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Non-consolidated Financial Results for the Six Months Ended May 31, 2024 (Under Japanese GAAP)

July 16, 2024

Company name: FP Partner Inc. Listing: Tokyo Stock Exchange
Securities code: 7388 URL: https://fpp.jp/
Representative: (Title) Representative Director and President (Name) Tsutomu Kuroki
Inquiries: (Title) Senior Managing Director and General Manager of Corporate Planning Department
(Name) Katsuyuki Tanaka (TEL) +81-3-6801-5430
Scheduled date to file quarterly securities report: July 16, 2024
Scheduled date to commence dividend payments: August 9, 2024
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing: Yes (For investors and analysts)

(Yen amounts are rounded down to the nearest million yen.)

1. Financial results for the six months ended May 31, 2024 (December 1, 2023 to May 31, 2024)

(1) Operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended May 31, 2024	17,140	17.6	2,687	(0.2)	2,751	(0.9)	1,851	8.3
Six months ended May 31, 2023	14,576	19.4	2,694	32.1	2,777	35.9	1,709	45.1

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended May 31, 2024	80.13	76.76
Six months ended May 31, 2023	74.31	70.34

(Notes) On July 1, 2023, the Company conducted a 2-for-1 stock split of its common shares. Basic earnings per share and diluted earnings per share are calculated based on the assumption that the stock split was conducted at the beginning of the fiscal year ended November 30, 2023.

(2) Financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of May 31, 2024	18,429	11,454	62.1
As of November 30, 2023	19,150	12,647	66.0

(Reference) Equity
As of May 31, 2024: 11,449 million yen As of November 30, 2023: 12,641 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended November 30, 2023	-	0.00	-	90.00	90.00
Fiscal year ending November 30, 2024	-	45.00			
Fiscal year ending November 30, 2024 (forecast)			-	47.00	92.00

(Note) Revisions to the forecast of cash dividends most recently announced: None

3. Earnings forecast for the fiscal year ending November 30, 2024 (December 1, 2023 to November 30, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	35,627	16.6	6,725	21.1	6,688	19.3	4,548	15.0	196.99

(Note) Revisions to the forecast of earnings most recently announced: None

* Notes

(1) Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements: Yes

(Note) For details, please refer to “Quarterly financial statements and major notes (4) Notes to quarterly financial statements (Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements)” on page 10 of the attached materials.

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)	As of May 31, 2024	23,243,600 shares	As of November 30, 2023	23,187,600 shares
(ii) Number of treasury shares at the end of the period	As of May 31, 2024	171,931 shares	As of November 30, 2023	130 shares
(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)	Six months ended May 31, 2024	23,106,835 shares	Six months ended May 31, 2023	22,999,870 shares

(Notes) On July 1, 2023, the Company conducted a 2-for-1 stock split of its common shares. Total number of issued shares at the end of the period, number of treasury shares at the end of the period, and average number of shares outstanding during the period are calculated based on the assumption that the stock split was conducted at the beginning of the fiscal year ended November 30, 2023.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Precautions regarding forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the Company and certain assumptions that the Company deems reasonable, and the Company does not promise the achievement of such forecasts. Actual results may differ significantly due to various factors. Please refer to the attached materials starting on the next page for the assumptions used for earnings forecasts and precautionary statements regarding the use of earnings forecasts.

(How to obtain supplementary material on quarterly financial results)

Supplementary material on quarterly financial results is available on TDnet on the same day as release.

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1. Qualitative information on quarterly results

(1) Explanation of operating results

During the first six months of the current fiscal year (December 1, 2023 to May 31, 2024), the Japanese economy showed sluggish personal consumption as consumers bore more costs due to higher raw materials prices stemming from yen depreciation (source: Business Conditions Survey for May 2024 Teikoku Databank, Ltd.). In terms of the future outlook, although a gradual recovery is expected to continue under the expectation of improving employment and income environment, there are still downside risks to the Japanese economy due to a downturn in the overseas economy from global monetary tightening. It is necessary to continue to closely monitor the impact of rising cost of goods and changes to finance capital markets (source: Cabinet Office Monthly Economic Report for May 2024).

