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January 22, 2025

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A collection of questions and answers concerning the financial results for the fiscal year ended November 30, 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 fiscal year ended November 30, 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. Could you tell us as much as possible about the current status of the Financial Services Agency's inspection as covered in the media?

A. We would like to refrain from commenting regarding the media coverage on the Financial Services Agency's inspection.

Q. The previous fiscal year ended with a decrease in net income. How do you view the impact of the media coverage on this?

A. The media coverage had an impact on the company's performance in the 4Q, particularly on operating activities in August to October, which came immediately after the media coverage in some weekly magazines. There were almost no complaints from customers or negative reactions from business partners to the media coverage. On the other hand, there was a psychological impact on sales employees in August to October, and there was a tendency to avoid planning for protection-related products, which require the stimulation of potential needs. As a result, sales of protection-related products decreased. We have started to approach customers again from 1Q of the current fiscal year who may have been given insufficient explanations about insurance coverage. Although the media coverage had a very significant impact on the company's performance in the previous fiscal year, we have taken measures in response and are now on the road to recovery.

Q. The IR materials mention that the reason for the decline in the business quality support fee is

the decrease in sales of high-margin products. What are these high-margin products, and why did their sales decrease?

A. Generally, protection-related products such as a life insurance and health insurance have a high business quality support fee rate, while lump-sum payment products tend to have a lower rate. In the previous fiscal year, business quality support fees decreased as a result of the significant growth in lump-sum payment products. To serve our customers better, it is necessary to plan for both lump-sum payment products and protection-related products to prepare for contingencies. However, as mentioned earlier, the media coverage led to a decline in sales of high-margin protection-related products from August to October. We have already made progress in proposing these products again this fiscal year, so we consider the decline in high-margin product sales to be a temporary and short-term factor.

Q. What is your outlook for future business performance?

A. Among the approximately 20 years of our company's operations, the previous fiscal year was a challenging plateau year. Rather than aiming for a recovery to the level of two fiscal years ago, we have created a plan to achieve profits exceeding that level. The current fiscal year is one of transition, so the plan is slightly conservative. We will work to restore the trust of our investors by aiming to achieve figures that exceed this plan.

Q. You have changed the dividend policy and announced the introduction of a progressive dividend. Could you share your approach to dividends?

A. We consider ourselves a company capable of balancing shareholder returns and growth investments due to our abundant free cash flow and recurring income. Although we previously set a dividend payout ratio of 45% as a guideline, the actual ratios were 52% two fiscal years ago and 54% in the previous fiscal year. We aim to continue progressive dividends for decades to come and have announced the continuation of progressive dividends irrespective of the dividend payout ratio guideline to clearly communicate this commitment externally.

Q. The financial results materials include an explanation of capital allocation. Could you share your approach to capital allocation?

A. In the medium-term business plan announced along with the financial results, we set free cash flow (FCF) for the next three years at 12 billion yen. With cash on hand of 9 billion yen and additional borrowing capacity, we anticipate being able to increase cash flow by leveraging loans for investments that involve depreciation expenses. Using the creation of this medium-term business plan as a milestone, we have demonstrated our commitment to balancing shareholder returns and growth investments.

Q. This fiscal year, you plan a 13% increase in sales compared to last year. However, your hiring

plan limits the increase in sales employees to 8% with 700 recruits. Can you achieve the 13% sales growth with this hiring plan?

A. During the previous fiscal year, we had a succession of high-performing human resources from the insurance industry join the company, so we expect to see an improvement in productivity in the current fiscal year. With the listing in September 2022, we are now able to hire high-quality human resources that we were unable to hire before the listing. Because the employee turnover rate is in the single digits and the ratio of highly productive employees is increasing as underperformers are departing, we believe that we will be able to achieve the sales forecast in this hiring plan. In addition, recently we have been able to steadily increase our annual sales by at least 5 billion yen, and as there are no factors that would hinder an increase in sales this year, we expect to be able to increase sales by at least 5 billion yen.

Q. The operating margin for the previous fiscal year was 15%, and a slight increase is planned YoY for the current fiscal year. Do you believe that increasing policy transfers and level-payment products will boost the profit margin?

A. During the previous fiscal year, the operating margin declined to 15% due to changes in the sales and product mix. As we proceed with reforms this fiscal year, we anticipate a recovery in the operating margin. However, a substantial improvement in the profit margins will take about a year. Accordingly, our profit margin forecast for the current fiscal year is conservative. We expect a significant improvement in the profit margin in the future as policy transfers progress.

Q. You say you will be focusing more on policy transfers. What are your prospects for the future?

A. This is the fifth year of policy transfers. In the previous term, we achieved policy transfers agreed to of 94,000 policies, which was far more than the target. We anticipate additional policies stemming from these transfers. In addition to insurance agencies that are going out of business, we are also receiving more inquiries from listed companies that want us to buy just their insurance departments. Although there is a lot of media coverage about the restructuring of insurance agencies, as the standards for the required structure become more stringent, the number of companies going out of business is also expected to increase, so despite being an external factor, we are in a situation where there are tailwinds. In addition, after a policy transfer, we always assign a financial planner to take over the role. As a result, new policies are starting to come in with a high degree of accuracy, and we expect this to lead to an increase in the profit margin. If we can attract 140,000 customers from partner companies and 150,000 to 200,000 customers from policy transfers in the future, our profit margin will also increase. For this reason, we believe that policy transfers will become a pillar of our company.

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