

November 10, 2022  
Ryosuke Mori, President  
LIFENET INSURANCE COMPANY  
(Securities Code: 7157, TSE Growth)

## **Financial Results for 2Q of Fiscal 2022 Ending March 31, 2023** **Annualized premium of in-force business of 22,947 million yen,** **up 6.7% from March 31, 2022**

TOKYO, November 10, 2022 - LIFENET INSURANCE COMPANY (TSE Growth 7157, President Ryosuke Mori, URL: <https://ir.lifenet-seimei.co.jp/en/>) discloses financial results for the second quarter of fiscal 2022 ending March 31, 2023.

### **1. Overview of the financial results for 2Q of fiscal 2022**

#### **(1) Business results**

##### **Condition of policies-in-force**

Annualized premium\*<sup>1</sup> of new business in 2Q ended September 30, 2022 was 1,137 million yen (108.2% of 2Q of fiscal 2021). The number of new business was 29,864 (114.1% of 2Q of fiscal 2021). Annualized premium of new business for the six months ended September 30, 2022 was 2,107 million yen (96.9% of the six months ended September 30, 2021). The number of new business for the six months ended September 30, 2022 was 53,792 (100.1% of the six months ended September 30, 2021).

Annualized premium of policies-in-force as of the end of 2Q of fiscal 2022 stands at 22,947 million yen (106.7% of March 31, 2022). The number of policies-in-force resulted in a total of 543,635 (107.1% of March 31, 2022). Surrender and lapse ratio\*<sup>2</sup> for the six months ended September 30, 2022 was 6.3% (6.9% for the six months ended September 30, 2021).

\*1: Annualized premium is the amount of money equivalent to what is to be paid to have the insurance coverage for one year. All payments for Lifenet products are in monthly installments, we calculate annualized premium as multiplying the monthly premium by 12 months.

\*2: The surrender and lapse ratio is the annual equivalent of the monthly number of policies surrendered and/or lapsed divided by the monthly average number of policies-in-force.

#### **Results of operations**

Insurance premiums and other for the six months ended September 30, 2022 was 14,146 million yen (115.0% of the six months ended September 30, 2021) due to an increase in premium income by growth of in-force business, and effect from modified co-insurance. Investment income was 558 million yen (215.4% of the six months ended September 30, 2021) mainly due to the increase in gains on money held in trust. Other ordinary income was 41 million yen. As a result, ordinary income for the six months ended September 30, 2022 amounted to 14,746 million yen (116.6% of the six months ended September 30, 2021).

Insurance claims and other was 5,738 million yen (141.1% of the six months ended September 30, 2021) mainly due to an increase in insurance benefits related to COVID-19 and reinsurance commission from modified co-insurance. The ratio of insurance payment amounts to insurance premiums was 25.8% for the six months ended September 30, 2022, compared with 21.0% for the six months ended September 30, 2021. In addition, payment of insurance claims and benefits related to COVID-19 was 883 million yen for the six months ended September 30, 2022. Provision for policy reserves and other came to 4,050 million yen (126.3% of the six months ended September 30, 2021). The ratio of provision for policy reserves to insurance premiums was 31.9% for the six months ended September 30, 2022, compared with 33.5% for the six months ended September 30, 2021. Investment expenses was 92 million yen mainly due to the recording of loss on sale of securities. Operating expenses amounted to 6,551

million yen (111.3% of the six months ended September 30, 2021) mainly due to the investment in our marketing spend including advertising. The components of operating expenses were 4,237 million yen in marketing expenses (105.2% of the six months ended September 30, 2021), 713 million yen in customer service expenses (115.1% of the six months ended September 30, 2021), and 1,600 million yen in system and other expenses (129.4% of the six months ended September 30, 2021). Other ordinary expenses was 806 million yen (88.5% of the six months ended September 30, 2021). Consequently, ordinary expenses for the six months ended September 30, 2022 totaled 17,239 million yen (122.5% of the six months ended September 30, 2021).

As a result, ordinary profit totaled 2,492 million yen loss for the six months ended September 30, 2022, compared with 1,427 million yen loss for the six months ended September 30, 2021. Net income was 2,509 million yen loss, compared with 1,476 million yen loss for the six months ended September 30, 2021.

In addition, fundamental profit, which is an indicator for the profitability of life insurance companies, amounted to 2,601 million yen loss, compared with 1,316 million yen loss for the six months ended September 30, 2021, mainly due to an increase in insurance benefits related to COVID-19. The components of fundamental profit were 852 million yen in mortality margin, 3,496 million yen loss in expense margin and 42 million yen in interest margin.

