



LIFENET INSURANCE COMPANY

1Q Financial Results Briefing for the Fiscal Year Ending March 2024

August 14, 2023

[Speaker]

Ryosuke Mori

President and Representative Director

Presentation

Mori: Thank you very much for attending our financial results briefing today.

The Company announced its financial results for Q1 FY2023. Presentation materials are available on our [IR website](#). I would like to provide an overview of the financial results using the presentation materials and then move on to the question-and-answer session.

IFRS Reporting



- IFRS adoption will **better present periodic performance and profitability from policies-in-force**
- Capital adequacy and dividends are **regulated by statutory accounting standards (J-GAAP)**

	Statutory Accounting (J-GAAP)	Embedded Value	IFRS 17
Important perspective	Financial soundness for policyholder protection	Economic value of insurance policies including future profit	Recognition of revenue based on the retention of in-force business
Timing of profit recognition	<p>Acquisition expense is recognized at the time of acquisition.</p>	<p>The expected profit for the policy period is immediately recognized.</p>	<p>The expected profit is allocated over the term of the policy.</p>

1

Please look at page 1.

We are pleased to announce that we will report our financial results using IFRS starting from Q1 FY2023.

This is the first attempt for a life insurance company listed in Japan and it means a great challenge for us. Since today is the first announcement of financial results using IFRS, I will first briefly explain the characteristics of IFRS, comparing it with statutory accounting standards and Embedded Value.

First, statutory accounting is an accounting standard based on the Insurance Business Law, which aims to ensure a high level of soundness for the protection of policyholders. When policies-in-force is growing steadily, as we have, the statutory accounting is structured to keep costs ahead of profits.

Embedded Value, then, is the economic value that takes into account future profits from policies-in-force and is intended to show the enterprise value ultimately attributable to shareholders. Growth by acquiring new business and acquisition costs in the future are not taken into account. The present value of in-force business is a useful indicator for estimating shareholder value, since it is calculated and periodically reviewed to reflect actual incident rates, surrender and lapse rates, unit costs, and other factors.

On the other hand, Embedded Value does not always meet the needs of investors and shareholders who want to know the appropriate periodic profit and loss as shown in the income statement.

IFRS 17 can meet these demands. IFRS 17 has a characteristic that it records revenue based on the maintenance of in-force business and allocates expected profits over the insurance period.

Financial reporting under IFRS 17 will enable us to present the actual periodic profit and loss and profitability of our business and provide more useful information than ever before to our shareholders and investors more appropriately. Please note that capital adequacy and dividends will continue to be accounted for in accordance with statutory accounting.

1Q for Fiscal 2023 Key Highlights



Key Indicators

Corporate Value	Growth	Profitability
EEV (European Embedded Value) 126,978 million yen (Y-on-Y 107.5%)	Annualized premium of policies-in-force¹ 24,408 million yen (Y-on-Y 110.2%)	Insurance service results 2,274 million yen (Y-on-Y 137.7%)

Notable Achievements

- **Started offering GCL² to mortgage loan borrowers of au Jibun Bank from July 1st. Annualized premium of policies-in-force for GCL was JPY 2,384 million as of the end of July³**
- **Plan to offer our products through financial app *Habitto* in autumn 2023**
- **Revised business forecasts for fiscal 2023 based on 1Q performance**

1. The amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments are monthly installments, thus the annualized premium is calculated as multiplying the monthly premium by 12 months (The same will apply hereafter).
2. GCL stands for Group Credit Life Insurance
3. Preliminary report from "July 2023: MONTHLY DISCLOSURE"

I will now move on to the explanation of the financial results. Please refer to page 2. These are the main points of today's financial results presentation.

We have established three key indicators with the change in financial reporting to IFRS. While the most important management indicator of corporate value remains European Embedded Value, we set annualized premium of policies-in-force as an indicator of growth, and insurance service results under IFRS as a new profitability indicator. I will explain our financial results for Q1 FY2023 based on these three key indicators.

First, European Embedded Value increased 7.5% from the end of June 2022 to JPY126,978 million.

Next, annualized premium of policies in-force increased 10.2% from the end of June 2022 to JPY24,408 million.

Insurance service result increased 37.7% YoY to JPY2,274 million.

The following are three main initiatives.

