Ltd. (currently Nihon Shisan Soken Co., Ltd.)
2009	Representative Director and President of Funai Zaisan Consultants Keiyo Co., Ltd. (currently Nihon Shisan Soken Co., Ltd.)
2013	Executive Officer, Head of NSS Business Division
2016	Director and Executive Officer, Head of NSS Business Division
2017	Representative Director and President of Nihon Shisan Soken Co., Ltd. (formerly Nihon Shisan Soken Consultant Co., Ltd.) (current)
2020	Representative Director of Nitto Real Estate Co., Ltd. (current)
2022	Managing Executive Officer, In charge of consulting business, and Head of NSS Business Division (current)
2022	Director of Aoyama Financial Services Co., Ltd. (current)
<b>Director &amp; Executive Officer, General Manager of Business Succession Fund Division</b>	<b>Shinji Shimane</b>
Shareholding (direct)	-%
<b>Career history</b>	
1995	Joined Showa Ota Audit Corporation (now EY Shin Nihon LLC)
2000	Joined Avaya Japan Co., Ltd.
2001	Joined Project Co., Ltd. (now Aoyama Zaisan Investments Co., Ltd.)
2006	Director of Aoyama Zaisan
2011	Transferred to Aoyama Zaisan
2014	Executive Officer & Head of Business Succession Consulting Division
2015	Transferred to the company
2016	Representative Director of Shinsei Aoyama Partners Co., Ltd. (current position)
2016	Director of Japan Asset Research Co., Ltd.
2016	Executive Officer and Director of the company, Head of Business Succession Consulting Division
2016	Director of Business Succession Navigator Co., Ltd. (now Next Navi Co., Ltd.)
2017	Director of Japan Asset Research Co., Ltd. (formerly Japan Asset Research Consultant Co., Ltd.) (current position)
2017	Director of Aoyama Investment Partners No.1 Co., Ltd.
2019	Director of Aoyama Zaisan Networks Kyushu Co., Ltd.
2020	Executive Officer and Director of the company, Head of Business Succession Consulting Division II
2021	Executive Officer and Director of the company, Head of Consulting Division IV
2022	Executive Officer and Director of the company, Head of Business Succession Fund Division (current position)
2022	Representative Director of Aoyama Zaisan Investments Co., Ltd. (current position)

Director	Michihiro Nagasaka
Shareholding (direct)	-%
<b>Career history</b>	
1985	Joined Wakabayashi Law Office
1992	Joined Japan M&A Center Co., Ltd.
2010	Head of Business Promotion Department of the same company
2014	Outside Director of the company
2015	Head of Sales Support Department, Sales Support Department, General Planning Headquarters, Japan M&A Center Co., Ltd.
2016	Representative Director and Vice President of Business Succession Navigator Co., Ltd. (now Next Navi Co., Ltd.)
2021	Director of Business Succession Navigator Co., Ltd. (now Next Navi Co., Ltd.) (current position)
2022	Director of the company (current position)

Director	Haruo Shimada
Shareholding (direct)	-%
<b>Career history</b>	
1975	Assistant Professor, Faculty of Economics, Keio University
1978	Guest Chief Research Officer, Economic Research Institute, Economic Planning Agency
1982	Professor, Faculty of Economics, Keio University
1986	Visiting Professor, Massachusetts Institute of Technology
1995	External Auditor, Okaya Steel Works Co., Ltd.
2000	Guest Professor, Center for Advanced Science and Technology Research, University of Tokyo
2001	External Auditor, Dentsu Inc.
2002	External Director, Millea Holdings Inc. (currently: Tokyo Marine Holdings Inc.)
2002	External Director, Asahi Glass Co., Ltd.
2004	Chairman, Fujitsu Research Institute Economic Research Institute
2007	External Director of the company (current)
2007	President, Chiba University of Commerce
2008	External Director, Sanki Kogyo Co., Ltd.
2008	External Auditor, Temp Holdings Co., Ltd. (currently: Persol Holdings Co., Ltd.)
2012	External Director, Alfresa Holdings Corporation
2015	External Director, Okaya Steel Works Co., Ltd. (current)
2015	External Director, Legend Partners Co., Ltd.
2016	Representative Director, Shimada Comprehensive Research Institute Co., Ltd. (current)
2017	Chairman, Japan International Forum Public Foundation
2017	Chairman, Tokyo Metropolitan Public University Corporation
2021	External Director, Tech IS Co., Ltd. (current)

