



## **LIFENET INSURANCE COMPANY**

Q2 Financial Results Briefing for the Fiscal Year Ending March 2024

November 15, 2023

**[Speaker]**

Ryosuke Mori

President and Representative Director

# Presentation

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

The Company announced its financial results for Q2 of FY2023. Presentation materials are available on our [IR website](#). I would like to provide an overview of the financial results using the presentation materials.

# 1H for Fiscal 2023 Key Highlights



## Key Indicators

Corporate Value	Growth	Profitability
<b>EEV</b> (European Embedded Value) <b>¥140,905mn</b> (YoY 114.5%)	<b>Annualized premium<sup>1</sup> of policies-in-force</b> <b>¥27,255mn</b> (YoY 118.8%)	<b>Insurance service results</b> <b>¥4,088mn</b> (YoY 138.8%)

## Notable Achievements

- **Started offering GCL<sup>2</sup> to mortgage loan borrowers of au Jibun Bank from July. Due to GCL, annualized premium of policies-in-force and EEV added ¥2.5bn and ¥4.4bn<sup>3</sup>, respectively**
- **Raised capital through public offering and third-party allotment to further unleash the growth potential of online life insurance**
- **Sumitomo Mitsui Card and Lifenet to start offering “Insurance with V-points” from December**

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 (for GCL, expected premium income for the next month based on the in-force business) by 12 months (The same will apply hereafter).  
2. GCL stands for Group Credit Life Insurance  
3. Additional amount of value of new business

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Please look at page 1.

These are the main points of today's presentation.

We started reporting our financial results using IFRS since Q1 of FY2023 and have established three key indicators accordingly. The most important management indicator for 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 an indicator of profitability. I will explain our financial results for Q2 of FY2023 based on these three key indicators.

First, European Embedded Value increased 14.5% from the end of September 2022 to JPY140,905 million.

Next, annualized premium of policies-in-force increased 18.8% from the end of September 2022 to JPY27,255 million.

Insurance service results increased 38.8% YoY to JPY4,088 million.

The following are three main initiatives.

First, as an expansion of our business domain, we started offering group credit life insurance to au Jibun Bank's mortgage loan borrowers on July 1. The financial results for Q2 FY2023 is the first to reflect the results of the GCL business. In the first three months

of the GCL business, annualized premium of policies-in-force of JPY2.5 billion and European Embedded Value of JPY4.4 billion as value of new business were added. I will explain the details later.

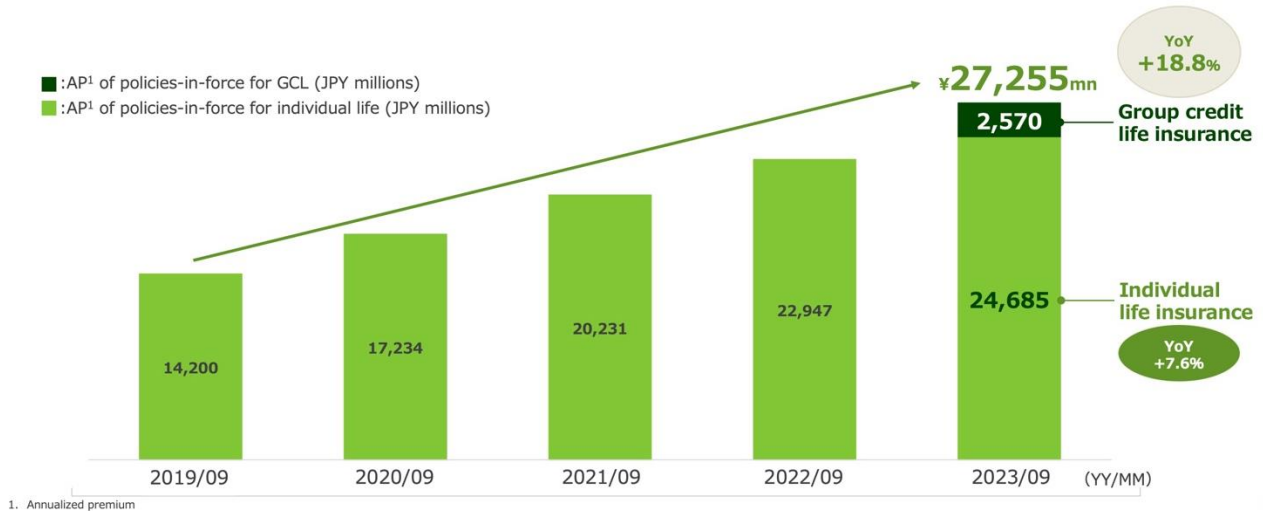
Next, in September, we raised capital through public offering and a third-party allotment in order to unleash the growth potential in the structural trend toward the digitization of financial services.