We are participating in reinsurance transactions from fiscal 2019 by modified co-insurance on part of our business to achieve continuous growth. By utilizing reinsurance appropriately, we will ease the temporary burden imposed on statutory capital by expenses associated with new business and maintain fiscal soundness. The reinsurance transactions are agreements that transfer the risk and the profit (loss) structure of the reinsured business to the reinsurance company for a certain period of time. We receive ceding commission in accordance with the new business costs associated with the reinsured business in the initial fiscal year. This leads to an increase in ordinary income. On the other hand, after the ceding commission is recorded reinsurance accounts receivable as asset, it is amortized by the profit generated from the reinsured business over following fiscal years. This leads to a decrease in ordinary profit and net profit. Once the balance of reinsurance accounts receivable is amortized to zero, the reinsurance agreement terminates, and subsequent profit on the reinsured business belongs to Lifenet. Accordingly, the modified co-insurance resulted in raising ordinary income by 2,786 million yen (2,380 million yen of the six months ended September 30, 2021), ordinary profit by 444 million yen (787 million yen of the six months ended September 30, 2021), and net income by 444 million yen (787 million yen of the six months ended September 30, 2021).

## **(2) Financial condition**

### **Assets, liabilities and net assets**

Total assets as of September 30, 2022 amounted to 68,065 million yen (67,820 million yen as of March 31, 2022). The major account balance was 48,526 million yen in securities mainly consisting of government bonds and corporate bonds with high credit ratings. Reinsurance accounts receivable was 4,316 million yen including 4,116 million yen of the balance of unamortized ceding commission for modified co-insurance.

Liabilities amounted to 49,414 million yen as of September 30, 2022 (45,749 million yen as of March 31, 2022), owing to an increase in policy reserves. The major account balances were 46,031 million yen in policy reserves and 1,562 million yen in reserves for outstanding claims.

Net assets amounted to 18,650 million yen as of September 30, 2022 (22,071 million yen as of March 31, 2022) mainly due to the recording of net loss for the six months ended September 30, 2022 and a decrease in valuation difference on available-for-sale securities. It includes the effect of raising retained earnings due to the utilization of modified co-insurance. On the other hand, after the ceding commission is recorded reinsurance accounts receivable as asset, it is

amortized by the profit generated from the reinsured business over following fiscal years. This leads to a decrease in net assets accordingly.

The solvency margin ratio as of September 30, 2022 was 3,187.0% (3,182.8% as of March 31, 2022), which indicated that an adequate level of payment capacity was maintained.

### Cash flows

For the six months ended September 30, 2022, net cash provided by operating activities amounted to 983 million yen (1,119 million yen provided for the six months ended September 30, 2021) mainly because of an increase in insurance premium. Net cash used by investing activities amounted to 2,550 million yen (1,965 million yen used for the six months ended September 30, 2021) mainly due to acquisition of securities. Net cash used by financing activities amounted to 1 million yen (9,736 million yen provided for the six months ended September 30, 2021).

Based on these activities described above, cash and cash equivalents as of September 30, 2022 totaled 6,193 million yen (7,761 million yen as of March 31, 2022).

### (3) Business forecasts

The business forecasts for fiscal 2022 which was announced on May 12, 2022 was revised as shown below.

	(In millions of yen)		
	Ordinary income	Ordinary profit (loss)	Net income (loss)
Previous forecasts (May 12, 2022)	30,300	(3,400)	(3,400)
Revised forecasts (November 10, 2022)	30,000	(5,000)	(5,000)
(Reference) Business results for fiscal 2021	26,167	(3,245)	(3,319)

### Reasons for revision

The payments of insurance claims and benefits related to COVID-19 increased due to the spread of COVID-19 and the amount of the payments reached 883 million yen for the six months ended September 30, 2022. Based on this, Lifenet has revised its business forecasts for fiscal year 2022 ending March 31, 2023, as the amount of insurance claims and benefits is expected to be higher than initially expected.

In addition, as for the reserves for outstanding claims, which is required to be accumulated under the Insurance Business Acts, we expect to record higher amount as a provision for reserves for outstanding claims than initially expected due to an increase in payments of insurance claims and benefits for the six months ended September 30, 2022. We have included the impact in our revision of the business forecasts.

Since April 2020, Lifenet has regarded patients with COVID-19 recuperating at home or accommodations as equivalent to those who have been hospitalized and are eligible for claiming benefits. However, in line with the recent government's policy to simplify COVID-19 case count rules, benefit payments are limited to those who have high risk when they are diagnosed with COVID-19 after September 26. As a result, future payments of claims and benefits related to COVID-19 are expected to be limited, while we carefully monitor the situation and will promptly announce any events that should be disclosed.