Director	Keiji Watanabe
Shareholding (direct)	-%
<b>Career history</b>	
1975	Joined PricewaterhouseCoopers Accounting Firm (currently: PwC Arata LLC)
1987	Representative member of Aoyama Audit Corporation (currently: PwC Arata LLC), Partner of Price Waterhouse Coopers (currently: PwC Arata LLC)
1995	Joined Audit Corporation Tohmatsu (currently: Deloitte Tohmatsu LLC)
1996	Representative member of the same office
2000	External Director, Ichiyoshi Securities Co., Ltd.
2003	Deloitte Touche Tohmatsu Global Middle Markets Leader
2008	External Director, Asahi Kogyosha Co., Ltd. (current)
2010	External Director, SBI Holdings Inc.
2011	External Director of our company (current)
2017	External Director, SBI Insurance Group Co., Ltd. (current)
2017	External Auditor, Hoketsu Kishu Paper Co., Ltd. (currently: Hoketsu Corporation Co., Ltd.) (current)
2018	External Director, Ukai Co., Ltd.

Director	Hiroyuki Fujita
Shareholding (direct)	-%
Career history	
1989	Joined Mitsui Bank, Ltd. (currently: Sumitomo Mitsui Banking Corporation)
1995	Joined Yamazaki Tax Accountant Office
2000	Joined Audit Corporation Tohmatsu (currently: Deloitte Tohmatsu LLC)
2004	Registered as a certified public accountant
2018	Appointed as External Auditor of the company (current)
2018	Auditor, Japan Asset Research Co., Ltd. (current)
2018	Auditor, Aoyama Comprehensive Estate Co., Ltd. (current)
2018	Auditor, Business Succession Navigator Co., Ltd. (currently: Next Navi Co., Ltd.) (current)
2018	Auditor, Aoyama Property Investments Co., Ltd. (formerly: Project Co., Ltd.) (current)
2019	Auditor, Aoyama Property Networks Kyushu Co., Ltd. (current)
2020	Auditor, Nittou Real Estate Co., Ltd. (current)
2020	Auditor, Aoyama Financial Services Co., Ltd. (current)
2021	Auditor, Aoyama Family Office Services Co., Ltd. (current)
2022	Auditor, Japan Digital Investment Co., Ltd. (current)

Director	Hlsao Nakatsuka
Shareholding (direct)	-%
Career history	
1970	Joined PricewaterhouseCoopers Accounting Firm (currently: PwC Arata LLC)
1994	Representative member of Aoyama Audit Corporation (currently: PwC Arata LLC), Partner of Price Waterhouse Coopers (currently: PwC Arata LLC)
1996	Joined Audit Corporation Tohmatsu (currently: Deloitte Tohmatsu LLC)
1999	Representative member of the same office
2001	External Director, Ichiyoshi Securities Co., Ltd.
2002	Deloitte Touche Tohmatsu Global Middle Markets Leader
2002	External Director, Asahi Kogyosha Co., Ltd. (current)
2005	External Director, SBI Holdings Inc.
2006	External Director of the company (current)
2008	External Director, SBI Insurance Group Co., Ltd. (current)
2010	External Auditor, Hoketsu Kishu Paper Co., Ltd. (currently: Hoketsu Corporation Co., Ltd.) (current)
2010	External Director, Ukai Co., Ltd.
2011	Joined PricewaterhouseCoopers Accounting Firm (currently: PwC Arata LLC)
2013	Representative member of Aoyama Audit Corporation (currently: PwC Arata LLC), Partner of Price Waterhouse Coopers (currently: PwC Arata LLC)
2014	Joined Audit Corporation Tohmatsu (currently: Deloitte Tohmatsu LLC)
2015	Representative member of the same office
2016	External Director, Ichiyoshi Securities Co., Ltd.