Finally, here is the latest news announced today. As a new initiative with SMBC Group, with whom we recently concluded a capital and business alliance agreement, we will launch new insurance product “Insurance with V-points” from December 2023. I will explain the details later.

# Annualized Premium of Policies-in-Force



- Strongly grew 18.8% YoY, with large contribution from newly started GCL



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Please refer to page 2.

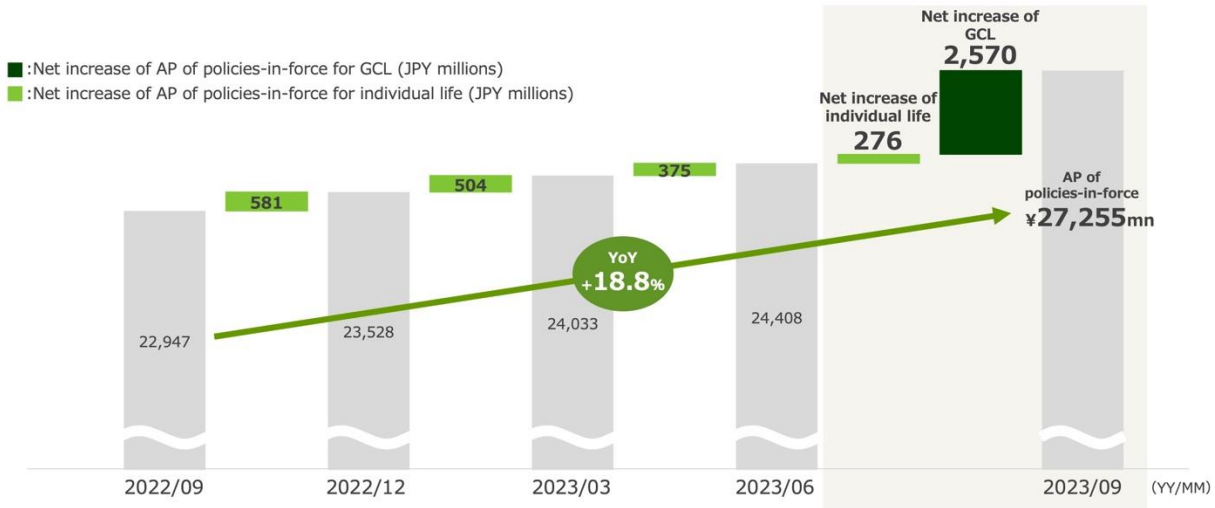
Annualized premium of policies-in-force, which correspond to annual recurring revenue, totaled JPY27,255 million at the end of September 2023.

You can see that the growth of annualized premium of policies-in-force is accelerating, up 18.8% from the end of September 2022, partly due to the addition of the GCL business that began in July.

# Policies-in-Force Movement



## ■ GCL strongly led the growth while demand of individual life was moderate



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Page 3 shows the factors that contribute to the movement of policies-in-force.

The newly launched GCL’s net increase in annualized premium of policies-in-force was JPY2.57 billion, which led the significant growth in-force business.

On the other hand, the net increase in annualized premium of policies-in-force for individual life insurance was JPY276 million. Since H2 of FY2022, the life insurance industry has been affected by a decline in demand for protection-based insurance products as revenge consumption in reaction to COVID-19.

However, from a medium- to long-term perspective, there is no change in our previous view that the online life insurance business has high growth potential against the backdrop of the structural and irreversible trend toward digitization of financial services. Going forward, we will strive to accelerate the growth of in-force business with both individual life and GCL.

■ Insurance service results and net income resulted in **¥4,088mn and ¥2,759mn, respectively**

Items	FY2022/1H <sup>2</sup>	FY2023/1H <sup>2</sup>	Change	(JPY millions)
				(Ref.) FY2022 <sup>2</sup>
Insurance service results	2,946	4,088	1,142	6,618
Financial results <sup>1</sup>	(423)	66	490	(452)
Other results	(374)	(228)	146	(822)
Profit before tax	2,147	3,926	1,778	5,343
Net income attributable to owners of the Company	1,437	2,759	1,321	3,562

1. Total of investment results from financial assets, insurance finance income or expense and reinsurance finance income or expense

2. 1H of FY2022 includes ¥883mn, 1H of FY2023 includes ¥25mn and FY2022 includes ¥1,378mn of insurance claims and benefit related to COVID-19

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Please see page 4. 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, and for a life insurance company which focuses on protection products like Lifenet, insurance service results accounts for a large portion of profit.