First, as its first group credit life insurance business since its business commencement, we started to offer group credit life insurance for au Jibun Bank's mortgage borrowers on July 1, 2023. Although preliminary figures, the first month of initial operations resulted in a steady start with annualized premiums of policies-in-force for group credit life insurance of JPY2,384 million as of the end of July 2023.

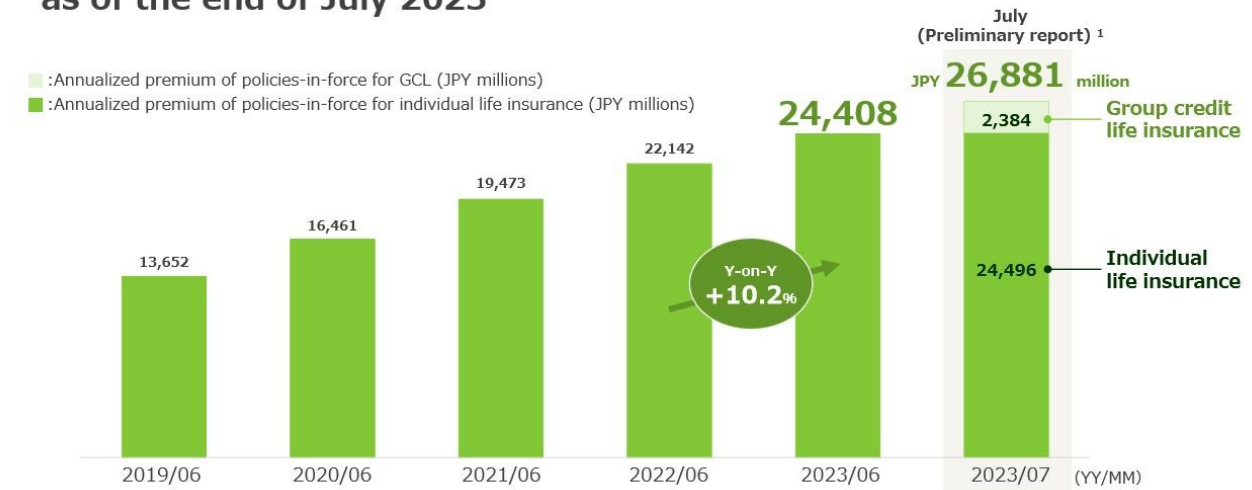
In addition, as a new initiative for the future, we plan to start selling life insurance products through Habitto, a financial services app provided by our new partner, in autumn 2023.

Finally, we revised our consolidated business forecasts for FY2023 based on Q1 results. We will explain the details later.

Annualized Premium of Policies-in-Force



- Grew 10.2% YoY, maintaining steady growth
- Combined annualized premium including GCL was 26,881 million yen as of the end of July 2023



3

Please refer to page 3.

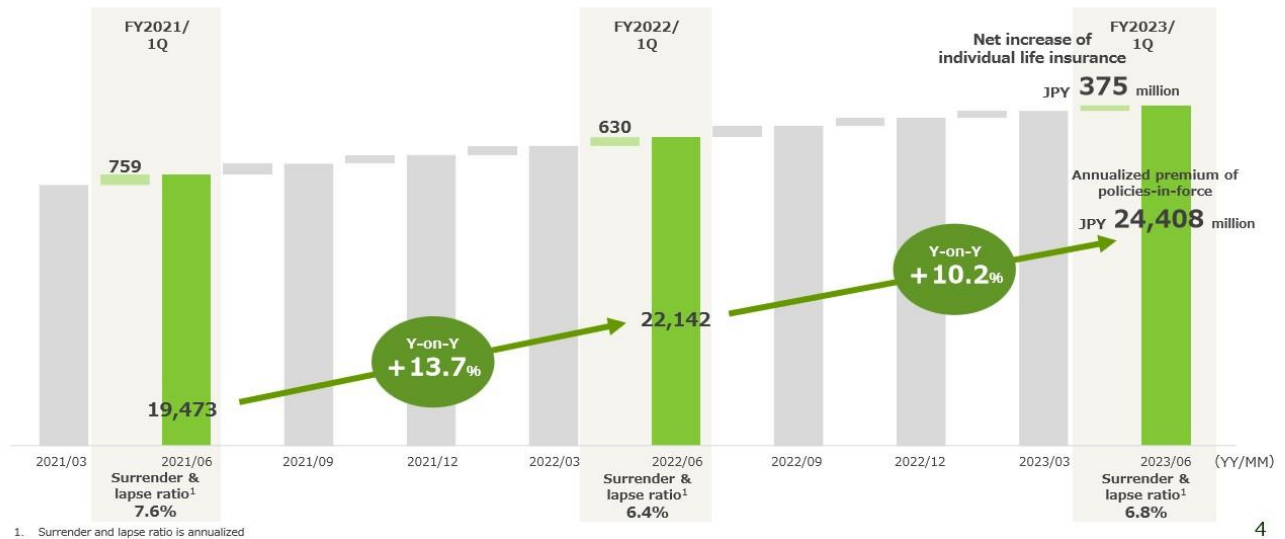
Annualized premiums of policies-in-force, which correspond to annual recurring revenue, totaled JPY24,408 million at the end of June 2023, continuing steady growth.