Director	Hiroaki Rokukawa
Shareholding (direct)	-%
Career history	
1997	Joined PricewaterhouseCoopers Accounting Firm (currently: PwC Arata LLC)
1997	Representative member of Aoyama Audit Corporation (currently: PwC Arata LLC), Partner of Price Waterhouse Coopers (currently: PwC Arata LLC)
2002	Joined Audit Corporation Tohmatsu (currently: Deloitte Tohmatsu LLC)
2005	Representative member of the same office
2007	External Director, Ichiyoshi Securities Co., Ltd.
2007	Deloitte Touche Tohmatsu Global Middle Markets Leader
2008	External Director, Asahi Kogyosha Co., Ltd. (current)
2008	External Director, SBI Holdings Inc.
2009	External Director of the company (current)
2009	External Director, SBI Insurance Group Co., Ltd. (current)
2012	External Auditor, Hoketsu Kishu Paper Co., Ltd. (currently: Hoketsu Corporation Co., Ltd.) (current)
2013	External Director, Ukai Co., Ltd.
2016	Joined PricewaterhouseCoopers Accounting Firm (currently: PwC Arata LLC)
2020	Representative member of Aoyama Audit Corporation (currently: PwC Arata LLC), Partner of Price Waterhouse Coopers (currently: PwC Arata LLC)
2021	Joined Audit Corporation Tohmatsu (currently: Deloitte Tohmatsu LLC)
2022	Representative member of the same office
2022	External Director, Ichiyoshi Securities Co., Ltd.

Source: Company



## Contact details

### Address

〒107-0052  
8-4-14 Akasaka, Minato-Ku, Tokyo  
Aoyama Tower Place 3F

### IR Contact:

Tel: +81 (120) 022-313

Source: Company

## Shareholder details (as of December 2022)

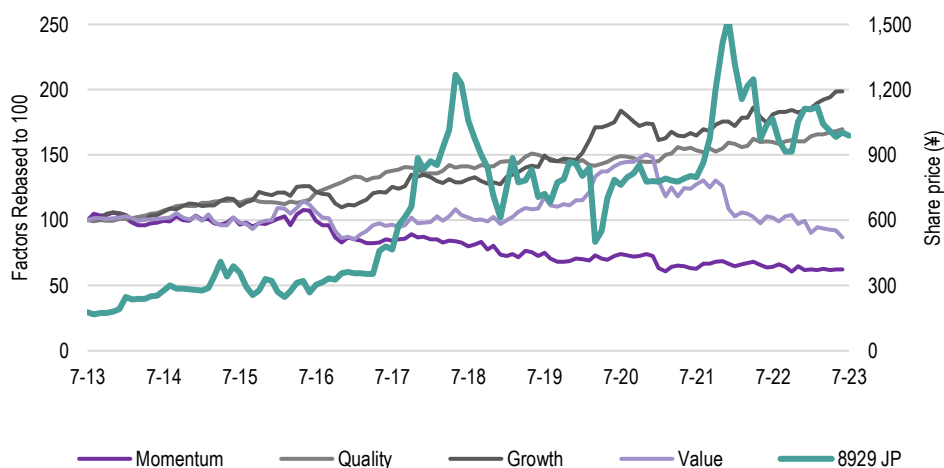
Major shareholders	Stake (%)
Masazumi Hasui	10.29
Nihon M&A Centre Inc.	4.11
Nomura PB Nominees Ltd Omnibus Margin (Cash BP)	3.28
The Master Trust Bank of Japan, Ltd. (Trust Account)	3.03
Custody Bank of Japan, Ltd. (Trust Account)	3.01
Goldman Sachs International	2.89
Yasuo Takano	2.64
Custody Bank of Japan, Ltd. (Pension Trust Account)	2.01
Hibiki Path Aoba Fund	1.80
MSIP Securities	1.66

Source: Company



# Astris Quant Sheet

Share price chart and time series factor analysis (from July 2013)



Source: FactSet

Factors	1 Year correlation	3 Year correlation	10 Year correlation
Momentum: 12 Month - 1 Month Performance	0.13	0.17	0.00
Quality: Free Cash Flow Yield	-0.06	0.18	0.10
Growth: Operating Profit Growth	-0.39	0.15	-0.04
Value: Book to Market	-0.09	0.02	-0.04

Source: FactSet

With a consistent double-digit ROIC and ROE above 20%, the stock demonstrates its closest correlation with Quality, albeit at a reasonably low level.