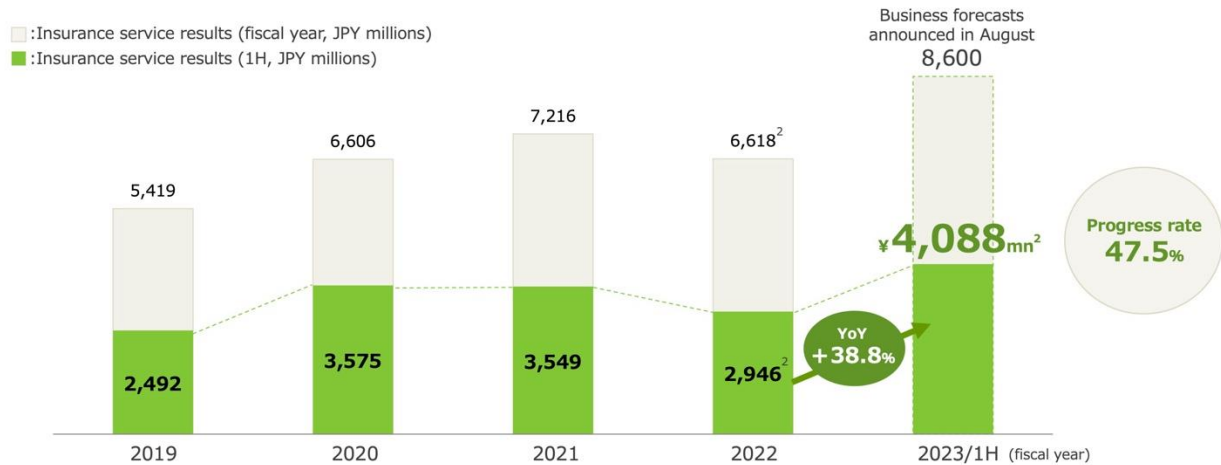
In H1 of FY2023, insurance service results was JPY4,088 million, and net income attributable to owners of the parent company was JPY2,759 million, both of which represent significant growth compared to H1 of FY2022.

The most important of these, insurance service results will be explained in detail on the next page.

# Insurance Service Results<sup>1</sup>



- Grew 38.8% YoY and reached ¥4,088mn, maintaining steady growth
- 47.5% progress rate over revised business forecasts



1. Figures for FY2021 and earlier are for reference use only as they are before date of transition to IFRS  
 2. 1H of FY2022 includes ¥883mn, 1H of FY2023 includes ¥25mn and FY2022 includes ¥1,378mn of insurance claims and benefit related to COVID-19

Please refer to page 5. The following graph shows insurance service results.

Insurance service results for H1 of FY2023 increased 38.8% YoY to JPY4,088 million.

Based on the trends over time, except for FY2022 which has a sharp increase in COVID-19 claim, insurance service results has been growing steadily.

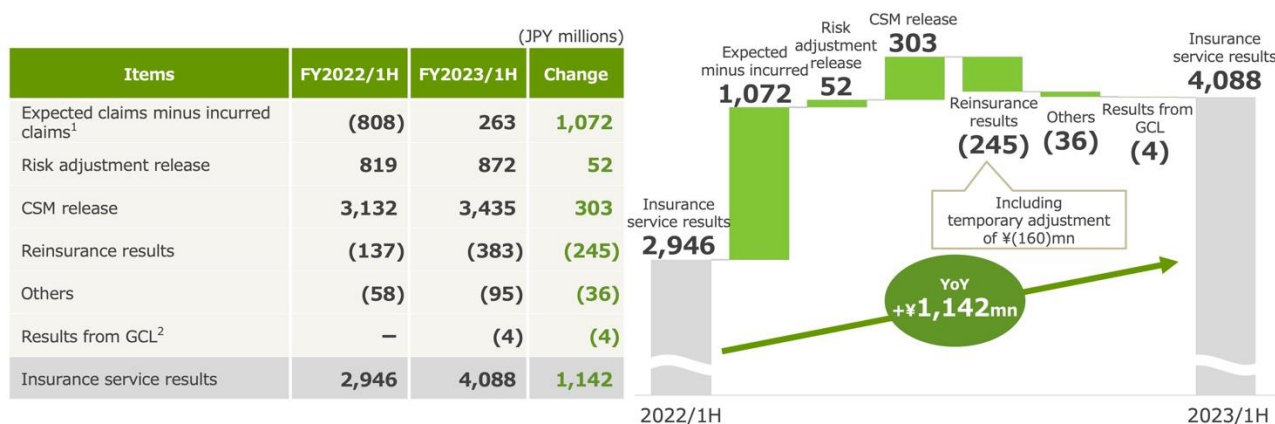
We consider the H1 progress rate of 47.5% as favorable, as insurance service results tends to be higher in H2.