Although preliminary figures, annualized premiums of policies-in-force as of July 31, 2023, including group credit life insurance, which began in July, totaled JPY26,881 million. You can see that our growth will accelerate in Q2 and beyond with the start of our group credit business.

Policies-in-Force Movement



- Continued to grow while individual life was affected by decrease of customer's demand for insurance



4

Page 4 shows the factors that contribute to the movement of policies-in-force.

The net increase in annualized premiums of policies-in-force for individual life insurance in Q1 was JPY375 million.

Although the growth trend of in-force business has continued, the current pace of growth has slowed to some extent, and we recognize that achieving re-acceleration will need to be addressed. In a business environment where revenge consumption has been active since the second half of last fiscal year in reaction to COVID-19, we analyze that demand for protection-based insurance products is declining.

In particular, our pull-type business model has been affected by this for a long time. However, from a medium- to long-term perspective, the structural trend toward digitization of financial services has not changed, and we believe that the online life insurance business has high growth potential. To this end, we are firmly committed to re-accelerating our performance, which will lead to sustainable growth.

■ Insurance service results and net income resulted in 2,274 million yen and 1,765 million yen, respectively

Items	FY2022/1Q ²	FY2023/1Q ²	Change	(JPY millions)
				(Ref.) FY2022
Insurance service results	1,651	2,274	622	6,618
Financial results ¹	(293)	367	661	(452)
Other results	(179)	(120)	59	(822)
Profit before tax	1,177	2,521	1,344	5,343
Net income attributable to owners of the Company	789	1,765	976	3,562

1. Total of investment results from financial assets, insurance finance income or expense and reinsurance finance income or expense
 2. 1Q of FY2022 includes 278 million yen, 1Q of FY2023 includes 14 million yen and FY2022 includes 1,378 million yen of insurance claims and benefit related to COVID-19

5

Please refer to page 5. From here we move on to an explanation of financial reporting under IFRS.

To give you the whole picture, we have provided a summary of the IFRS-based income statement.

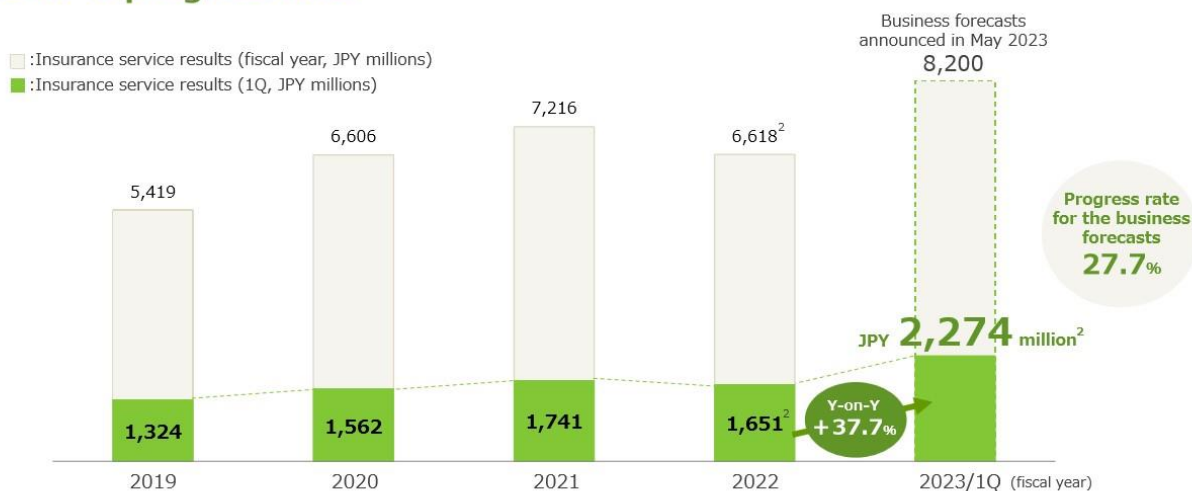
To put it simply, insurance service results is the equivalent of so-called operating profit or loss, and for a life insurance company which focuses on protection products like Lifenet, insurance service results accounts for the majority of profits.