On the other hand, in March the Bank of Japan reversed its negative interest rate policy and increased interest rates for the first time in 17 years as it approaches a major turning point for normalization of Japanese financial policy. In the life insurance industry, major life insurance companies have been reviewing product designs, including raising the expected interest rates on savings and investment products such as individual pension insurance and lump-sum lifelong insurance.

Supported by the shift from savings to investment, results continued to be strong for 2Q as the insurance industry continues to perform well with new policies for individual pension insurance increasing by 132.5% compared to the previous year (April 2023 to March 2024 cumulative) (source: The Life Insurance Association of Japan, “Life Insurance Business Overview,” March 2024). The Company has also received positive reviews for the “event about NISA” through expanding customer needs. The Company’s sales of savings and investment life insurance products have also seen an increase in policies for individual pension insurance and variable insurance, similar to industry trends. At the same time, the number of products that meet medical treatment needs are also growing.

Going forward, under our customer-oriented business operation policy (fiduciary duty), we will analyze economic and market environments and propose insurance products suitable for customers through the provision of financial planning.

Under such circumstances, the Company’s financial results for the first six months of the current fiscal year were as follows: net sales of 17,140,373 thousand yen (up 17.6% year-on-year), operating profit of 2,687,719 thousand yen (down 0.2% year-on-year), ordinary profit of 2,751,282 thousand yen (down 0.9% year-on-year), and profit of 1,851,663 thousand yen (up 8.3% year-on-year).

The status of each initiative for priority measures during the first six months of the current fiscal year is as follows.

(1) Expand the number of sales employees and prospective policy customers

New sales employee hires is progressing smoothly, and the number of new hires during the first six months of the current fiscal year totaled 370, bringing the total number of sales employees to 2,462 as of the end of May 2024.

In the Company, the company itself explores potential insurance policy customers while the sales employees perform insurance solicitation. By implementing a division of roles, sales employees of the Company have opportunities to meet with many customers and can further focus on customer service. By creating a structure like this that enables sales employees to grow while producing results, it is possible to employ a wide range of human resources regardless of their previous workplace experience and performance. The Company intends to continue to increase the number of hires in the future.

Also, the Company is proactively taking efforts to increase the number of prospective policy customers along with the increase in sales employees. Simultaneously, it is strengthening relationships with partner companies that can obtain appointments that more closely match with Company services. By narrowing down the number of partner companies, it can avoid spreading internal resources too thin and aim to improve efficiency of services.

(2) Expansion of policy transfer business

In the policy transfer business started from 2021, the number of inquiries and the number of companies that have agreed to transfer have increased steadily against the backdrop of the continuing trend of an increase in the number of agencies scheduled to go out of business.

In this first six months, the number of non-life insurance policy transfers agreed to rose dramatically, reaching 51,488 policies at the end of May 2024, above the total number of 50,466 in the fiscal year ended November 30, 2023. Non-life insurance policies incur the same renewal fees (recurring revenue) as new policy processing fees during policy renewal, so they will contribute to higher future non-insurance sales. Also, by cross-selling life insurance policies and other financial instruments, the Company expects to further increase net sales and profit.

This business is not only profitable through continuous processing and renewal fees from existing policies, but the ability to connect this to new policies from transferred customers, thereby realizing a solid profit gain.

(3) Expansion of Money Doctor Premier business

In 2Q, the Company opened a total of 9 stores, including four new stores in the Tokyo Metropolitan Area, 3 in Nagoya, and one each in Osaka and Okayama. There are a total of 27 stores across Japan. The Company has maintained a steady pace in opening new stores as it aims to achieve the store plan of 30 stores in three years in this fiscal year. There were also synergistic effects from a new commercial that began running from April 2024. The number of bookings for store visits continued to maintain a strong level, including for stores opened this fiscal year, as results are at a pace higher than the plan.