# 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. Applied only for individual life. 1H of FY2022 includes ¥883mn and 1H of FY2023 includes ¥25mn of insurance claims and benefit related to COVID-19  
 2. Insurance service results related to contracts measured under the Premium Allocation Approach (Excluding reinsurance results)

Please refer to page 6. This chart shows the factors that contributed to the change and increase in insurance service results from H1 of FY2022 to H1 of FY2023.

First, please see the table on the left. Insurance service results is composed of expected claims minus incurred claims, risk adjustment release, CSM release, reinsurance results, and results from GCL.

The chart on the right illustrates the factors behind the increase in insurance service results from JPY2.9 billion in H1 of FY2022 to JPY4 billion in H1 of FY2023.

Insurance service results increased by JPY1,142 million from H1 of FY2022 to H1 of 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 lot of insurance claims and benefits related to COVID-19. On the other hand, since COVID-19 claims have already been settled in FY2023, it resulted in JPY1,072 million of higher income.

Another factor contributing to the increase profit is CSM release. The CSM is a liability representing unrealized future profits, which is released over the insurance period and recognized in profit as a CSM release on the PL. In line with the growth of in-force business, the CSM release amount increased from JPY3,132 million in H1 of FY2022 to JPY3,435 million H1 of FY2023, as shown in the third line of the table on the left, resulting in a positive recording of JPY303 million.

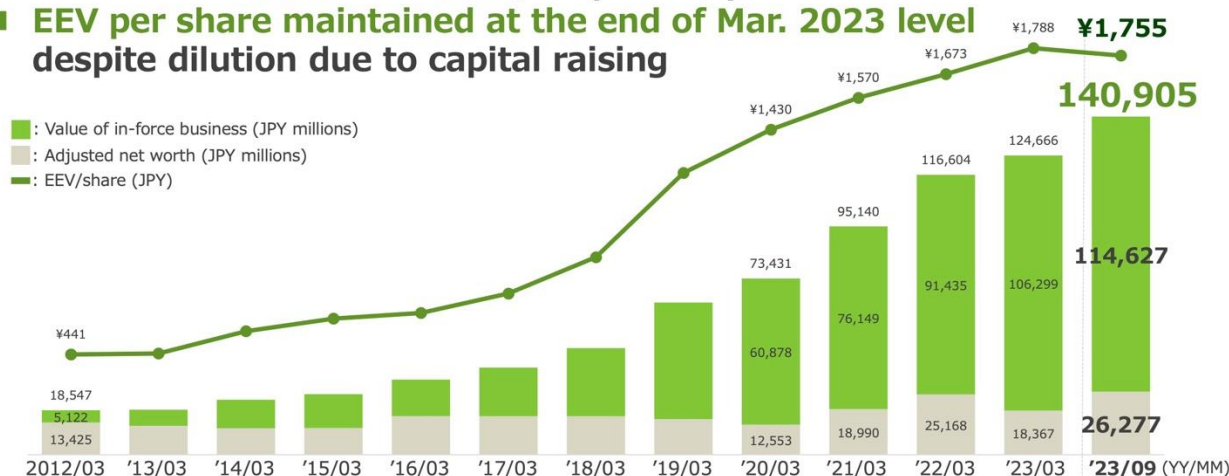
On the other hand, reinsurance results was a negative factor of JPY245 million, of which JPY160 million included temporary adjustment related to reinsurance transactions. Therefore, the original gross profit out of insurance service results was estimated to have been approximately JPY4.25 billion for six months.

# European Embedded Value<sup>1</sup>



■ **EEV and value of in-force business have been strongly growing at a CAGR of 19%<sup>2</sup> and 31%, respectively since IPO**

■ **EEV per share maintained at the end of Mar. 2023 level despite dilution due to capital raising**



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 September 30, 2023 is calculated applying the updated operating assumptions from those used for June 30, 2023, and is not reviewed by third-party specialists.  
 2. The calculation includes ¥3,040mn in proceeds from a third-party allotment in May 2015 and ¥9,005mn from overseas public offering in July 2020 and ¥9,771mn from overseas public offering in September 2021 and ¥9,770mn from public offering and third-party allotment in September 2023.