In Q1 FY2023, the insurance services results was JPY2,274 million, and the net income attributable to owners of the company, which is the ultimate profit, was JPY1,765 million.

Insurance Service Results¹



- Increased **37.7% YoY**, 2,274 million yen
- **27.7% progress rate** for business forecasts of fiscal 2023



1. Figures for FY2021 and earlier are for reference use only as they are before date of transition to IFRS
 2. 1Q of FY2022 includes 278 million yen, 1Q of FY2023 includes 14 million yen and FY2022 includes 1,378 million yen of insurance claims and benefit related to COVID-19

Please refer to page 6. The following table shows insurance services results.

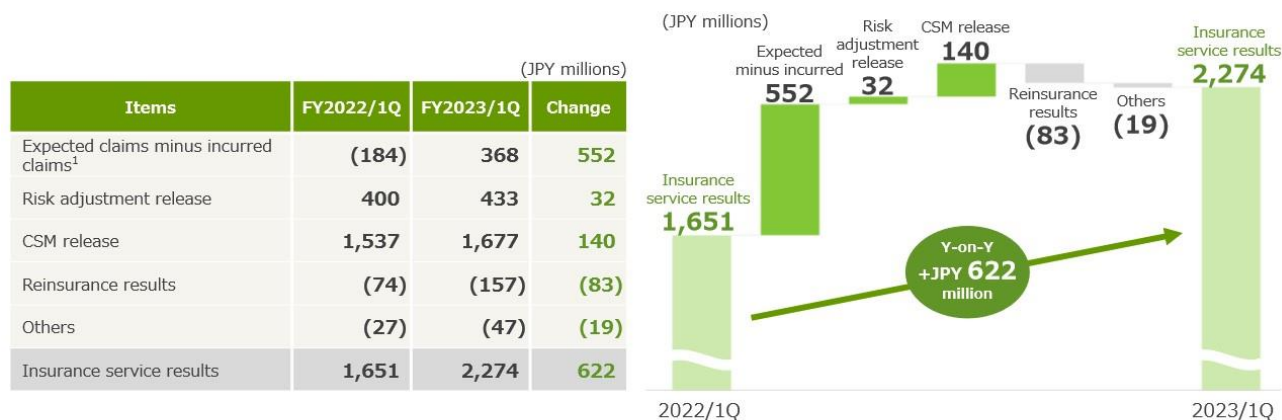
First, looking at trends over time, with the exception of FY2022, when there was a sharp increase in COVID-19 claim, insurance service results has been growing steadily, increasing 37.7% YoY to JPY2,274 million in Q1 of FY2023.

The company's progress against the JPY8.2 billion business forecast announced in May 2023 is 27.7%, and it is performing well.

Insurance Service Results Analysis



- Increased due to the calm down of COVID-19 claims and increase of CSM release along with the growth of in-force business



1. 1Q of FY2022 includes 278 million yen and 1Q of FY2023 includes 14 million yen of insurance claims and benefit related to COVID-19.

Please refer to page 7. The following chart shows the factors that contributed to the change in insurance services results from Q1 of FY2022 to Q1 of FY2023.

First, please see the table on the left. Insurance service results is broken down into four main components: expected claims minus incurred claims, risk adjustment releases, CSM releases, and reinsurance results. The chart on the right illustrates the factors behind the increase in insurance service results from JPY1.6 billion in Q1 of FY2022 to JPY2.2 billion in the current quarter.

Insurance service results increased by JPY622 million from Q1 FY2022 to Q1 FY2023, and one of the reasons for this increase is the difference between expected and incurred claims. FY2022 was a year in which there are lots of insurance claims and benefits related to COVID-19, and in Q1 of last fiscal year, JPY278 million in COVID-19 claims were incurred.

