



LIFENET INSURANCE COMPANY

Question and Answer Summary at 3Q Financial Results Briefing for the Fiscal Year Ending March 2024

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[Answerers]

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Question & Answer

Question: Please explain the background of the recovery in the number of new business in January which was about 7,500. Has customer demand for insurance recovered, has Lifenet invested aggressively in advertising, or is it the contribution from partner business channel?

Mori: We think there are multiple reasons. First, related to the business environment, the economy completely reopened after October 2022, when the restrictions on activities due to COVID-19 were lifted, and the demand for protection type insurance products weakened. At present, we feel that this environment is changing for both Internet direct channel and the partner business channel. In addition, Lifenet generally make active investment in advertising in 4Q of each year and intends to resume marketing investment. Finally, in December 2023, together with Sumitomo Mitsui Card Co., Ltd., we launched “Insurance with V-Points”, which has contributed to our business performance, as shown on [page 11 of the presentation material](#).

Question: Regarding the contribution of the group credit life insurance (hereinafter “GCL”) on [page 9 of the presentation material](#), the insurance service results for GCL in 3Q of FY2023 was negative. Was the higher-than-expected payment of insurance claims due to the temporary payment of large insurance claims? Also, what is the outlook for the profit level after 4Q?

Kawasaki: There were contracts with large claim payments in 3Q. As short-term fluctuations may occur again, we will closely monitor the trends in 4Q including whether they are temporary or not. As stated on [page 9 of the presentation material](#), there is no change to the fact that Lifenet expects GCL to contribute to profits from FY2024. Also, we would like to consult with au Jibun Bank about the appropriate level of insurance premiums for FY2024 and beyond to make it profitable based on the results of insurance claim payments for FY2023.

Question: Please describe the dialogue between Lifenet and the KDDI Group on strengthening cooperation on [page 10 of the presentation material](#). Is there room for cooperation between the convenience store Lawson and Lifenet?

Mori: The main business of the KDDI Groups is the telecommunications business and incorporates various products into its ecosystem, which it continues to expand. We are confident that we are a partner that strongly supports the growth strategy of the KDDI Group from an insurance standpoint. Lifenet will actively search for opportunities for embedding insurance in the strategies of the KDDI Group and make proposals that are beneficial to both companies. As convenience stores have close contact with customers, we think they have the potential to expand our recognition and provide new customer experiences to develop the online life insurance market.

Question: Do you have policies for each industry, such as the retail industry should have only one business partner per industry?

Mori: The details of agreements with each partner are not to be disclosed; however, we do not rely excessively on a single partner, but rather aim to develop our business by leveraging our strengths as an independent insurance company and forming alliances with various powerful partners.

Question: Regarding claims and other payments, is it correct that payments of individual life insurance increased in 2Q, and payments of GCL increased in 3Q? Also, regarding the risk adjustment release on [page 25 of the presentation material](#), please explain the background of the slight decrease in 3Q and the outlook for the future.

Matsubara: Yes, it is. As for the risk adjustment release, when the assumptions were changed at the end of 2Q, the risk factor was lowered as the number of policies in force increased due to the launch of GCL. This resulted in a decrease in risk adjustments, which led to a decrease in risk adjustment release in 3Q. The impact of the assumption changes is reflected in and offset by the increase in CSM.

Question: Please tell us the reason for the improvement in the new business and the surrender and lapse ratio in 3Q of FY2023 shown on [page 21](#) and [page 22 of the presentation material](#) and the future outlook.

Mori: The decline in new business performance due to the reopening of the economy or the reaction to excess demand for protection type products that occurred during the COVID-19 pandemic has bottomed out. However, we believe that it has only bottomed out and not returned to the previous level, so we expect that the new business performance will fluctuate in the short term and move to a recovery trend. We will continue to pay close attention to customer's behavioral trends as we believe the performance still has been affected by the reopening of the economy. Going forward, I would like to see steady growth, as the speed and scale of recovery will depend on our capabilities.

Question: Does the increasing attention to asset management by customers, including the new NISA launched in January 2024, have an impact on insurance sales?