Please refer to page 7, which shows 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 September 30, 2023 exceeded JPY140 billion, reaching JPY140,905 million, due to the growth in value of in-force business, as well as the increase in adjusted net worth due to the capital raising.

The average annual growth rate since listing in March 2012 was 19%, but in particular the value of in-force business, which is unrealized future profits arising from in-force business for accounting purposes, has grown at an average annual rate of 31% and is a strong driver of EEV's growth.

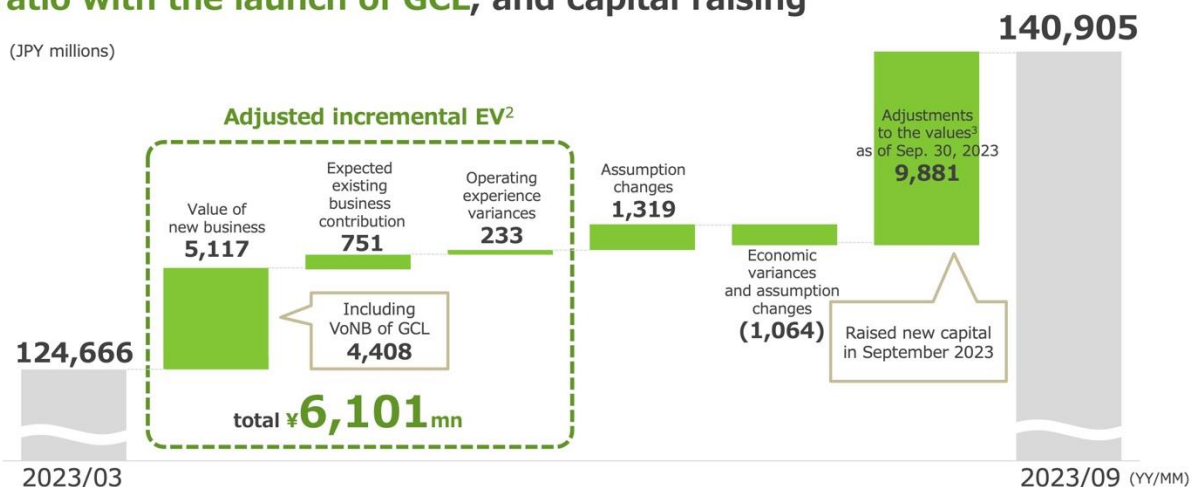
The line graph shows the EEV per share. EEV per share as of September 30, 2023 was JPY1,755. Since the dilution from the capital raising was largely recovered in H1 of 2023, EEV per share at the end of March 2024 is expected to grow solidly compared to the end of March 2023.

We will continue our management efforts with an emphasis on growth in per share value.

# Changing Factors of EEV<sup>1</sup>



- Increased due to the growth of VoNB and the improvement of opex ratio with the launch of GCL, and capital raising



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 September 30, 2023 is calculated applying the updated operating assumptions from those used for June 30, 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.  
 3. Item for change in capital

Page 8 is an analysis of factors contributing to changes in EEV for the six-month period, from the end of March 2023 to the end of September 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 green dotted box on the slide.

The adjusted incremental EV increase for H1 of FY2023 was JPY6,101 million. The value of new business of GCL was JPY4,408 million, consisting of the transfer of existing policies in the GCL that started in July in addition to new mortgage loan executions for the three-month from July to September.

As an indirect effect of the addition of GCL, economies of scale from the increase in policies-in-force have led to an improvement of the operating expenses ratio, which is recorded positively as the assumption changes.

Thus, as we are still in the growth phase of our business, we will continue to aim for EEV growth through management that is conscious of growth and efficiency, as scale economics will contribute greatly to profit generation.

## Strong Business Performance of GCL



- Started offering GCL to mortgage loan borrowers of au Jibun Bank since July
- GCL strongly contributed to the financial performance

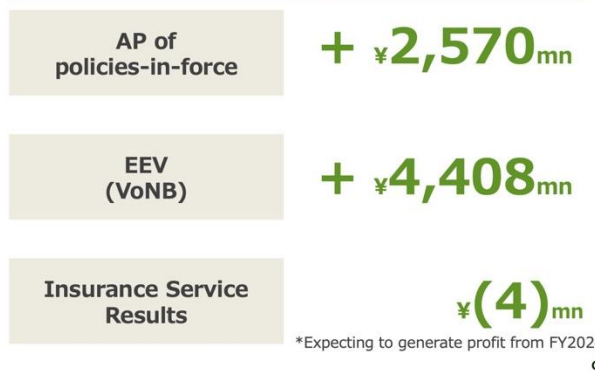
au じぶん銀行



### au Jibun Bank's rapid growth of mortgage loan



### Contribution to key indicators<sup>1</sup>



From here is an explanation of our main initiatives. Please refer to page 9.