On the other hand, since COVID-19 claims have already been settled and non-COVID-19-related insurance claims and other payments were smaller than expected in Q1, the difference between expected and incurred claims resulted in a positive figure of JPY552 million.

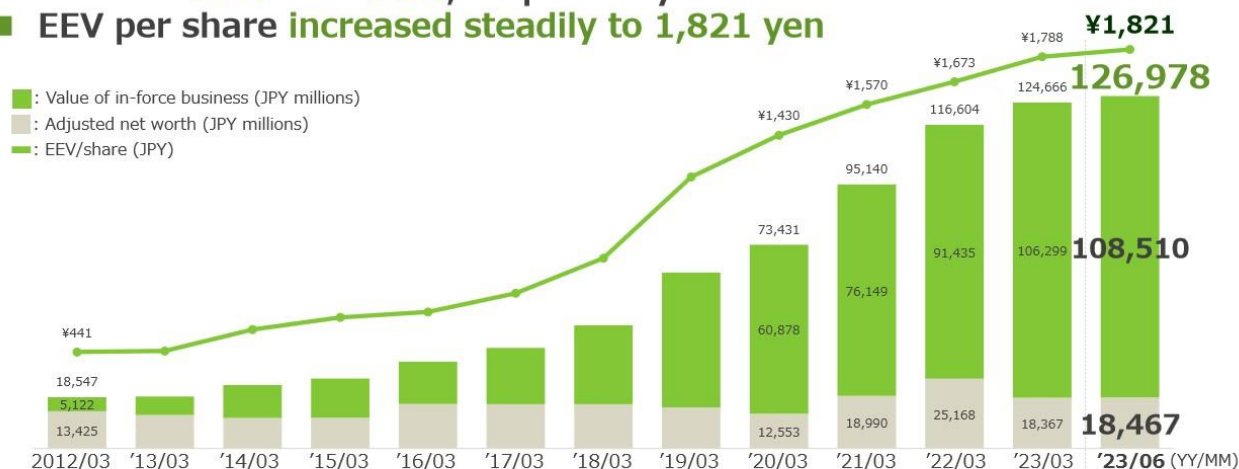
Another factor contributing to the increase is CSM releases. CSM stands for contractual service margin. The CSM is a liability representing unrealized future profits that is released over the insurance period and recognized in profit on the PL.

With the growth of in-force business, the CSM release amount increased from JPY1,537 million in Q1 FY2022 to JPY1,677 million in Q1 FY2023, as shown in the third line of the table on the left, resulting in a positive recording of JPY140 million.

European Embedded Value¹



- EEV and value of in-force business have been strongly growing at a CAGR of 19%² and 31%, respectively since IPO
- EEV per share increased steadily to 1,821 yen



1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles®) is referred. From fiscal 2016 onward, a predetermined ultimate forward rate has been used to extrapolate the level of ultra-long-term interest rates past the last liquid data point. This method of extrapolation has also been used to restate EEV as of March 31, 2016. EEV as of June 30, 2023 is calculated applying the same operating assumptions as those used for March 31, 2023, and is not reviewed by third party specialists.
 2. The calculation includes 3,040 million yen in proceeds from a third-party allotment in May 2015 and 9,005 million yen from overseas public offering in July 2020 and 9,771 million yen from overseas public offering in September 2021. 8

Please see page 8. Moving on to an explanation of European Embedded Value.

European Embedded Value is considered to be the present value of net assets, which is the net asset value after taking into account the after-tax value of unrealized future profits that the in-force business will generate in the future, for statutory accounting purposes.

