Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

January 22, 2024

Company name FP Partner Inc.
Name of Representative Representative Director and President
Tsutomu Kuroki
(Securities Code: 7388, Tokyo Stock Exchange Prime Market)
Inquiries Senior Managing Director and General Manager of
Corporate Planning Department
Katsuyuki Tanaka
TEL. +81-3-6801-8278 (Department direct line)

A collection of questions and answers concerning the financial results for the fiscal year ended November 30, 2023

The Company has collected together anticipated questions concerning the financial results for the fiscal year ended November 30, 2023, inquiries and feedback that we have received to date from people such as shareholders and investors, and answers from the Company. This information is provided below.

In addition, 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 please tell us again about the response so far to policy transfer and M&A, and also their future direction?

A. Almost three years have passed since we started the policy transfer business. The number of policy transfers agreements has reached 50 thousand in the previous fiscal year alone. Not only have we obtained ongoing commissions and new customers, but we have also created a scheme to switch insurance products and add new policies. This will significantly improve the profit margin. The annual appointments from partner companies is 130 thousand so if we take this as an indicator and increase it, it is expected to become the Company's main market. We have also received a great deal of proposals concerning M&A, which we were unable to implement during the listing application period. We would like to proactively perform M&A in the future when both parties' intentions are aligned and a significant synergistic effect is expected.

Q. Could you please explain about the background and reason why both the operating margin and net income ratio increased by a significant amount?

A. The Company achieved a significant increase in its profit margin during the previous fiscal year. However, we are still in the process of making improvements and there are factors that indicate significant growth is yet to come. The profit margin for acquiring in-house customers and adding or switching policies for policy transfer is different than the profit margin for acquiring partner company customers. It has a small contribution towards sales but contributes significantly towards profit, and the more that we acquire in-house customers and the more progress we make with policies through policy transfer, the more this will lead to improving our profit margin. The fact that we achieved the operating margin of 18% that we were aiming for last year greatly boosted our confidence, so we are now aiming for the target of an operating margin in the range of 25-30% in the future.

Q. For the revised business plan values on page 47 of the briefing materials, it states that while the review of net sales has not changed significantly, the perspective on gross profit has risen. Could you please explain about the background for this situation, and also tell us about the results of the advertising business as part of the net sales and the future growth forecast for the advertising business?

A. The business plan values show that the profit margin for net sales has improved. There was an increase in areas of sales equal to profit from such as in-house customer acquisition, policy transfer additions, and the advertising business, which enabled us to significantly improve the profit margin. Furthermore, the listing effect played a significant factor in being able to create additional sales. The advertising business for the full year achieved just under 200 million yen, which is a profit margin on sales of about 0.6%. However, we are aiming to double this figure at over 400 million yen in the fiscal year ending November 30, 2024. Therefore, the impact on the profit margin will be 1% or higher.

Q. It was decided to implement share buybacks for shareholder returns. Could you explain about the background for this situation and whether you will consider share buybacks in the future?

A. The Company wants to proactively return profit to shareholders without hindering growth. We have set the amount to 90 yen per share after combining the dividend payout ratio guideline of 45% with the profit in the budget for the increased year-end dividend. Since there is substantial cash flow that accumulated over this yearly period, the current share buyback has been set to a maximum of 1 billion yen (0.86% of the total number of shares issued by the Company). We intend to continue implementing this in the future dependent upon both the scale and timing.

Q. When looking at the net sales for each quarter, the YoY change for the fourth quarter has increased by approximately 11%. Until now, this has increased by approximately 20% so it appears to have slowed down. Could you please explain this?

A. Level-premium payment and lump-sum payment are available in the insurance products. The Company has seen significant growth in variable life insurance and foreign currency-denominated insurance lump-sum payment due to the trend of moving savings to investment. In the third quarter, as a result of customers actively switching to lump-sum payment products due to the combination of the depreciated yen and US interest rates peaking, life insurance commissions increased from a record high figure by more than 1 billion yen. In the fourth quarter, the increase in lump-sum payment stabilized and level-premium payment is increasing. In contrast with the low commission rate for lump-sum payment, level-premium payment is a monetary amount that includes stock income, and will make steady and effective contributions to the next fiscal year. Therefore, the Company does not think the situation has slowed down.

Q. Operating income for the fourth quarter is less than 1 billion yen. Is this due to the pressure of performance bonuses or other costs as was the case in the fourth quarter of the fiscal year ended November 30, 2022? Could you please explain the drop in the profit margin, including the amounts?