As part of our efforts to expand our business domain, we started offering GCL to au Jibun Bank mortgage loan borrowers since July. au Jibun Bank, our first partner in the GCL business, is a strong partner bank that is achieving rapid growth in its mortgage loan business due to low interest rates that only an online bank can offer.

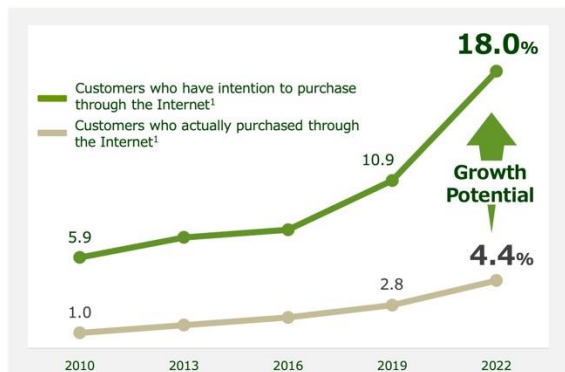
As a result of the initial three months, the GCL business has made a significant contribution to our key indicators. It is because we were able to successfully transfer existing policies and new mortgage loan executions have been strongly growing since then.

We believe that the GCL business will be a new and significant step to unleash the potential of online life insurance and further enhance our corporate value through the expansion of our business domain.

In addition, we believe that the recent trend toward DX in the banking industry will provide a tailwind that will broaden the scope of our entry into the GCL market as an online player, and we aim to expand the number of partner banks in the future.

- Raised new capital of ¥9.7bn to further unleash the growth potential of online life insurance and enhance corporate value

## Unleash the growth potential of online life insurance



1. Source: Survey on Life Protection by the Japan Institute of Life Insurance  
 2. Japanese Individuals and Others includes Treasury stock


## Diversification of investor base

### Increase of number of individual shareholder<sup>2</sup>

As of Mar. 31, 2023 (Before)	As of Sep. 30, 2023 (After)
5,373	7,006

### Third-party allotment


 au フィナンシャルホールディングス au Financial Holdings  

 三井住友カード  

 Sumitomo Mitsui Card Corporation

Next, please refer to page 10.

In September, we raised our capital through public offering and third-party allotment. The purpose of the capital raising is to achieve further growth and increase corporate value. We believe that we can unleash the growth potential of the online life insurance by realizing the growing intention to purchase insurance online, having backed by the structural changes in the digitization of financial services.

In terms of valuation, the IFRS adoption has made it possible to value our company based on profit, and I believe that investors now have more criteria to measure our company from various angles.

At this juncture, we will also focus on enhancing our value in the market by expanding its investor base, including individual investors.

## ■ Identified focus areas to attract young customer base and aim for mid-term growth



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Next, please refer to page 11.

Here are some of the initiatives we are working on to unleash the potential of online life insurance.

First, I will talk about initiatives of Internet direct channel of individual life insurance. Our major direction is to further expand support from the younger generation, which has been one of our strengths since we commenced our business, and to solidify our unique position in the life insurance industry, thereby differentiating us from our competitors and accelerating growth in policy performance.

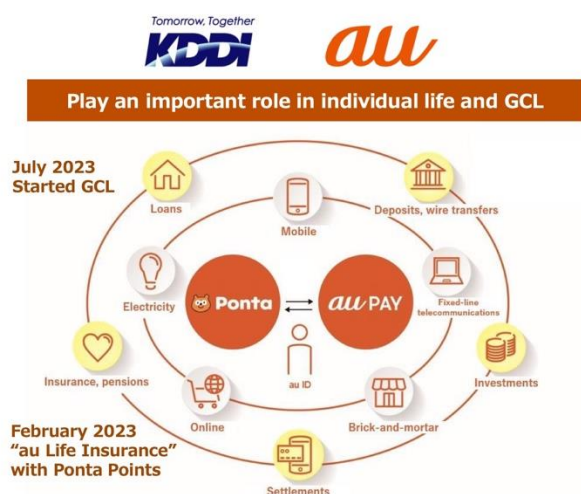
In order to achieve these goals, we have identified three focus areas in our marketing strategy; brand enhancement, nurture marketing, and data utilization. With these themes in mind, we are currently taking on the challenge of new initiatives that differ from conventional sales activities.

