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

The Company has collected together anticipated questions, inquiries, and feedback that we have received to date from shareholders and investors, and answers from the Company concerning the financial results for the nine months ended August 31, 2024. 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. What is the dividend outlook for the next fiscal year and beyond?

A. Since our founding, we have been working on cash flow management to secure stable free cash flow. Our policy is a dividend payout ratio of 45%, and we aim to continue providing stable dividends while maintaining this payout ratio going forward.

Q. There is an article saying that your company has been asked to report by the Financial Services Agency. Is this true? If this is true, what is the schedule like?

A. We would like to refrain from commenting on this matter as we are in an ongoing dialogue with authorities.

Q. Recent reports have said that there will be stricter controls and guidance for large insurance agencies. How would this impact your business model?

A. When the Insurance Business Act was revised in 2016, we focused on strengthening our systems over time by investing in human resources and funding. These efforts were aimed at securing customer interests, and they led to our IPO and listing on the Prime Market as a result. We believe that the strengthening of regulations in the future will actually be a tailwind for the Company. We will

continue to strengthen our systems as a leading company in the industry, and work to exceed the required standards.

Q. It seems like the number of new hires is decreasing this fiscal year. What is the background behind this?

A. The number of applicants has doubled since before we were listed. In addition, since our Prime listing, we began selecting candidates more rigorously in terms of compliance and understanding of the Company, and the productivity of new hires has improved as a result. The current pace of hiring is on track with our plan, and we will continue to carefully select new employees aimed at improving productivity, with the goal of hiring 700 employees per year.

Q. Regarding the business quality support fee, has the expected rate increase progressed as planned?

A. Progress in the 3Q has been in line with expectations. However, there are still some areas where further improvement efforts are not sufficient at this time, such as increasing the rate of the business quality support fee. We will work to strengthen these efforts going forward and aim for an increase in the business quality support fee.

Q. Regarding the medium-term profit outlook, could you explain the downward revision of the three-year rolling business plan?

A. We are currently considering the medium-term business plan. Although there have been delays this fiscal year, since the scale of operating profit is around 700 million yen, we will formulate a plan to absorb the impact as much as possible. We will provide a detailed medium-term business plan based on the rolling plan at the next announcement of financial results.

Q. Compared to the 2Q, net sales, operating profit, and the first-year commission increased in the 3Q. However, it seems there hasn't been much change in the number of level-payment product sales and new policies. Were there any special factor causing this?

A. In the 3Q, net sales reached a record high, and profits recovered in line with the budget. In particular, the new policy amount for foreign currency-denominated lump-sum payment products greatly exceeded the previous record, which contributed to a significant increase in net sales. Although the number of level-payment products decreased slightly compared to the 2Q, the number of policies reached an all-time high for a 3Q period. Overall, the recovery is going extremely smoothly, and growth can also be seen compared to the same period of the previous year. This growth is contributing to an increase in the business quality support fee and profit growth. We expect to be able to maintain this profit margin in the fourth quarter and beyond.

Q. Is the reason for the planned decrease in profit in the 4Q compared to the 3Q due to the net

sales forecast being left unchanged, or is there some special factor in the 3Q?

A. We are forecasting a reduction in profit by around 150 million yen compared to the 3Q in the 4Q. This is due to an anticipated increase of about 100 million yen in social insurance premiums caused from the higher-than-expected income of new hires, as well as over 50 million yen in the advertising business expected in the 4Q.

Q. How is the speed for the process from policy transfers to new policy acquisition?

A. The biggest challenge with policy transfers is that the transfer procedure takes several months, and then it takes even longer to acquire new policies. However, we have begun to see positive results based on the foundation of 50,000 policies from the previous fiscal year, and we are making progress in securing profits rather than focusing solely on net sales. We expect this foundation to grow to a number that includes 80,000 policies expected to be agreed upon this fiscal year.

