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Non-consolidated Financial Results for the Three Months Ended February 29, 2024 (Under Japanese GAAP)

April 15, 2024

Company name: FP Partner Inc.

Listing: Tokyo Stock Exchange

Securities code: 7388

URL: <https://fpp.jp/>

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Scheduled date to file quarterly securities report: April 15, 2024

Scheduled date to commence dividend payments: –

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 three months ended February 29, 2024 (December 1, 2023 to February 29, 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	%
Three months ended February 29, 2024	8,332	13.3	1,362	(5.9)	1,394	(6.2)	938	2.6
Three months ended February 28, 2023	7,355	–	1,448	–	1,486	–	914	–

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended February 29, 2024	40.55	38.85
Three months ended February 28, 2023	39.78	37.68

(Notes) 1. As quarterly financial statements were not prepared for the three months ended February 28, 2022, year-on-year percentage changes for the three months ended February 28, 2023 are not shown.

2. 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 February 29, 2024	16,045	10,509	65.5
As of November 30, 2023	19,150	12,647	66.0

(Reference) Equity

As of February 29, 2024: 10,504 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	–				
Fiscal year ending November 30, 2024 (forecast)		45.00	–	47.00	92.00

(Note) Revisions to the forecast of cash dividends most recently announced: Yes

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

(Percentages indicate year-on-year changes for both full-year and quarters.)

	Net sales		Operating profit		Ordinary profit		Profit		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending May 31, 2024 (cumulative)	16,794	15.2	3,036	12.7	2,992	7.7	2,034	19.1	88.07
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 (3) Notes to quarterly financial statements (Adoption of accounting treatment specific to the preparation of quarterly non-consolidated financial statements)” on page 8 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)
- (ii) Number of treasury shares at the end of the period
- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

As of February 29, 2024	23,238,100 shares	As of November 30, 2023	23,187,600 shares
As of February 29, 2024	176,430 shares	As of November 30, 2023	130 shares
Three months ended February 29, 2024	23,144,048 shares	Three months ended February 28, 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

Operating results

During the first three months of the current fiscal year (December 1, 2023 to February 29, 2024), the Japanese economy continued to show a downward trend in personal consumption as consumers became thriftier in response to soaring prices (source: Business Conditions Survey for February 2024, Teikoku Databank, Ltd.). In terms of the future outlook, although a gradual recovery is expected to continue under the improving employment and income environment, there are still downside risks in the economy due to factors including the effects of global monetary tightening, and the situation requires continued close monitoring (source: Monthly Economic Report, February 2024, Cabinet Office).

On the other hand, there were positive factors such as the start of the new NISA system in January 2024 and the Nikkei Stock Average reaching a new all-time high in February for the first time in 34 years and 2 months, which raised expectations toward the revitalization of the economy in the future. Supported by the shift from savings to investment, the insurance industry continues to perform well with new policies for individual pension insurance and investment-type products increasing by 126.1% compared to the previous year (April 2023 to January 2024 cumulative) (source: The Life Insurance Association of Japan, "Life Insurance Business Overview," January 2024).

The Company's sales of 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 policies for products satisfying medical coverage needs has also increased.

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 three months of the current fiscal year were as follows: net sales of 8,332,892 thousand yen (up 13.3% year-on-year), operating profit of 1,362,866 thousand yen (down 5.9% year-on-year), ordinary profit of 1,394,273 thousand yen (down 6.2% year-on-year), and profit of 938,498 thousand yen (up 2.6% year-on-year).

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

(i) Enhancing the number and quality of sales employees

The number of new sales employee hires is progressing smoothly, and the number of new hires during the first three months of the current fiscal year totaled 196, bringing the total number of sales employees to 2,402 as of the end of February 2024.

With regard to sales employees, the Recruitment & HR Development Section as the division in charge of sales employees, is working to further increase the number of recruits by holding recruitment seminars in cooperation with each office and other measures to expand the community-based sales network.

In conjunction with measures to increase the number of sales employees, the Company is also focusing on increasing the number of prospective policy customers, and is making progress in developing new customers to visit, both in terms of attracting customers from partner companies and attracting customers on its own.

(ii) Expansion of policy transfer business and start of M&A activities

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.

During the first three months of the current fiscal year, in December 2023, the Company reached an agreement to accept the transfer of approximately 23,000 insurance policies held by Lifetime Consulting Corporation, a wholly-owned subsidiary of Orix Life Insurance Corporation. In January 2024, the Company also agreed to acquire all shares of the insurance agency Surprise Japan Company, Ltd., which was our first M&A.

This business is not only profitable through continuous fees from existing policies but also transferred customers, thereby realizing a solid profit gain.

(iii) Expansion of Money Doctor Premier business

In the first three months of the current fiscal year, we opened Money Doctor Premier Kitasenju Marui Store (Senju, Adachi-ku) on February 22, 2023, bringing the total number of Money Doctor Premier stores to 18. The number of bookings for store visits has been increasing, backed by steady number of customers attracted due to the penetration of the Money Doctor brand, and the number of applications for Premier online FP consultation has also remained steady.