We believe that these new initiatives will be the growth engine for the future of the Internet direct channel, and we will make solid investments in growth to re-accelerate our efforts.

## Expansion of Partner Business



- Having backed by the tailwind of “Embedded Finance”, make the most use of two major ecosystems with huge customer base and strong brand



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Please refer to page 12.

Our unique position as the No.1 online life insurer, which we have consistently built over the past 15 years since its business commencement, has attracted strong partner companies with financial ecosystem.

In recent years, embedded finance has been gaining momentum in Japan in a variety of areas, but we have already taken the lead in the life insurance area and are already embedded into two major ecosystems in Japan.

The KDDI Group, shown on the left side, has a very huge and attractive ecosystem through the use of Ponta points, etc. We believe that in the midst of KDDI's strategy to aggressively promote its financial business, our participation as part of this ecosystem is very meaningful as a leading company driving the online life insurance market.

At the time of the capital raising in September, we issued new shares to au Financial Holdings through a third-party allotment. Going forward, we will further strengthen our relationship with the KDDI Group and strive to provide attractive products and services in GCL as well as individual life insurance.

The other is the SMBC Group's ecosystem shown on the right side. In October 2022, LIFENET and our subsidiary LIFENET MIRAI concluded a business alliance agreement with Sumitomo Mitsui Card.



And now the two SMBC Group companies, Sumitomo Mitsui Financial Group and Sumitomo Mitsui Card, as well as LIFENET and LIFENET MIRAI, have concluded another business alliance agreement. In addition, LIFENET has issued new shares to Sumitomo Mitsui Card through a third-party allotment.

Their comprehensive personal financial service “Olive” is a financial super app with features and functions of bank accounts, card payments, finance, online securities, and online insurance. LIFENET and LIFENET MIRAI will play an important role in the insurance field, aiming to provide a wide range of insurance products and services together.

The new initiatives of both companies were announced today and are explained on the next page.

## Alliance with SMBC Group



- **Plan to offer “Insurance with V-points” from December to be embedded into V-point ecosystem**

December 2023 (planned)



V-Points equivalent to 1% of monthly premiums is awarded when customers purchase insurance through services of SMBC group

**Aim to develop new insurance products beyond individual insurance and improve customer experiences**

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Please refer to page 13

To be embedded into SMBC Group's huge point ecosystem, we will start offering an exclusive product “Insurance with V-points” for their customer base from December.

“Insurance with V-points” is a life insurance product that earns an additional 1% more V-points on the monthly premiums paid. We are the first company in the life insurance industry to offer an insurance product that awards V-points.

With this new product, the collaboration with SMBC Group will officially be started. First, through this initiative, we will strive to achieve growth in in-force business performance. On this basis, the two companies will continue to promote initiatives in the SMBC Group's financial ecosystem to provide new insurance products that is not limited to individual insurance and to realize a high-quality customer experiences.

## New Initiatives of Lifenet MIRAI



- Launched a **LINE<sup>1</sup>-based consultation service** in October 2023



**LINE-based service to promote 'Save and Minimize' insurance coverage**

[www.better-choice.com/hoken-diet](http://www.better-choice.com/hoken-diet)

1. LINE is a mobile messenger app with 96 million users as of September 2023.

Please refer to page 14. This shows new initiatives at subsidiary LIFENET MIRAI.

LIFENET MIRAI is currently providing services in two main areas, for individuals and corporations, and now has launched a new service for individuals.