## Calculation method and definition of factors in the time series

### Universe

TOPIX500

### Factor return calculation

**Quartile Range Analysis:** Calculate the element return by subtracting the average performance of the lower quartile from the average performance of the upper quartile for each element forecasted for one month. This analysis is repeated monthly without considering transaction costs.

### Factor

#### Momentum

1-month return

12-month return

Subtracting the most recent 1 month

#### Quality

FCF yield (estimate)

#### Growth

Operating profit growth (estimate)

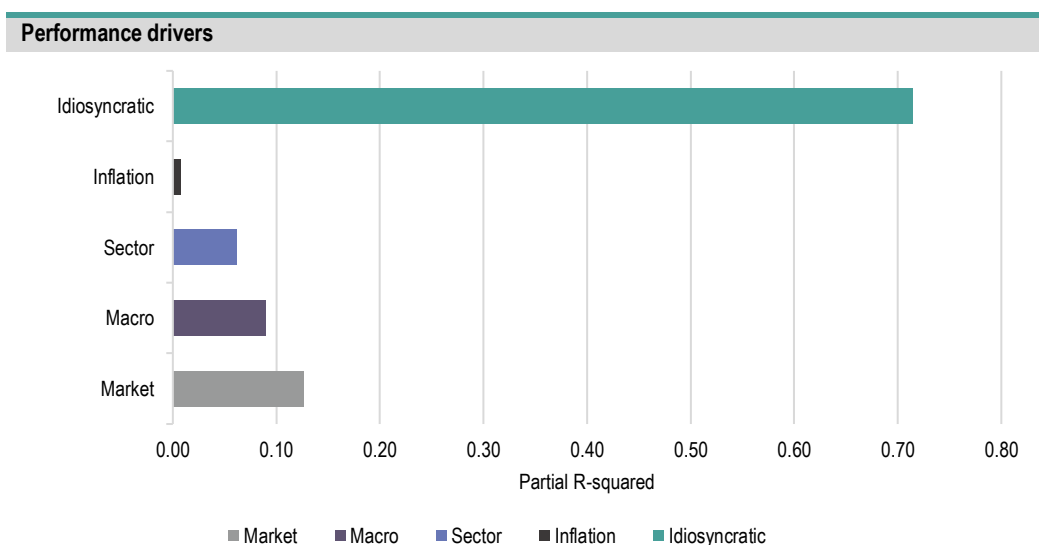
#### Value

Book-to-Market ratio (actual)

Source: FactSet







Source: FactSet

Technically the stock falls within the GICs Real Estate and Topix Real Estate industry group, but the stock is more closely correlated to Financials in line with its business model.

As a domestic company, changes in exchange rates have minimal impact on its revenue and financials. Therefore, the high 1-year correlation with the US dollar is likely coincidental.

### Calculation method for multiple regression analysis

#### Multiple regression analysis

Perform regression analysis including all drivers, and conduct individual regression analysis by excluding one driver at a time. To quantify the specific impact of each driver, calculate the partial coefficient of determination (partial R-squared value) using the formula:  $(\text{Residual Sum of Squares from regression analysis including all drivers} - \text{Residual Sum of Squares from regression analysis excluding one driver}) / \text{Residual Sum of Squares from regression analysis excluding one driver}$ .