It should be noted that policy transfers have not been significantly reflected in the customers attracted on our own for the 3Q. Although the appointments for policy transfers using our call center are included in customers attracted on our own, because we assign a sales representative to every case, visits and other contacts from the sales representative are not included in customers attracted on our own. The number of policy transfers is many times larger than the customers attracted on our own, and we aim to bring the total number of policy transfers and the total number of customers attracted from partner companies and customers attracted on our own to the same level in the future. We expect our profit margin to be significantly higher than it is now as a result.

Q. Could you provide more details on the downward revision of this profit forecast for this fiscal year?

A. In our forecast announced in the 2Q, we believed that the rate increase for the business quality support fee would absorb the impact of the increase in sales employee remuneration rate. The increase in sales employee remuneration rate was originally budgeted with lower levels set for the first half and higher levels for the second half of the fiscal year. Although the business quality support fee rate increased, there is no business quality support fee for most lump-sum payment products.

The number of new policies for level-payment products, which a business quality support fee is provided for, is recovering. Although we expected stronger results in the 3Q based on the number of sales employees and current sales capacity, we ended up revising the forecast downward. We have now started new initiatives to improve the productivity of each and every employees and to provide training for new hires. We will ensure that these initiatives are reflected in our results and we achieve our targets in the next fiscal year.

Q. It was mentioned that the downward profit revision is due to temporary factors. However, I don't think that temporary factors alone can explain the fact that level-payment product sales have not grown as expected. What are your thoughts on this?

A. When we mentioned temporary factors, we were referring to the large growth in foreign currency-denominated lump-sum payment products in the 3Q, driven by the explosive sales of targeted foreign currency-denominated products. There is demand from customers to use the funds from target-type insurance policies with confirmed profits to purchase new target-type insurance policies, and we acquired more policies for lump-sum payment products in the 3Q than we had expected. Currently, in addition to lump-sum payment products, customers who also want to purchase level-payment variable insurance and foreign currency-denominated insurance are increasing. It is quite common for needs to change from lump-sum payment products to level-payment products. We are also strengthening our efforts to communicate the benefits of long-term dispersed investment to customers. In light of the downward revision for the current fiscal year, we will carefully consider the plan for next fiscal year while taking into account these changes.

Q. There were talks of potential litigation with a magazine company at one time. Can you tell us about your communication with the magazine company and whether there have been any changes in the situation?

A. As stated before, there have been no legal violations. However, it is true that certain business practices in the insurance industry are being called into question. We are currently in the process of confirming the truth and validity of the claims being made. Although there may have been expressions that led to misunderstandings for some people, we would like to prove that our management system is legitimate. For this reason, we have been keeping some distance from this magazine company.

Q. Do you think it will take a long time to resolve the issues with the Financial Services Agency?

A. Measures such as monitoring have already been announced in the non-life insurance industry. We have also heard talks regarding monitoring being introduced in the life insurance industry, so we think that it will not take too long to resolve this matter.

Q. What is the impact of the change in commission payments for foreign currency-denominated lump-sum payment products on your business plan and dividends?

A. We have heard that talks are currently underway regarding the pros and cons of target-type insurance, including foreign currency-denominated lump-sum payment products. We expect that the impact of this on our business plan will be minimal. Since the business quality support fee does not cover these products, there is almost no impact on our profits, so even if net sales of foreign currency-denominated lump-sum payment products decrease from the current amount, there will be no effect on dividends or shareholder returns.

Q. The 3Q net sales are projected at 9,841 million yen, and the 4Q net sales are forecasted at 8,645 million yen. What is the reason behind this?

A. In the 3Q, there were more new policies for lump-sum payment products than had been expected. More than half of the fourth quarter has already passed, and we expect a significant reduction in new policy growth due to the extremely low achievement of targets for target-type insurance. As a result, commissions from foreign currency-denominated lump-sum payment products are expected to decrease. However, we expect an increase in commissions from level-payment products, which should lead to a significant shift in the mix of the products sold in the 4Q.

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