Also, pop-up events related to NISA have been well-received and will continue to be held. In 2Q, they were held in commercial facilities in Sapporo, Saitama, and Tokyo. In the future, the Company will take efforts to create connections with new customers, improve awareness of the “Money Doctor” brand in store areas, and expand customer acquisition initiatives.

(4) Improvement of non-life insurance business performance

As noted in (2) Expansion of policy transfer business, the number of non-life insurance policy transfers agreed to has risen significantly in 2Q. Sales employees specializing in non-life insurance are in charge of handling customers for transferred policies. Therefore, the Company can maintain a high policy renewal rate and acquire new policies, contributing to increased net sales and profit.

In the future, the Company expects future increases in non-life insurance policy transfers. Therefore, it is increasing the number of sales employees specializing in non-life insurance to strengthen service as it reinforces its follow-up structure.

In this first six months, the Company expanded the handling of non-life insurance companies as it worked toward full deployment of the “direct-type automobile insurance business” in which the Company serves as an agent for insurance solicitation. Automobile insurance has the higher share of insurance premiums for any type of insurance in the non-life insurance market (Source: The General Insurance Association of Japan: https://www.sonpo.or.jp/). Since these are renewable policies, steady renewal processing fees can be expected. Also, expanding the range of Company services is expected to lead to the acquisition of a new customer base. The Company expects further increases to net sales and profit through additional policies of non-life insurance for these new customer bases and cross-selling of life insurance policies, etc.

In 2Q, the Company achieved steady acquisition of non-face-to-face completion potential insurance policy customers through the Non-life Insurance Sales Department’s Direct Center Section as part of the foundation building for performance growth.

(5) New business domains

In the IFA business, the system reforms for NISA have been positive as the pace of increase for the number of securities accounts and deposited assets balance has accelerated. The Company has increased awareness of the need for asset formation toward old age through financial planning. It gives explanations about financial products such as investment trusts, etc. as a method besides insurance. The Company will continue to promote the acquisition of registered sales representatives qualifications for sales employees, expand the range of nationwide sales employee proposals, and take efforts to further expand the sales network.

Also, the advertising business, which began in February 2023, received additional orders for existing contracts from two companies in 2Q of this fiscal year. As of the end of May 2024, advertisements for all five companies were displayed. By posting advertisements in Money Doctor Premier stores inside commercial facilities that attract many customers, companies advertising have been happy with the results as these efforts lead to brand awareness with many of the facility users.

In the education business, we began the nationwide operation of our Money School financial education program for employees belonging to companies. From April 2024, the Company began providing opportunities for systematic learning for school staff at one public high school in Hokkaido as well as services to one medical institution that implemented defined contribution pensions (401K) as part of financial education for employees. In the future, the Company plans to provide opportunities for employees to experience financial education through Money School and contribute to improved financial literacy of Japan.

Also. from December 2023, we began the nationwide launch of the mortgage loan comparison and consideration service Mogecheck provided by MFS, Inc. Since the March 2024 reversal of the Bank of Japan’s negative interest rate policy and rate increase announcement, there have been more inquiries about housing loans. Mogecheck has been well-received due to being very convenient. During the first six months of the current fiscal year, 359 customers used this service.

Segment information is omitted because the Company operates in a single segment of insurance agency business.

(2) Explanation of financial position

1. Assets, liabilities, and net assets

(Current assets)

Current assets as of May 31, 2024 totaled 11,797,310 thousand yen (14,311,011 thousand yen as of November 30, 2023), a decrease of 2,513,701 thousand yen. The main factor was a decrease in cash and deposits due to the purchase of treasury shares and payment of dividends.