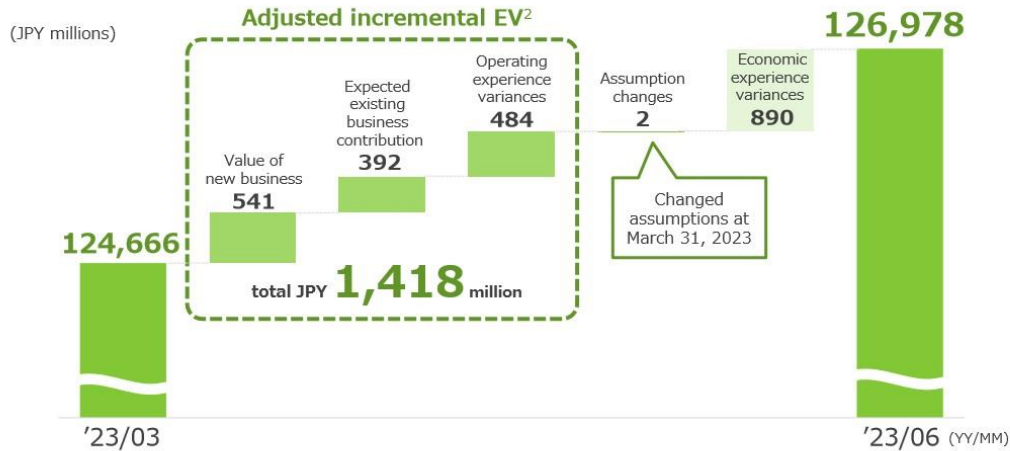
European embedded value as of June 30, 2023 was JPY126.9 billion. The average annual growth rate since listing in March 2012 is 19%, but in particular, the present value of in-force business, which is the unrealized future profits from in-force contracts for accounting purposes, has grown at an average annual rate of 31% and is a strong driver of EEV's growth.

The line graph shows the EEV per share. EEV per share as of June 30, 2023 increased steadily to JPY1,821.

Changing Factors of EEV¹



■ EEV growth driven by adjusted incremental EV and economic experience variances



1. Lifenet's EEV is calculated following the EEV Principles and Guidance and in terms of allowance for risk, MCEV Principles (The European Insurance CFO Forum Market Consistent Embedded Value Principles®) is referred. EEV as of June 30, 2023 is calculated applying the same operating assumptions as those used for March 31, 2023, and is not reviewed by third-party specialists.

2. Adjusted Incremental EV accurately indicates our business growth during a certain period within increase in EEV.

Page 9 is an analysis of factors contributing to changes in EEV for the three-month period from the end of March 2023 to the end of June 2023.

We define adjusted incremental EV as the sum of the three components of the change in EEV: the value of new business, expected existing business contribution, and operating experience variances, which are shown in the dotted green box on the slide.

The adjusted incremental EV increase for Q1 of FY2023 was JPY1,418 million. In addition, the economic experiences variances increased due to the recovery of unrealized losses on securities resulting from rising stock prices and other factors, resulting in a steady increase in EEV. Assumption changes are made semi-annually, and no changes were made as of June 30, 2023.

Progress of Group Credit Life Insurance Business



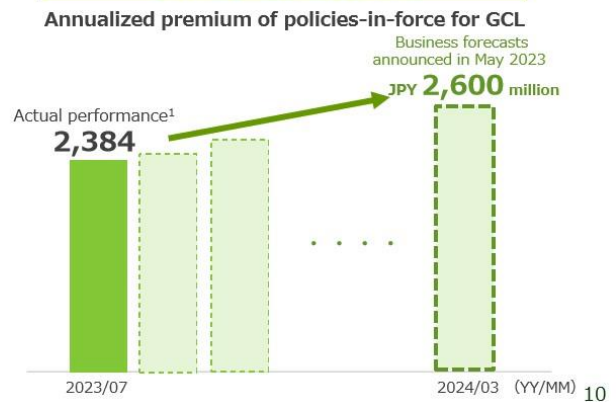
- Started offering GCL to mortgage loan borrowers of au Jibun Bank from July 1st
- Aim for steady growth as a new earnings base with looking to expand partner banks in a mid-term

Characteristics of our product



1. Preliminary report from "July 2023: MONTHLY DISCLOSURE"

Initial start is on track



From here is an explanation of our main initiatives. Please refer to page 10.

As our first group credit life insurance business since business commencement, we began offering group credit life insurance to au Jibun Bank mortgage loan borrowers on July 1, 2023.

au Jibun Bank is an encouraging partner that is experiencing rapid growth in the mortgage loan business, with total mortgage loan disbursements surpassing JPY3 trillion in June 2023, due to its attractive low interest rates that only an online bank can offer.

We have developed a group credit life insurance product with sufficient coverage for au Jibun Bank mortgage loan users.

The main feature of this insurance product is that it provides various types of diseases coverage in addition to death coverage, providing solid support for mortgage payments over the long term.