A. We continued to pay year-end bonuses in the fiscal year ended November 30, 2023, as was the case in the fiscal year ended November 30, 2022. This was just under 300 million yen so reduced operating income. The fourth quarter was considerably more profitable than the November 2022 period. This is the difference in the amount of year-end bonus. There were no major factors, and there is a sense of security towards the end of the year because of the significant figure increases in the third quarter. The fourth quarter was a period of normal operation.

Q. The operating margin forecast for the fiscal year ending November 30, 2024 is 18.9%, and it appears that you are holding back on this forecast because by comparison the previous year was 18.2%. Could you please explain whether there are any cost increase factors or negative factors?

A. A year and three months have passed since the listing, and although we are experiencing the listing effect, we want to create a foundation that will lead to even greater progress of this listing effect. Taking the current fiscal year as the foundation year for three years, we will continue to work on improving the profit margin in the future. First we will start from here and would like to implement upward revision as long as we can continue to improve in the November 2024 period as we did during the previous fiscal year. We would also like to invest in hiring and M&A if possible. However, we do not consider this to be such a significant expense. Based on our current situation, we would like to focus on implementing investments that are expected to result in organic growth rather than significant investments.

Q. Some insurance policies were transferred from Lifetime Consulting Corporation, a 100% subsidiary of ORIX Life Insurance Corporation. Could you please explain the future risks associated with this?

A. Some insurance policies were transferred for the first time to an agency from the subsidiary of a life insurance company. Policy transfer is not something that anyone can do as long as the expenses are paid. The Company has put a great deal of effort into developing the system for this business and making it difficult to be opted out by improving visibility. This has made significant impact. If we had decided to transfer insurance policies to an unknown agency, we believe that there would be a high probability of customers rejecting it. Among over 50 thousand policy transfers the Company has implemented so far, almost no customers have rejected the policy transfer. The insurance policies transferred from Lifetime Consulting Corporation extend throughout all 47 prefectures in Japan. No policy transfer can take place without a representative. The Company always assigns a representative for our customers from among the 2,300 sales employees enrolled throughout the 47 prefectures in Japan. This has the advantage of such as providing recognition for the Company’s name. Our impression is that this has finally flourished in its third year.

Q. Under “Hiring and education of sales employees” of the business plan values on page 50 of the briefing materials, it states that the number of hires is 700 people. However, the results for 2023 show this to be approximately 660 people. Could you please explain if your plan can be sufficiently achieved as the number of policy transfers increases in the future?

A. Our target for the November 2024 period is 700 people. We intend to greatly increase this number further during the next fiscal year and beyond. Also, this target does not include hires due to M&A so once we have made a decision on M&A in the future, this number will significantly surpass 700 people.

Q. With reference to the business plan values on page 46 of the briefing materials and comparing with the November 2024 period and November 2025 period, could you please explain the background for the significant growth rate of net sales for the November 2026 period?

A. Although this is a conservative view, we are in the first year of listing to the Tokyo Stock Exchange Prime Market so would like to create the foundations for solid growth in the November 2024 period, and then be proactive in paving the way for our IFA business and other business, not just the insurance business. As a result of this, we are expecting growth in other businesses besides the insurance agency business, which is our core business, in the November 2025 and 2026 periods. We will make every effort to ensure that we can further accelerate our plans with greater precision to achieve our target. However, we do not consider this in any way to be a major target.

Q. For sales of foreign currency-denominated lump-sum payment products, do the fluctuations in foreign exchange rates and stock market trends such as the Nikkei Stock Average have any effect on sales?

A. For foreign currency-denominated lump-sum payment, we can expect the sales volume to decrease if the yen appreciates in the foreign exchange market. Meanwhile, the sales volume of foreign currency-denominated insurance products with level-premium payment is expected to increase, and sales will contribute towards stock income and ongoing commissions so the expectations are high. Some variable insurances, such as lump-sum payment products, have their investment target linked to the stock market such as the Nikkei Stock Average. However, many customers choose investments such as global stock type investments. Very few of our customers choose their investment target to be only Japanese stocks and bonds. Investing in such as global bonds and stocks while incorporating Japanese stocks and bonds is a characteristics of lump-sum payment products. Therefore, we believe there is no need to worry about the stock market trends such as the Nikkei Stock Average.

End