We also held Money Doctor Premier Mobile Consultation Sessions to promote understanding aligned with the launch of the new NISA system. From January to February 2024, we held popup events in commercial facilities in Fukuoka, Osaka, and two other locations, which created new customer contact points. We will continue initiatives to hold such events in each region going forward.

(iv) Improvement of non-life insurance business performance

The Non-life Insurance Sales Department's Direct Center Section, which opened in March 2023 for the purpose of acquiring prospective customers for non-face-to-face completion insurance policies, started full-scale operations in July 2023, resulting in an increase in the number of prospective customers for insurance policies.

In November 2023, we agreed to accept the transfer of approximately 11,800 policies from a non-life insurance agency, and in January 2024, we acquired all shares of Surprise Japan Company, Ltd. through an M&A, as mentioned in "(ii) Expansion of policy transfer business and start of M&A activities," thereby taking over the non-life insurance market along with the non-life insurance policies. We expect to further improve our business performance by increasing the number of salespeople in charge of non-life insurance and promptly responding to the renewal of these transferred policies and new policies.

(v) New business

In the IFA business, the number of securities accounts and the balance of assets under custody have increased steadily. With the start of the new NISA system, opportunities for sales of financial products such as investment trusts and customer needs are increasing, and the Company will continue to promote the acquisition of registered sales representatives qualifications to further expand its sales network.

In addition, the Company launched its advertising business in February 2023, and has been promoting advertisements mainly on signage boards installed in Money Doctor Premier stores throughout Japan. During the first three months of the current fiscal year, we received orders for the renewal of existing annual policies and new policies from one company each, increasing the total number of companies from the end of the previous fiscal year by one, to six in total.

In the education business, we expanded the scope of our Money School financial education program for employees belonging to companies to nationwide from January 2024. We will continue to advocate the necessity of financial planning while playing a role in improving financial literacy among program participants.

(vi) Mortgage loan comparison service

From December 2023, we began the nationwide launch of the mortgage loan comparison and consideration service Mogecheck provided by MFS, Inc. The service has been well received for its high level of convenience, as it enables comparison and review of mortgages from 20 major national banks. During the first three months of the current fiscal year, 195 customers used this service.

We will continue to capture changing needs over time and enhance our speedy service to improve customer satisfaction. Segment information is omitted because the Company operates in a single segment of insurance agency business.

(2) Explanation of financial position

Assets, liabilities, and net assets

(Current assets)

Current assets at the end of the first quarter of the current fiscal year totaled 10,402,763 thousand yen (14,311,011 thousand yen at the end of the previous fiscal year), a decrease of 3,908,248 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 at the end of the first quarter of the current fiscal year totaled 5,643,029 thousand yen (4,839,471 thousand yen at the end of the previous fiscal year), an increase of 803,558 thousand yen. The main factor was an increase in buildings and land due to the acquisition of a Company building.

(Current liabilities)

Current liabilities at the end of the first quarter of the current fiscal year totaled 4,700,081 thousand yen (5,666,280 thousand yen at the end of the previous fiscal year), a decrease of 966,198 thousand yen. The main factor was a decrease in income taxes payable due to income taxes paid.

(Non-current liabilities)

Non-current liabilities at the end of the first quarter of the current fiscal year totaled 836,263 thousand yen (836,724 thousand yen at the end of the previous fiscal year), a decrease of 460 thousand yen. The main factor was a decrease due to the repayment of long-term borrowings.

(Net assets)

Net assets at the end of the first quarter of the current fiscal year totaled 10,509,448 thousand yen (12,647,478 thousand yen at the end of the previous fiscal year), a decrease of 2,138,030 thousand yen. The main factors were the purchase of treasury shares and payment of dividends.

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

There are no changes to the earnings forecast for the fiscal year ending November 30, 2024 at this point.

Although the Company's basic policy has been to pay a year-end dividend once a year, in order to enhance opportunities to return profits to shareholders, the Company will change its policy to pay dividends twice a year, with an interim dividend and a year-end dividend. In addition, the Company's performance during the first three months of the current fiscal year has been strong in line with the full-year plan, and it is on track to achieve its full-year forecast. Accordingly, we have revised the dividend forecast announced on January 15, 2024 in the "Financial Results for the Fiscal Year Ended November 30, 2023," and increased the annual dividend by 2 yen per share to 92 yen per share. For details, please refer to the "Notice of Revision of Dividend Policy (Implementation of Interim Dividends) and Revision of Dividend Forecasts (Dividend Increase) for the Fiscal Year Ending November 30, 2024" released today.