Source: FactSet

Factors	1 Year correlation	3 Year correlation	10 Year correlation
<b>Market</b>			
Topix 1st Section	0.28	0.17	0.31
MSCI Japan	0.27	0.18	0.30
<b>Sector</b>			
Topix Real Estate Index	0.23	-0.04	0.19
MSCI Japan Real Estate	0.20	-0.04	0.16
MSCI Japan Financials	0.39	0.06	0.18
<b>Size</b>			
Topix Small Cap Index	0.28	0.20	0.38
<b>Macro</b>			
sJPYUSD	0.64	0.19	-0.03
10Y JGB	-0.11	-0.05	-0.16
Industrial Production	-0.27	0.03	-0.01
CPI Nationwide	0.12	-0.10	-0.05

Source: FactSet



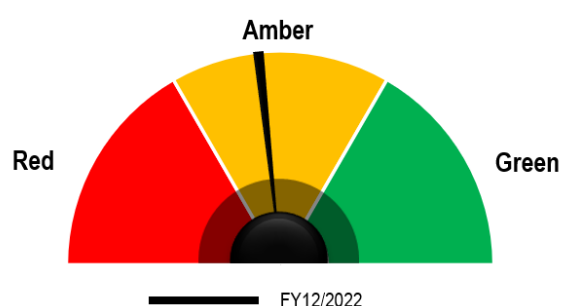
# Astris-Sustainability ESG assessment

## Ratings and scorecard

Our in-house Astris-Sustainability ESG model rates AZN with a score of 46.0%, placing it in the ‘Amber’ rating of our assessment in FY12/2022.

Our in-house methodology\* takes what we have selected as core measurable ESG factors, ranking its performance versus its domestic GICS Real Estate Management and Development with a market capitalization of ¥15.5bn to ¥100bn (a total of 54 companies).

Figure 1: Astris-Sustainability ESG model rating for Aoyama Zaisan Network Company



Source: Astris Advisory (\*Note – for details of our in-house rating system please contact Astris Corporate Advisory)

## ESG scorecards

	FY12/2022
<b>Environmental (2 factors from a selected peer group)</b>	
Astris Environmental score	11.8
<b>Social (7 factors from a selected peer group)</b>	
Astris Social score	40.8
<b>Governance (35 factors from a selected peer group)</b>	
Astris Governance score	55.
<b>TOTAL SCORE (Out of a total of 49 factors)</b>	<b>46.0</b>

Source: Company, FactSet, Astris Corporate Advisory

Our methodology has highlighted the following key topics:

### Environmental

The company discloses Scope 1, 2, and 3 CO<sub>2</sub> emission data for FY12/2022.

### Social

The company has relatively comprehensive ‘human capital’ disclosure data on its website.

### Governance

The company’s corporate mission of becoming the “best financial partner for the next 100 years” for its customers drives its governance framework. To be a protector of the clients’ important financial assets, the company’s corporate governance framework is built to ensure fair and impartial consulting advice.



The company's policy of maintaining "impartiality" is embodied in the establishment of the audit committee which is authorized to monitor the proper function of the board of directors.

- **Board of Directors** – comprised of 9 board members, out of which 2 members are external directors. Meetings are held monthly.
- **Executive Officer System** - comprised of 13 executive directors. This system is established to separate organizational management from policy execution.
- **Executive Management Committee** – comprised of the President and one full-time director and one executive officer. Meetings are held weekly to ensure the effectiveness of corporate policies.
- **Audit committee** – comprised of three members, out of which two are external auditors to make sure that impartial auditing functions are in place.
- **Compensation advisory committee** – composed of the President and two external directors to decide board member remuneration.
- **Nomination committee** – composed of the President and two external directors to decide board members
- **Compliance committee** – composed of the President, one full-time director, the chief of each executive officer's business division, and an attorney.
- **Sustainability committee** – composed of the President and one full-time director. It is entrusted to ensure the steady and sustainable growth of the organization.

## Controversies

We note we have been unable to find major controversies that may have significant financial or reputational repercussions for the company and its shareholders.



# Areas of discussion

## Highlighting key topics for investors

---

We believe the following will be key areas for discussion with investors:

1. Macro challenges:
  - a. How have you managed the previous legal and regulatory changes in the inheritance industry?
  - b. (For Advantage Club) How have you maneuvered through the previous real estate industry troughs?
2. M&A:
  - a. What are the areas of interest to bolster future growth opportunities and business expansion?
  - b. How much potential gearing (leverage) is a comfortable level for debt financing (to support growth)?
3. Recruitment:
  - a. How will management attract and retain talent?
  - b. Managing cost pressures in a tight labor market.
4. Where are the next regions (including overseas) of expansion?
5. You have many partners (financial institutions and CPA firms) which refer customers. What is the possibility of these entities internalizing consultation functions and starting to offer competing services?