Mori: As an online life insurance company, we have two views. The first is that we expect customers will take the initiative in using the new NISA, and that their own online financial transactions will lead to self-confidence, which will be positive for our business in the medium to long term. The second view is that, on the other hand, both asset management and insurance are similar products in terms of preparing for an uncertain future, and investment may be prioritized over insurance in the short term. As a change in customer behavior, we believe that it is a good trend for customers to manage their own financial asset online. Although insurance may be secondary in the short term, given that customers consider life insurance when life events occur, I believe it will be positive for our business in the medium to long term.

Question: Regarding the point that the insurance service results for GCL was negative as shown on [page 9 of the presentation material](#), generally speaking, generation of profit is expected immediately after launching business due to the selection effect. However, the result was negative. Is it because of the aggressive setting of premiums?

Mori: The selection effect is as you recognize, however, the majority of our GCL contracts is transferred from other insurance companies, and they include old policies. While it is still too early to judge whether the setting of insurance premiums was appropriate, we are examining profitability internally. Insurance premiums have been set based on actuarial evidence. As we entered the GCL market for the first time in FY2023, we will examine if they are appropriate based on the results of payments in FY2023.

Question: Are you considering raising GCL insurance premiums for FY2024? It is important for au Jibun Bank in terms of competitiveness of selling mortgage loans. Is it possible to reflect the FY2023's GCL results in FY2024 insurance premiums?

Mori: We understand that raising the insurance premiums means an increase in the burden on the banks, which will affect the competitiveness of their mortgage loan business. au Jibun bank and Lifenet should have a thorough discussion and negotiate so that both of us can have benefit from this business.

Question: Considering the strengthening of embedded finance, I think it is better to expand cooperation with various partners. In the future, do you think that you will conduct business in depth with specific groups? How do you think the current major shareholders would buy more shares to strengthen the business partnership?

Mori: We want to fully demonstrate the results of our collaboration with our business partners. As a listed company, we want to have open dialogue with our shareholders without ruling out various options. It is important for us to firmly pursue the growth of our business. By leveraging the strength of being an independent life insurance company, Lifenet can be potential to be selected as first choice for future partners, and we believe that this is an upside possibility for our shareholders.

Question: Can convenience stores be a promising channel for Lifenet's business?

Mori: Convenience stores have potential touchpoints with customers. There is also room to utilize them for insurance sales. In addition, life insurance is an ultra-long-term financial product. Having a physical touch point in an actual store is a strength that online business lacks, so I am interested in it.

Question: Is there any impact on the product development of GCL in the future since insurance service results for GCL was negative as shown on [page 9 of the presentation material](#)? In the case of non-participating policy, Lifenet bears all the risk of death, and under IFRS there is no provision for contingency reserves, so as the scale of GCL expands in the future, will the volatility of profitability increase?

Kawasaki: Regardless of whether non-participating or participating policy, we develop our products while securing profitability for both Lifenet and au Jibun Bank. At the moment, we are not considering reflecting the fact that insurance claims are currently higher than expected in the product development.

Mori: In general, as the scale increases, fluctuations become smaller. Therefore, we expect fluctuations in insurance claims per month to gradually decrease. As in the case of the individual life insurance business, we believe that increasing the business scale will have the effect of reducing fluctuations in profitability. We expect this to stabilize over the next several years.

Question: In general, incurred claims are expected to exceed expected claims in 4Q. Are there any seasonal factors in the profitability of individual life insurance?

Kawasaki: Not every year shows the same trend, and we do not think that there is a seasonal trend.

Question in the text form and Answer

Question: How do you evaluate the result of 16,993 new businesses in 3Q of FY2023 as shown on [page 21 of the presentation material](#)?

Mori: We are not satisfied with this level. New business performance has been on a declining trend every quarter recently, but we are pleased that it bottomed out in 3Q following the low level of 2Q. Going forward, while there will be some fluctuations, the business environment will change in a positive direction for Lifenet, and by increasing marketing investment again, we are working to approach the highest performance level established during the COVID-19 pandemic in a short period of time.

[END]