(Non-current assets)

Non-current assets as of May 31, 2024 totaled 6,631,989 thousand yen (4,839,471 thousand yen as of November 30, 2023), an increase of 1,792,518 thousand yen. The main factor was an increase in buildings and land due to the acquisition of a Company building.

(Current liabilities)

Current liabilities as of May 31, 2024 totaled 6,130,792 thousand yen (5,666,280 thousand yen as of November 30, 2023), an increase of 464,511 thousand yen. The main factor was an increase in accounts payable - trade due to factors including compensation for canvassers.

(Non-current liabilities)

Non-current liabilities as of May 31, 2024 totaled 844,201 thousand yen (836,724 thousand yen as of November 30, 2023), an increase of 7,476 thousand yen. The main factor was an increase in asset retirement obligations after expanding sites, despite the decrease in long-term borrowings due to repayments.

(Net assets)

Net assets as of May 31, 2024 totaled 11,454,306 thousand yen (12,647,478 thousand yen as of November 30, 2023), a decrease of 1,193,171 thousand yen. The main factors were the purchase of treasury shares and payment of dividends.

2. Status of cash flows

Cash and cash equivalents at the end of the first half of the current fiscal year decreased 2,797,876 thousand yen from the end of the previous fiscal year to 9,162,316 thousand yen.

The status of cash flows at the end of the first half of the current fiscal year is as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 1,822,699 thousand yen (1,260,970 thousand yen provided in the same period of the previous year). The main factors were net income before income taxes of 2,751,282 thousand yen and income taxes paid of 1,115,738 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities totaled 1,516,333 thousand yen (377,645 thousand yen used in the same period of the previous year). The main factor was 1,293,114 thousand yen used for the purchase of non-current assets.

(Cash flows from financing activities)

Net cash used in financing activities totaled 3,104,242 thousand yen (- thousand yen in the same period of the previous year). The main factors were 1,001,750 thousand yen used for the purchase of treasury shares and 2,086,872 thousand yen in the payment of dividends.

(3) Explanation of earnings forecasts and other forward-looking information

Operating profit, ordinary profit, and net income of the Company during 1H fell below the 1H company forecasts in the Financial Results for the Fiscal Year Ended November 30, 2023 [Japan GAAP] (non-consolidated) on January 15, 2024. This was due to cost of sales increasing more than expected after the Company increased the remuneration rate of sales employees to achieve a salary that exceeded the increases of cost of goods. Also, this result was impacted by sales of highly profitable level payment insurance products falling below expectations, despite the number of new policies for foreign currency-denominated lump-sum payment products growing steadily. However, net sales in 1H proceeded at a pace above the full-year earnings forecast for the fiscal year ending November 30, 2024. Sales results of level payment insurance products at the time of the publication of this report were trending up. Due to these reasons, there are no changes to the earnings forecast for the fiscal year ending November 30, 2024.

2. Quarterly financial statements and major notes

(1) Quarterly balance sheet

(Unit: Thousands of yen)

	Previous fiscal year (November 30, 2023)	Current 2Q accounting period (May 31, 2024)
Assets		
Current assets		
Cash and deposits	11,960,192	9,162,316
Accounts receivable - trade	1,776,036	1,826,865
Supplies	12,870	15,422
Other	561,912	792,706
Total current assets	14,311,011	11,797,310
Non-current assets		
Property, plant and equipment		
Buildings, net	1,024,989	1,605,109
Land	1,827,402	2,338,751
Other, net	229,081	551,089
Total property, plant and equipment	3,081,472	4,494,951
Intangible assets	527,163	643,456
Investments and other assets	1,230,835	1,493,582
Total non-current assets	4,839,471	6,631,989
Total assets	19,150,483	18,429,299

(Unit: Thousands of yen)

