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A Collection of Questions and Answers Concerning the Financial Results for the Six Months Ended May 31, 2024

The Company has collected together anticipated questions concerning the financial results for the six months ended May 31, 2024, inquiries and feedback that we have received to date from shareholders and investors, and answers from the Company. This information is provided below.

This disclosure is implemented voluntarily by the Company for the purpose of further deepening the understanding of market participants.

Some content and expressions have been revised or amended with the aim of making this information easier to understand.

Q. Was there any contact by the Financial Services Agency regarding this magazine report? If there was, what hearings were held?

A. The Company has regular communication with this agency. In this, a hearing was held to confirm the facts related to the details of this article. This was the final week of June. The details of the hearing were mainly about comparative recommendation sales. In accordance with the sales portfolio, we disclosed in a timely fashion on June 19, the Company does not conduct sales favoring specific insurance companies. We also clarified the comparative recommendation sales process that aims to select and sell products that prioritize customer interests.

Q. You disclosed that there was “no illegality” in your acts, but has that any illegality been identified?

A. As of now, we have not received any such claims in hearings. The Company is under the understanding that there has been no illegality in any acts. In the future, the Company will continue to comply with laws and regulations and take care to perform operations in accordance with the instructions of this agency.

Q. In the article, there is comment from a person related to the Financial Services Agency. Was there any kind of exchange?

A. The Company is under the understanding that a person who would make such a comment does not exist in the Financial Services Agency. Therefore, no exchange took place.
Previously, the non-life insurance expert conference and insurance monitoring report from the Financial Services Agency was released, referencing matters related to future industry trends. We understand this as a very important direction in executing services for customers.
The Company recognizes we have performed proper operations according to rules. By continuing to operate in accordance with instructions from the agency, we will become a company even more trusted by customers and there will be a positive impact on results.

Q. In your 1Q briefing, you raised compensation for canvassers as an initiative, but what was the impact in 2Q? Will this impact continue in the future?

A. There was a cumulative impact of approximately 500 million yen until 2Q. This will continue in the future because we have no plans to lower the compensation payment rate.

Q. You explained that the balance between the impact of canvasser compensation and profit had crumbled. What do you think will happen in the future?

A. In 2H, we expect to increase the business quality support fee and steadily acquire new policies from highly profitable in-house customer attraction and policy transfers. Therefore, the balance with profit will improve.
There was a strong need for foreign currency-denominated lump-sum payment products due to the impact of recent weaker yen and US interest rates. However, we are currently performing higher quality FP consultations by proposing long-term dispersed investments as latent needs through financial planning. In June, we reported record high new policies, but highly profitable long-term dispersed investment products also achieved record high results. Therefore, we expect to both improve profit margin and increase sales.

Q. Please tell us about your performance progress and expectations for achieving the full-year forecasts.

A. Net sales are proceeding well against full-year forecasts. Due to this, it is possible to achieve the full-year forecast if improvements can be made to operating profit margin.

Q. In 2H, you planned to catch up by strengthening the sales structure. How much of an effect do you expect?

A. We strengthened the Sales Headquarters structure and promoted eight Branch Managers to Operating Officers. This led to record high results in June by taking efforts to improve the quality of financial planning in each sales site, primarily through newly appointed Operating Officers. We feel

the Company has a bright future as we are confident we can achieve the full-year forecasts. We expect medium-to-long-term effects instead of short-term ones through improved FP consultation quality, stronger education, and higher customer satisfaction as a result of this.

Q. In 1H results, you achieved the forecast for net sales but were unable to for profit. Was the increase in employee remuneration rates the cause? Or was it worsening of the sales mix? Which factor was most important?

A. The largest factor was that the increase in handling of foreign currency-denominated lump-sum payment products created changes to the sales portfolio, reducing the business quality support fee and lowering the gross profit margin. We were unable to cover these decreases by increasing business quality support fee in 2Q alone.

Q. Business quality support fees were one month worth in 1Q and six months worth in 2Q. How much of a positive effect do you expect?

A. The increase in business quality support fees itself and the effects of sales initiatives are expected to be around 500 million yen in 2H based on a calculation that compares with the results of previous fiscal year. New policies are currently growing, so this is expected to have an impact of 500 million yen or more.

Q. When the magazine article was published, there was a comment that legal action may be considered. However, since there was no damage to KPIs and the Financial Services Agency has not lodged any complaints, please tell us about your thinking on this issue.

A. Through hearings, no infractions on laws or regulations were found as of now. Therefore, there has been no impact on customers, the market or customer acquisition, or on KPIs. We are currently discussing legal action with attorneys, including the impact on stock price.

Q. If you are somehow unable to achieve the full-year forecasts, are you considering a decrease of the dividend to coordinate with payout ratio?

A. We expect to achieve full-year forecasts.
Regarding dividends, the initial plan would have no issues in terms of cash flow. Therefore, we intend to issue dividends in the amount forecast or more, regardless of results.
In the future, we also plan to increase the dividend and continuously return surplus to shareholders. If possible, we would like to increase dividend by adding profit on top.

Q. You receive dividends from au Financial Partner. Is this temporary, or do you expect for this to be ongoing in the future?

A. In 2020, we established au Financial Partner as a joint venture. This company has seen higher sales and profit for three consecutive years. As there are expectations that the market may double

in the future, dividends would also increase. In the future, we will cooperate with the au Financial Partner business in order to further improve results.

Q. Regarding the effects of in-house customer attraction, please tell us 1H results and your future expectations.

A. In 1H of the previous year, in-house customer attraction made up 10.8%, but this figure grew to 13.3% in 1H of this fiscal year.
In just 2Q of this year, it reached 14.5%.
Not only do net sales double due to policy transfers and in-house customer acquisition, but profit margin also increases three to four times. Therefore, it has an extremely large impact in the improvement of Company profit margin in the future. Due to this, we would like to continue to focus efforts for these measures.

Q. The yen weakened to the point of reaching 160 yen per US dollar once. Is there an impact on lump-sum foreign-currency product sales?

A. The weakening of the yen in foreign exchange markets does not have a large impact. Lump-sum foreign-currency products will be sold in 3Q as well to meet customer needs, but long-term dispersed investment sales is also increasing due to the effects of stronger Sales Headquarters structure, so we are able to balance both products. Therefore, there is no direct impact of weaker yen on Company results.

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