## JGAAP Financial Summary

(¥bn)	FY 12/21	FY 12/22	FY 12/23E	FY 12/24E	FY 12/25E
Sales	24.21	35.95	40.29	44.56	47.23
COGS	19.88	30.25	33.66	36.81	38.70
<b>Gross profit</b>	<b>4.33</b>	<b>5.70</b>	<b>6.63</b>	<b>7.75</b>	<b>8.53</b>
Gross profit margin (%)	17.9	15.9	16.5	17.4	18.1
<b>Total OP</b>	<b>1.86</b>	<b>2.63</b>	<b>3.40</b>	<b>4.63</b>	<b>5.22</b>
OP margin (%)	7.7	7.3	8.5	10.4	11.1
Non-operating income	0.06	0.06	0.06	0.06	0.06
Non-operating expenses	(0.12)	(0.19)	(0.15)	(0.17)	(0.16)
<b>Recurring profit</b>	<b>1.80</b>	<b>2.50</b>	<b>3.31</b>	<b>4.51</b>	<b>5.12</b>
Pre-tax profit	2.01	2.48	3.31	4.51	5.12
Tax	(0.53)	(0.78)	(1.04)	(1.41)	(1.60)
Effective tax rate (%)	29.7	31.3	31.3	31.3	31.3
<b>Net income</b>	<b>1.48</b>	<b>1.69</b>	<b>2.27</b>	<b>3.10</b>	<b>3.52</b>
Non-controlling NI	(0.00)	-	-	-	-
<b>Parent attributable NI</b>	<b>1.48</b>	<b>1.69</b>	<b>2.27</b>	<b>3.10</b>	<b>3.52</b>
Sales growth YoY (%)	+26.6	+48.5	+12.1	+10.6	+6.0
OP growth YoY (%)	+42.4	+41.6	+29.6	+35.9	+12.9
Pre-tax profit YoY (%)	+82.9	+23.1	+33.7	+36.4	+13.4
NI growth YoY (%)	+85.0	+14.4	+34.2	+36.4	+13.4

Balance sheet (¥bn)	FY 12/21	FY 12/22	FY 12/23 E	FY 12/24 E	FY 12/25 E
Cash & equivalents	10.87	12.80	15.47	17.67	19.84
Accounts receivables	-	-	-	-	-
Inventory and WIP	0.56	0.68	0.46	0.46	0.46
Other	0.63	1.93	1.30	1.30	1.30
<b>Current assets</b>	<b>12.06</b>	<b>15.42</b>	<b>17.23</b>	<b>19.43</b>	<b>21.60</b>
Tangible assets	2.68	2.63	2.55	2.47	2.39
Goodwill	0.03	0.02	0.02	0.02	0.02
Intangible assets	0.52	0.39	0.35	0.37	0.38
Long term investments	1.59	2.73	2.73	2.73	2.73
Other	0.54	0.58	0.58	0.58	0.58
<b>Fixed assets</b>	<b>5.36</b>	<b>6.34</b>	<b>6.23</b>	<b>6.16</b>	<b>6.09</b>
<b>Total assets</b>	<b>17.43</b>	<b>21.76</b>	<b>23.46</b>	<b>25.59</b>	<b>27.68</b>
Short term borrowing	1.73	2.10	2.10	2.10	2.10
Trade payables	0.19	0.29	0.33	0.36	0.38
Other	1.93	2.75	3.24	3.49	3.70
<b>Current liabilities</b>	<b>3.85</b>	<b>5.14</b>	<b>5.67</b>	<b>5.95</b>	<b>6.18</b>
Long term borrowing	4.86	6.03	6.03	6.03	6.03
Other LT liabilities	1.59	2.26	2.26	2.26	2.26
<b>Long term liabilities</b>	<b>6.45</b>	<b>8.30</b>	<b>8.30</b>	<b>8.30</b>	<b>8.30</b>
<b>Shareholder's equity</b>	<b>7.11</b>	<b>8.27</b>	<b>9.43</b>	<b>11.29</b>	<b>13.15</b>
Share acquisitions rights	0.01	0.03	0.03	0.03	0.03
Non-controlling interests	0.00	0.02	0.02	0.02	0.02
<b>Total net assets</b>	<b>7.13</b>	<b>8.32</b>	<b>9.49</b>	<b>11.35</b>	<b>13.21</b>
<b>Total liabilities &amp; net assets</b>	<b>17.43</b>	<b>21.76</b>	<b>23.46</b>	<b>25.59</b>	<b>27.68</b>