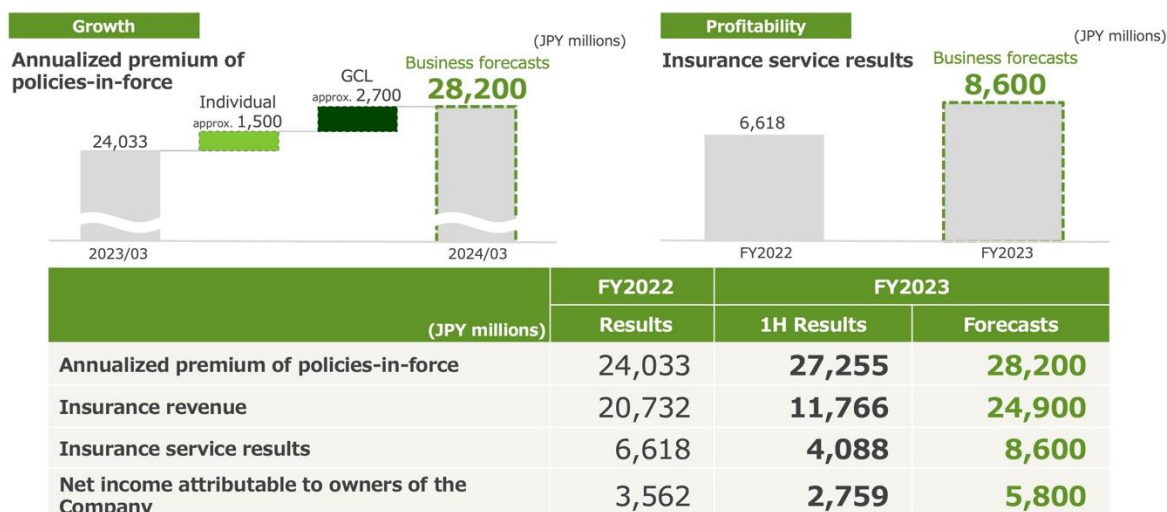
This is a LINE-based new service that allows customers to save on insurance premiums, one of the fixed costs in their household budget. Unlike conventional website-based insurance comparison sites, this new service will offer a simple and easy UI/UX for selecting insurance in line with the LINE platform.

We believe that this initiative promotes the unleash of the potential of online life insurance by making it accessible to consumers who find it difficult to select insurance online. If you would like to try, please add us as a friend on LINE and experience a stress-free customer experience.

# Consolidated Business Forecasts for FY2023



## ■ Remains unchanged from August 2023



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Please refer to page 15. This is the consolidated business forecasts for FY2023.

The business forecasts remains unchanged from the upwardly revised profit forecast in August.

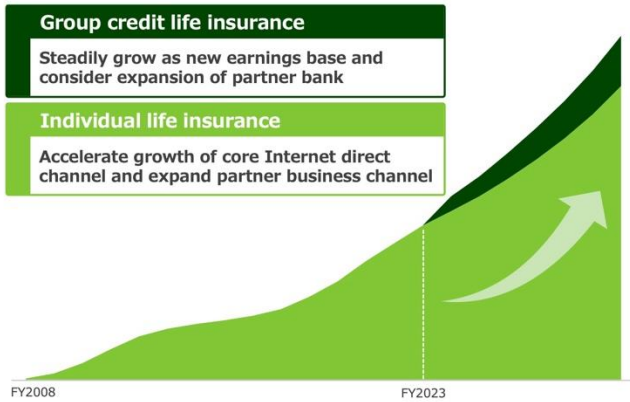
While we will certainly need to continue to monitor the status of insurance claims and current trends in the financial markets in H2 of FY2023, we will continue to manage our business with an awareness of both growth and efficiency.

# Future Direction

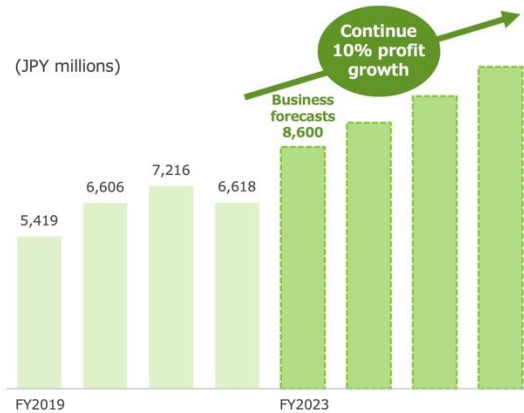


- Aim for growth in in-force business for both individual life and GCL
- Continue 10% profit growth and aim for TSE Prime Market in around FY2025

Mid-term growth path of in-force business



Insurance service results



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Please refer to page 16. Here is an explanation of our future direction.

In the individual life insurance business, we aim to take our Internet direct channel to another level and re-accelerate growth. In addition, we intend to further improve the contribution to our business performance through the expansion of our partner business channels.

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

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



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Finally, here is the management policy.

We will continue to pursue growth to expand the scale of our business while capturing the structural trend of digitization of financial services.

We will continue to expand the online life insurance market and remain a leading company in this market, aiming to achieve our management goal of JPY200 billion in EEV.

This concludes the presentation of the financial results for Q2 FY2023. Thank you very much for your attention.