	Previous fiscal year (November 30, 2023)	Current 2Q accounting period (May 31, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	2,354,504	2,643,484
Current portion of long-term borrowings	53,640	53,640
Income taxes payable	1,114,954	959,610
Provision for bonuses	-	59,394
Provision for loss on litigation	390	390
Refund liabilities	528,326	597,071
Asset retirement obligations	4,923	11,665
Other	1,609,540	1,805,534
Total current liabilities	5,666,280	6,130,792
Non-current liabilities		
Long-term borrowings	590,940	564,120
Asset retirement obligations	245,175	274,292
Other	609	5,788
Total non-current liabilities	836,724	844,201
Total liabilities	6,503,004	6,974,993
Net assets		
Shareholders' equity		
Share capital	1,913,229	1,918,969
Capital surplus		
Legal capital surplus	1,813,229	1,818,969
Other capital surplus	3,000	8,092
Total capital surplus	1,816,229	1,827,061
Retained earnings		
Other retained earnings		
Retained earnings brought forward	8,912,806	8,677,598
Total retained earnings	8,912,806	8,677,598
Treasury shares	(277)	(974,532)
Total shareholders' equity	12,641,987	11,449,095
Share acquisition rights	5,491	5,211
Total net assets	12,647,478	11,454,306
Total liabilities and net assets	19,150,483	18,429,299

(2) Quarterly income statement

Six months ended May 31

(Unit: Thousands of yen)

	Six months ended May 31, 2023 (December 1, 2022 to May 31, 2023)	Six months ended May 31, 2024 (December 1, 2023 to May 31, 2024)
Net sales	14,576,006	17,140,373
Cost of sales	9,024,190	11,089,202
Gross profit	5,551,816	6,051,171
Selling, general and administrative expenses		
Advertising expenses	609,397	682,235
Salaries and allowances	653,074	797,548
Provision for bonuses	34,254	-
Other	1,560,832	1,883,668
Total selling, general and administrative expenses	2,857,560	3,363,452
Operating profit	2,694,256	2,687,719
Non-operating income		
Interest income	39	52
Outsourcing service income	86,954	60,000
Other	17,431	12,779
Total non-operating income	104,425	72,831
Non-operating expenses		
Interest expenses	1,322	1,439
Loss on cancellation of leases	1,919	3,440
Loss on retirement of non-current assets	16,815	-
Commission expenses	-	1,996
Compensation expenses	-	2,376
Other	1,266	15
Total non-operating expenses	21,324	9,269
Ordinary profit	2,777,357	2,751,282
Profit before income taxes	2,777,357	2,751,282
Income taxes	1,068,245	899,618
Profit	1,709,112	1,851,663

(3) Quarterly statement of cash flows

(Unit: Thousands of yen)

	Six months ended May 31, 2023 (December 1, 2022 to May 31, 2023)	Six months ended May 31, 2024 (December 1, 2023 to May 31, 2024)
Cash flows from operating activities		
Profit before income taxes	2,777,357	2,751,282
Depreciation	149,328	176,619
Other loss (gain)	-	770
Increase (decrease) in provisions	34,645	59,394
Interest and dividend income	(39)	(52)
Interest expenses	1,322	1,439
Compensation expenses	-	2,376
Commission for purchase of treasury shares	-	1,993
Loss (gain) on sale and retirement of non-current assets	16,815	-
Decrease (increase) in trade receivables	(677,147)	(50,828)
Decrease (increase) in inventories	(14,419)	(2,552)
Increase (decrease) in trade payables	44,137	288,980
Increase (decrease) in accrued consumption taxes	(105,773)	(167,693)
Decrease (increase) in other assets	(34,803)	(537,421)
Increase (decrease) in other liabilities	324,391	417,894
Subtotal	2,515,814	2,942,202
Interest and dividends received	39	52
Interest paid	(1,322)	(1,439)
Compensation expenses paid	-	(2,376)
Income taxes paid	(1,253,561)	(1,115,738)
Net cash provided by (used in) operating activities	1,260,970	1,822,699
Cash flows from investing activities		
Purchase of non-current assets	(356,609)	(1,293,114)
Payments for asset retirement obligations	(1,796)	-
Purchase of shares of non-consolidated subsidiaries	-	(132,420)
Payments of leasehold and guarantee deposits	(49,878)	(95,978)
Proceeds from refund of leasehold and guarantee deposits	30,639	-
Refund of guarantee deposits received	-	(2,678)
Guarantee deposits received	-	7,858
Net cash provided by (used in) investing activities	(377,645)	(1,516,333)
Cash flows from financing activities		
Repayments of long-term borrowings	-	(26,820)
Purchase of treasury shares	-	(1,001,750)
Dividends paid	-	(2,086,872)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	-	11,200
Net cash provided by (used in) financing activities	-	(3,104,242)
Effect of exchange rate change on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	883,324	(2,797,876)
Cash and cash equivalents at beginning of period	8,848,786	11,960,192
Cash and cash equivalents at end of period	9,732,110	9,162,316