2. Quarterly financial statements and major notes

(1) Quarterly balance sheet

(Unit: Thousands of yen)

	Previous fiscal year (November 30, 2023)	First quarter of the current fiscal year (February 29, 2024)
Assets		
Current assets		
Cash and deposits	11,960,192	7,913,761
Accounts receivable - trade	1,776,036	1,761,383
Supplies	12,870	44,003
Other	561,912	683,616
Total current assets	14,311,011	10,402,763
Non-current assets		
Property, plant and equipment		
Buildings, net	1,024,989	1,250,022
Land	1,827,402	2,167,400
Other, net	229,081	245,031
Total property, plant and equipment	3,081,472	3,662,455
Intangible assets	527,163	557,427
Investments and other assets	1,230,835	1,423,147
Total non-current assets	4,839,471	5,643,029
Total assets	19,150,483	16,045,793

(Unit: Thousands of yen)

	Previous fiscal year (November 30, 2023)	First quarter of the current fiscal year (February 29, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	2,354,504	2,137,802
Current portion of long-term borrowings	53,640	53,640
Income taxes payable	1,114,954	485,767
Provision for bonuses	—	115,063
Provision for loss on litigation	390	390
Refund liabilities	528,326	555,319
Asset retirement obligations	4,923	9,682
Other	1,609,540	1,342,415
Total current liabilities	5,666,280	4,700,081
Non-current liabilities		
Long-term borrowings	590,940	577,530
Asset retirement obligations	245,175	252,944
Other	609	5,788
Total non-current liabilities	836,724	836,263
Total liabilities	6,503,004	5,536,345
Net assets		
Shareholders' equity		
Share capital	1,913,229	1,918,405
Capital surplus		
Legal capital surplus	1,813,229	1,818,405
Other capital surplus	3,000	3,000
Total capital surplus	1,816,229	1,821,405
Retained earnings		
Other retained earnings		
Retained earnings brought forward	8,912,806	7,764,432
Total retained earnings	8,912,806	7,764,432
Treasury shares	(277)	(1,000,034)
Total shareholders' equity	12,641,987	10,504,209
Share acquisition rights	5,491	5,239
Total net assets	12,647,478	10,509,448
Total liabilities and net assets	19,150,483	16,045,793

(2) Quarterly income statement

Three months ended February 29

(Unit: Thousands of yen)

	Three months ended February 28, 2023 (December 1, 2022 to February 28, 2023)	Three months ended February 29, 2024 (December 1, 2023 to February 29, 2024)
Net sales	7,355,585	8,332,892
Cost of sales	4,572,322	5,354,139
Gross profit	2,783,263	2,978,753
Selling, general and administrative expenses		
Advertising expenses	328,041	320,841
Salaries and allowances	317,753	389,853
Provision for bonuses	63,915	36,603
Other	625,103	868,588
Total selling, general and administrative expenses	1,334,814	1,615,886
Operating profit	1,448,449	1,362,866
Non-operating income		
Interest income	39	52
Outsourcing service income	31,500	30,000
Other	8,066	5,913
Total non-operating income	39,605	35,966
Non-operating expenses		
Interest expenses	654	653
Commission expenses	–	1,993
Compensation expenses	–	1,896
Other	1,262	15
Total non-operating expenses	1,916	4,559
Ordinary profit	1,486,138	1,394,273
Profit before income taxes	1,486,138	1,394,273
Income taxes	571,160	455,775
Profit	914,978	938,498

(3) 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. As a result, treasury shares increased by 999,756 thousand yen during the first three months of the current fiscal year, and amounted to 1,000,034 thousand yen at the end of the first quarter of the current fiscal year.

(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 profit before income taxes for the fiscal year, including the first quarter under review, and multiplying profit before income taxes 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)	
	Three months ended February 28, 2023 (December 1, 2022 to February 28, 2023)	Three months ended February 29, 2024 (December 1, 2023 to February 29, 2024)
Net sales		
Life insurance agency business	6,953,372	7,998,752
Non-life insurance agency business	398,356	251,677
Other business	3,856	77,107
Revenue from contracts with customers	7,355,585	8,327,537
Other revenue	-	5,354
Net sales to external customers	7,355,585	8,332,892

(Significant subsequent events)

(Disposal of treasury shares as compensation for restricted stock)

At a meeting of the Board of Directors held on February 28, 2024, the Company resolved to dispose of treasury shares as compensation for restricted stock (below, "disposal of treasury shares"), as described below, and the payment was completed on March 21, 2024.

1. Outline of the disposal

(1)	Payment date	March 21, 2024
(2)	Class and number of shares to be disposed of	Common shares of the Company: 4,499 shares
(3)	Disposal price	6,800 yen per share
(4)	Total disposal price	30,593,200 yen
(5)	Allottees	Six of the Company's Directors (excluding Outside Directors): 4,499 shares

2. Purpose and reason for disposal

At a meeting of the Board of Directors held on January 15, 2024, we introduced a restricted stock compensation system aimed at further strengthening the linkage between the compensation of Directors (excluding Outside Directors) (below, "Eligible Directors") and the stock price to provide incentives for the Eligible Directors to achieve sustainable enhancement of the Company's corporate value and to promote greater value sharing with shareholders. Based on this restricted stock compensation system, the disposal of the Company's treasury shares was resolved at the Board of Directors meeting held on February 28, 2024.