As is shown in the bar graph on the right side, as a result of the successful transfer of existing policies as well as favorable loan execution performance during July, the annualized premiums of policies-in-force for group credit life as of the end of July 2023 totaled JPY2,384 million, compared to our business forecast of JPY2,600 million for the year end. This represents a smooth start to the fiscal year.

We believe that our efforts in the group credit business are a new and significant step toward unlocking the potential of online life insurance through the expansion of our business domain and further enhancing our corporate value. To this end, we will first strive to steadily grow our cooperation with au Jibun Bank, and in the medium term, we will also aim to expand the number of partner banks.

Collaboration with *Habitto*



- Plan to offer our products through *Habitto* in autumn 2023, a financial services app supporting younger generation



11

Please refer to page 11.

We have signed a distribution agency agreement with Habitto, and by around the autumn of 2023 we plan to begin offering life insurance products through the Habitto, financial services app.

Habitto is a digital bank that proposes new money habits and provides financial services such as savings, investment, and insurance on its app with the hope that the younger generation in Japan will achieve financial freedom.

As a leading online life insurance company, we have led the expansion of the online life insurance market by aggressively investing in marketing. As a result, over the past few years, these activities have led to new business collaborations with partners including Habitto, and we feel that this is a good sign.

We believe that our current unique nature is a growth loop in which we continue to invest in growth and maintain our number one position in online life insurance, which will lead to the expansion of our partner business, which in turn will further expand the online life insurance market, and we will continue to work hard to achieve this goal.

Initiatives for Sustainability



■ Promote initiatives for Sustainability cherishing life insurance’s original purpose – mutual support

Creating the future of life insurance



Adopted non-financial indicators to performance-linked compensation to Directors¹
Added “Sustainability” as one of the items of skill matrix of Directors

1. Excluding the directors who are audit and supervisory committee members and outside directors

Please refer to page 12. I would like to present our initiatives in terms of sustainability.

We have cherished LIFENET Manifesto since business commencement in 2008, and it begins with a single clause: creating the future of life insurance. In the area of sustainability, we place importance on the concept of mutual support, which is the original purpose of life insurance, and we promote initiatives for each stakeholder based on the belief that the growth of our business itself will lead to a better future.

As an example of our most recent efforts, we have disclosed our performance in fiscal 2022 for “customer-oriented business conduct principles” and greenhouse gas emissions for the first time, and developed policies of human resources development and internal environmental improvement to maximize the potential of our employees.

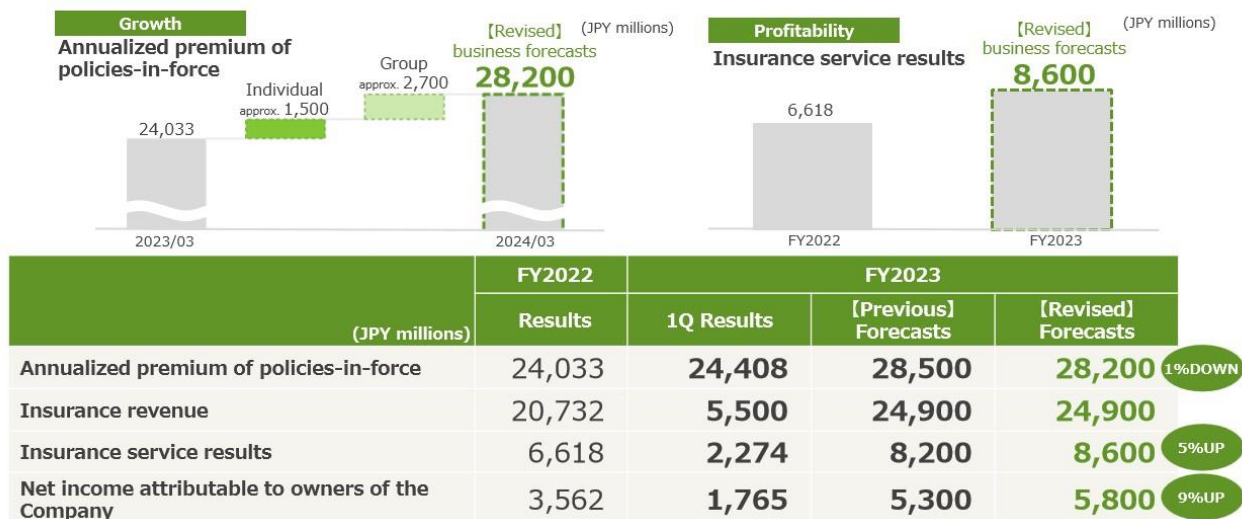
In addition, we are working to further strengthen corporate governance, which is the foundation of management, by adopting new non-financial indicators for directors’ performance-linked compensation from this fiscal year.