(4) Notes to quarterly financial statements

(Notes to going concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Based on the resolution of the Board of Directors meeting held on January 15, 2024, the Company acquired 176,300 shares of treasury shares.

Based on the resolution of the Board of Directors meeting held on February 28, 2024, the Company disposed of 4,499 shares of treasury shares for restricted stock compensation for Directors.

As a result, treasury shares increased by 974,255 thousand yen and capital surplus increased by 5,092 thousand yen during the first six months of the current fiscal year. At the end of the first half of the current fiscal year, treasury shares amounted to 974,532 thousand yen and capital surplus amounted to 1,827,061 thousand yen.

(Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements)

(Calculation of tax expenses)

Tax expenses are calculated by reasonably estimating the effective tax rate after applying tax effect accounting to net income before income taxes for the fiscal year, including the second quarter under review, and multiplying net income before income taxes for the quarter by said estimated effective tax rate. However, in cases where calculating tax expenses using the estimated effective tax rate would significantly lack rationality, the statutory effective tax rate is used.

(Segment information, etc.)

[Segment information]

Segment information is omitted because the Company's sole reporting segment is insurance agency business.

(Revenue recognition)

The following is a breakdown of the Company's revenue from contracts with customers.

(Unit: Thousands of yen)

	Six months ended May 31, 2023 (December 1, 2022 to May 31, 2023)	Six months ended May 31, 2024 (December 1, 2023 to May 31, 2024)
Net sales		
Life insurance agency business	13,880,624	16,401,156
Non-life insurance agency business	629,555	551,290
Other business	65,826	178,008
Revenue from contracts with customers	14,576,006	17,130,455
Other revenue	-	9,918
Net sales to external customers	14,576,006	17,140,373

(Significant subsequent events)

At the Board of Directors meeting held on July 16, 2024, the Company passed a resolution regarding the acquisition of treasury shares based on the provisions of Article 156 of the Companies Act adopted based on a reinterpretation of the provisions of Article 165, paragraph (3) of the same act (Acquisition of Shares by Market Transactions). The Company also passed a resolution to retire treasury shares as follows, based on the provisions of Article 178 of the Companies Act.

(1) Reasons for share buybacks

The Company acquires treasury shares to enhance returns to shareholders and improve capital efficiency, as well as enable an agile capital policy that can respond the changes in the business environment.

(2) Details of matters related to acquisition

(i) Class of shares to be acquired: Common shares of the Company

(ii) Total number of shares to be acquired: 333,000 shares (maximum)

(Ratio to the total number of shares issued (excluding treasury shares): 1.44%)

(iii) Total share acquisition price: 1 billion yen (maximum)

(iv) Acquisition period: From July 17, 2024 to August 16, 2024

(v) Acquisition method: Market purchase on the Tokyo Stock Exchange

(3) Details of matters related to retirement

(i) Class of shares to be retired: Common shares of the Company

(ii) Total number of shares to be retired: All treasury shares acquired by (2) above

(iii) Planned date for retirement: August 30, 2024