Cash flow statement (¥bn)	FY 12/21	FY 12/22	FY 12/23E	FY 12/24E	FY 12/25E
<b>Profit before tax</b>	<b>2.01</b>	<b>2.48</b>	<b>3.31</b>	<b>4.51</b>	<b>5.12</b>
Depreciation/amortization	0.31	0.31	0.34	0.45	0.47
Changes in working capital	0.33	(0.91)	1.38	0.28	0.23
Other non-cash items	(0.06)	0.69	0.31	0.50	0.40
Tax paid	(0.20)	(0.34)	(1.04)	(1.41)	(1.60)
<b>Cash from Operating Activities</b>	<b>2.39</b>	<b>2.22</b>	<b>4.31</b>	<b>4.32</b>	<b>4.62</b>
Capex	(0.22)	(0.13)	(0.16)	(0.18)	(0.19)
Acquisitions/increase stakes	-	0.00	-	-	-
Other investing cash flow	(0.41)	(1.13)	(0.77)	(0.95)	(0.86)
<b>Cash from Investing Activities</b>	<b>(0.63)</b>	<b>(1.26)</b>	<b>(0.93)</b>	<b>(1.13)</b>	<b>(1.05)</b>
Total cash dividends paid	(0.66)	(0.73)	(0.85)	(1.14)	(1.55)
Debt issuance/(retirement)	0.42	1.55	-	-	-
Equity financing	(0.17)	-	-	-	-
Other	0.04	0.06	0.06	0.06	0.06
<b>Cash from Financing Activities</b>	<b>(0.37)</b>	<b>0.88</b>	<b>(0.79)</b>	<b>(1.07)</b>	<b>(1.49)</b>
FX impact	0.05	0.09	0.07	0.08	0.08
<b>Net cash flow</b>	<b>1.44</b>	<b>1.93</b>	<b>2.67</b>	<b>2.20</b>	<b>2.16</b>
<b>Free cash flow</b>	<b>2.17</b>	<b>2.09</b>	<b>4.15</b>	<b>4.15</b>	<b>4.43</b>
<b>EBITDA</b>	<b>0.97</b>	<b>1.73</b>	<b>3.75</b>	<b>5.07</b>	<b>5.70</b>
EBITDA margin (%)	4.0	4.8	9.3	11.4	12.1
Free cash flow margin (%)	9.0	5.8	10.3	9.3	9.4
Free cash flow conversion (%)	107.9	84.5	125.4	91.8	86.6
Capex/sales (%)	0.9	0.4	0.4	0.4	0.4
Capex/depreciation (%)	70.4	41.2	47.0	40.0	40.0
CFO margin (%)	9.9	6.2	10.7	9.7	9.8