We will continue to promote initiatives to create the future of life insurance, aiming to realize a sustainable society and enhance our corporate value.

Revision of Consolidated Business Forecasts for FY2023



- **Upwardly revised insurance service results and net income** while adjusted annualized premium of policies-in-force based on 1Q performance



13

Please refer to page 13.

Based on the results for Q1 of the current fiscal year, we have revised our consolidated business forecasts for FY2023 as shown in the table below.

First, we have revised our forecast for annualized premium of policies-in-force, a growth indicator, to JPY28.2 billion, about 1% lower than our original forecast, based on the fact that group credit life insurance has made a good start while performance of individual insurance has weakened.

In addition, we have revised our forecast for insurance service results upward by 5% from our original forecast to JPY8.6 billion, taking into account that actual claims and other payments in Q1 of FY2023 were lower than expected.

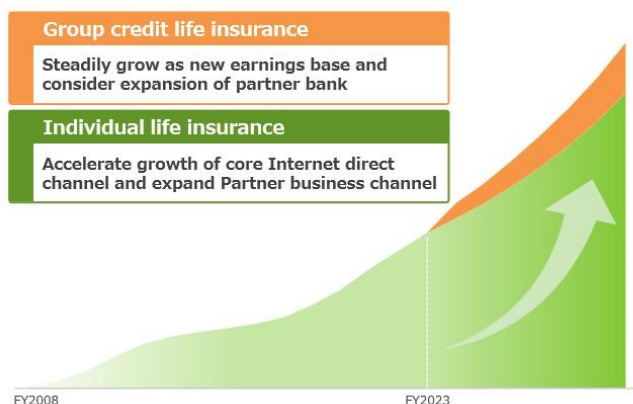
At the same time, we have revised our net income forecast upward by 9% from our initial projection to JPY5.8 billion because financial results can be assumed to be higher than expected in light of financial market movement.

Future Direction

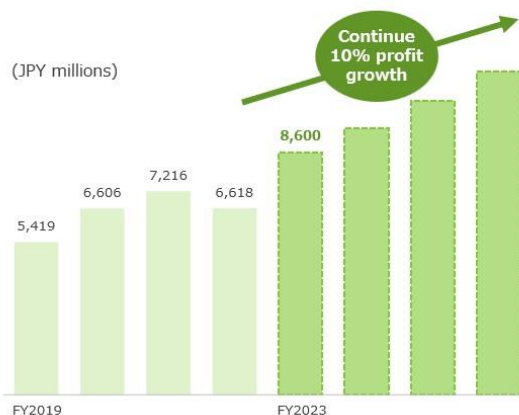


- Aim for growth in in-force business with both individual life and GCL
- Continue 10% profit growth and aim for TSE Prime Market in around FY2025

Mid-term growth path of in-force business



Insurance service results



14

Please refer to page 14. Here is an explanation of our future direction.

The individual life insurance business has achieved continuous growth to date, and we aim to accelerate growth again by taking our mainstay Internet channel to another level. In addition, we intend to further improve the contribution to our business performance by expanding our partner business channels.

On this basis, we will steadily grow the group credit life insurance business as our new earnings base, aiming to accelerate the growth of our in-force business.

In addition to achieving high profit growth of sustained 10% growth in insurance service results, we aim to move to the TSE Prime Market by around FY2025, after recording profits in a total of two fiscal years, FY2023 and FY2024.



15

Finally, this is the management policy.

We will continue to firmly expand the online life insurance market by our own efforts and remain a leading company in this market, aiming to achieve an EEV of JPY200 billion as soon as possible.

We have taken on new initiatives such as the introduction of IFRS and the launch of group credit life and will continue to pursue growth to expand the scale of our business while capturing the structural trend toward the digitization of financial services.

This concludes the explanation of the financial results for Q1 FY2023. Thank you very much for your attention.