The business forecasts for fiscal 2022 includes the impact of reinsurance transactions by modified co-insurance. We expect the impact of these reinsurance transactions on fiscal 2022 forecasts to increase ordinary income by around 5,900 million yen (6,300 million yen as of previous forecast), ordinary profit and net income by around 800 million yen (1,000 million yen as of previous forecast). This impact includes the effects of amortization of reinsurance accounts receivable generated from reinsured business in past years.

Subsequently, the forecasts for annualized premium of new business and of policies-in-force were also revised for the performance has not progressed as expected. Lifenet continuously aims to achieve double-digit growth in in-force business.

(Reference) Annualized premium

	(In millions of yen)	
	Annualized premium of policies-in-force	Annualized premium of new business
Previous forecasts (May 12, 2022)	24,400	4,400
Revised forecasts (November 10, 2022)	24,300	4,200
(Reference) Business results for fiscal 2021	21,511	4,089

## 2. Non-consolidated Financial Statements

### (1) Balance Sheets

	(In millions of yen)	
	March 31, 2022	Sep. 30, 2022
<u>ASSETS</u>		
Cash and deposits.....	3,761	3,193
Monetary claims bought.....	3,999	2,999
Money held in trust .....	5,460	5,635
Securities .....	47,425	48,526
Government bonds.....	8,946	8,870
Municipal bonds .....	1,469	1,450
Corporate bonds.....	24,042	24,986
Stocks.....	492	550
Foreign securities .....	98	497
Other securities .....	12,375	12,170
Tangible fixed assets.....	97	86
Intangible fixed assets .....	1,293	1,271
Agency accounts receivable .....	7	8
Reinsurance accounts receivable.....	3,881	4,316
Other assets.....	1,892	2,027
Accounts receivable .....	1,585	1,682
Other .....	306	345
Total assets .....	67,820	68,065

	(In millions of yen)	
	March 31, 2022	Sep. 30, 2022
<u>LIABILITIES</u>		
Policy reserves and other .....	43,542	47,593
Reserves for outstanding claims .....	984	1,562
Policy reserves .....	42,558	46,031
Agency accounts payable .....	48	75
Reinsurance accounts payable .....	404	436
Other liabilities .....	1,379	1,192
Income taxes payable .....	3	1
Accrued expenses .....	1,270	1,083
Lease liabilities .....	7	6
Asset retirement obligations .....	34	34
Other .....	64	66
Reserves under the special laws .....	102	115
Reserve for price fluctuations .....	102	115
Deferred tax liabilities .....	271	—
Total liabilities .....	<u>45,749</u>	<u>49,414</u>
<u>NET ASSETS</u>		
Capital stock .....	21,655	21,676
Capital surplus .....	21,655	21,676
Legal capital surplus .....	21,655	21,676
Retained earnings .....	(21,936)	(24,446)
Other retained earnings .....	(21,936)	(24,446)
Retained earnings brought forward .....	(21,936)	(24,446)
Treasury shares .....	(0)	(0)
Shareholders' equity .....	<u>21,373</u>	<u>18,907</u>
Valuation difference on available-for-sale securities .....	697	(257)
Valuation and translation adjustments .....	697	(257)
Total net assets .....	<u>22,071</u>	<u>18,650</u>
Total liabilities and net assets .....	<u>67,820</u>	<u>68,065</u>

## (2) Statements of Operations

	(In millions of yen)	
	Six months ended Sep. 30	
	2021	2022
Ordinary income.....	12,644	14,746
Insurance premiums and other .....	12,301	14,146
Premiums income .....	9,566	10,893
Reinsurance income.....	2,734	3,252
Investment income .....	259	558
Interest, dividends and other income.....	215	273
Gains on money held in trust.....	26	169
Gain on sales of securities.....	17	115
Other ordinary income .....	84	41
Reversal of reserves for outstanding claims.....	45	—
Other .....	38	41
Ordinary expenses .....	14,071	17,239
Insurance claims and other .....	4,066	5,738
Insurance claims .....	1,315	1,240
Benefits .....	693	1,570
Other refunds .....	0	0
Reinsurance commissions .....	2,057	2,926
Provision for policy reserves and other .....	3,208	4,050
Provision for reserves for outstanding claims .....	—	577
Provision for policy reserves .....	3,208	3,473
Investment expenses .....	0	92
Interest expenses .....	0	1
Loss on sales of securities.....	—	91
Foreign exchange losses.....	0	—
Operating expenses .....	5,885	6,551
Other ordinary expenses .....	911	806
Ordinary profit (loss) .....	(1,427)	(2,492)
Extraordinary losses .....	47	14
Loss on disposal of fixed assets.....	36	1
Provision of reserves under the special laws .....	10	13
Provision of reserve for price fluctuations .....	10	13
Income (loss) before income taxes .....	(1,474)	(2,507)
Income taxes-current .....	1	1
Income taxes.....	1	1
Net income (loss) .....	(1,476)	(2,509)