Key metrics	FY 12/21	FY 12/22	FY 12/23E	FY 12/24E	FY 12/25E
<b>Profitability</b>					
Gross margin (%)	17.9	15.9	16.5	17.4	18.1
Operating margin (%)	7.7	7.3	8.5	10.4	11.1
Net margin (%)	6.1	4.7	5.6	7.0	7.4
ROA (%)	8.9	8.6	10.1	12.6	13.2
ROE (%)	22.0	22.0	25.7	29.9	28.8
ROCE (%)	13.7	15.8	19.1	23.6	24.3
ROIC (%)	9.9	12.0	13.8	17.2	17.6
<b>Liquidity</b>					
Current ratio (x)	3.1	3.0	3.0	3.3	3.5
<b>Leverage</b>					
Debt/Equity ratio (x)	0.9	1.0	0.9	0.7	0.6
Net Debt/Equity ratio (x)	net	net	net	net	net
	cash	cash	cash	cash	cash
Equity ratio (x)	0.4	0.4	0.4	0.4	0.5
Interest cover (x)	23.2	32.9	41.9	56.9	64.2
Net Debt/EBITDA (x)	N/A	N/A	N/A	N/A	N/A
<b>Valuation</b>					
EPS reported (¥)	61.22	69.82	93.69	127.80	144.93
<b>PER (x)</b>	<b>16.7</b>	<b>14.7</b>	<b>10.9</b>	<b>8.0</b>	<b>7.1</b>
<b>Diluted PER (x)</b>	<b>16.9</b>	<b>14.8</b>	<b>11.0</b>	<b>8.1</b>	<b>7.1</b>
DPS (¥)	28.0	35.0	46.8	63.9	72.5
Dividend payout ratio (%)	45.7	50.1	50.0	50.0	50.0
<b>Dividend yield (%)</b>	<b>2.7</b>	<b>3.4</b>	<b>4.6</b>	<b>6.2</b>	<b>7.1</b>
<b>Free cash flow yield (%)</b>	<b>8.6</b>	<b>8.3</b>	<b>16.5</b>	<b>16.5</b>	<b>17.6</b>
<b>Diluted FCF yield (%)</b>	<b>8.6</b>	<b>8.3</b>	<b>16.4</b>	<b>16.4</b>	<b>17.5</b>
<b>PBR (x)</b>	<b>3.5</b>	<b>3.0</b>	<b>2.7</b>	<b>2.2</b>	<b>1.9</b>
EV/sales (x)	1.7	1.1	1.0	0.9	0.9
EV/EBITDA (x)	42.1	23.8	10.9	8.1	7.2
EV/EBIT (x)	22.1	15.6	12.1	8.9	7.9
EV/FCF (x)	18.9	19.6	9.9	9.9	9.3

Source: Company, Astris Advisory



## Disclaimers

This report has been prepared by Astris Advisory Japan K.K. This report is based on information obtained from public sources that Astris Advisory Japan K.K. believes to be reliable but which Astris Advisory Japan K.K. has not independently verified, and Astris Advisory Japan K.K. makes no guarantee, representation, or warranty as to its accuracy or completeness. This report does not and does not attempt to, contain everything material which there is to be said about the Company. Any opinions expressed herein reflect Astris Advisory Japan K.K.'s judgment at the time the report was prepared and are subject to change without notice. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of their subject matter to be materially different from current expectations.

This report has been prepared as general information, is therefore not intended as a personal recommendation of particular financial instruments or strategies, and does not constitute personal investment advice.

The analyst hereby certifies that (i) the views expressed in this report accurately reflect the research analyst's personal views about the company and the securities that are the subject of this report, and (ii) no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to views expressed by that research analyst in this report.

The report has been prepared by Astris Advisory Japan K.K., a Japanese firm organized under the laws of Japan and supervised by the Japanese Financial Services Agency. Details about the extent of our regulation by local authorities are available from us upon request.

### Conflict of interest

This report has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II.

Readers should assume that Astris Advisory Japan K.K. may currently or may in the coming three months and beyond be providing or seeking to provide IR/corporate advisory or other services to the company.

Investment in securities mentioned: Astris Advisory Japan K.K. has a restrictive policy over personal dealing for its directors, officers, employees, and service providers. Astris Advisory Japan K.K. does not conduct any investment business and does not hold any positions in the securities mentioned in this report.

### Limitation of liability

Astris Advisory Japan K.K. assume no liability as regards any investment, divestment, or retention decision taken by the investor based on this report. In no event will Astris Advisory Japan K.K. be liable for direct, indirect, incidental, special, or consequential damages (regardless of whether being considered foreseeable or not) resulting from the information in this report.

Copyright 2023 Astris Advisory Japan K.K. All rights reserved.