### (3) Statements of Changes in Net Assets

	(In millions of yen)	
	Six months ended Sep. 30	
	2021	2022
<b>Shareholders' equity:</b>		
Capital stock		
Balance at the beginning of the year.....	16,731	21,655
Changes of items during the period		
Issuance of new shares.....	4,885	—
Issuance of new shares-restricted stock.....	21	21
Issuance of new shares-exercise of subscription rights to shares .....	13	—
Total changes of items during the period .....	<u>4,920</u>	<u>21</u>
Balance at the end of the period .....	<u>21,652</u>	<u>21,676</u>
Capital surplus		
Legal capital surplus		
Balance at the beginning of the year.....	16,731	21,655
Changes of items during the period		
Issuance of new shares.....	4,885	—
Issuance of new shares-restricted stock.....	21	21
Issuance of new shares-exercise of subscription rights to shares ..	13	—
Total changes of items during the period .....	<u>4,920</u>	<u>21</u>
Balance at the end of the period .....	<u>21,652</u>	<u>21,676</u>
Total capital surplus		
Balance at the beginning of the year.....	16,731	21,655
Changes of items during the period		
Issuance of new shares.....	4,885	—
Issuance of new shares-restricted stock.....	21	21
Issuance of new shares-exercise of subscription rights to shares ..	13	—
Total changes of items during the period .....	<u>4,920</u>	<u>21</u>
Balance at the end of the period .....	<u>21,652</u>	<u>21,676</u>
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the beginning of the year .....	(18,616)	(21,936)
Changes of items during the period		
Net income (loss).....	(1,476)	(2,509)
Total changes of items during the period ....	<u>(1,476)</u>	<u>(2,509)</u>
Balance at the end of the period .....	<u>(20,093)</u>	<u>(24,446)</u>
Total retained earnings		
Balance at the beginning of the year.....	(18,616)	(21,936)
Changes of items during the period		
Net income (loss).....	(1,476)	(2,509)
Total changes of items during the period .....	<u>(1,476)</u>	<u>(2,509)</u>
Balance at the end of the period .....	<u>(20,093)</u>	<u>(24,446)</u>



	(In millions of yen)	
	Six months ended Sep. 30	
	2021	2022
<b>Treasury shares</b>		
Balance at the beginning of the year.....	(0)	(0)
Changes of items during the period		
Purchase of treasury shares .....	—	(0)
Total changes of items during the period .....	—	(0)
Balance at the end of the period .....	(0)	(0)
<b>Total shareholders' equity</b>		
Balance at the beginning of the year.....	14,846	21,373
Changes of items during the period		
Issuance of new shares .....	9,771	—
Issuance of new shares-restricted stock .....	43	43
Issuance of new shares-exercise of subscription rights to shares .....	26	—
Net income (loss) .....	(1,476)	(2,509)
Purchase of treasury shares .....	—	(0)
Total changes of items during the period .....	8,365	(2,465)
Balance at the end of the period .....	23,211	18,907
<b>Valuation and translation adjustments:</b>		
<b>Valuation difference on available-for-sale securities</b>		
Balance at the beginning of the year.....	960	697
Changes of items during the period		
Net changes of items other than shareholders' equity .....	213	(954)
Total changes of items during the period .....	213	(954)
Balance at the end of the period .....	1,173	(257)
<b>Total valuation and translation adjustments</b>		
Balance at the beginning of the year.....	960	697
Changes of items during the period		
Net changes of items other than shareholders' equity .....	213	(954)
Total changes of items during the period .....	213	(954)
Balance at the end of the period .....	1,173	(257)
<b>Net assets:</b>		
Balance at the beginning of the year .....	15,806	22,071
Changes of items during the period		
Issuance of new shares .....	9,771	—
Issuance of new shares-restricted stock .....	43	43
Issuance of new shares-exercise of subscription rights to shares .....	26	—
Net income (loss) .....	(1,476)	(2,509)
Purchase of treasury shares .....	—	(0)
Net changes of items other than shareholders' equity .....	213	(954)
Total changes of items during the period.....	8,578	(3,420)
Balance at the end of the period.....	24,385	18,650

## (4) Statements of Cash Flows

	(In millions of yen)	
	Six months ended Sep. 30	
	2021	2022
Cash flows from operating activities		
Income (loss) before income taxes .....	(1,474)	(2,507)
Depreciation and amortization .....	206	197
Increase (decrease) in reserves for outstanding claims .....	(45)	577
Increase (decrease) in policy reserves.....	3,208	3,473
Increase (decrease) in reserve for price fluctuations .....	10	13
Interest, dividends and other income .....	(215)	(273)
Loss (gain) related to securities.....	(17)	(24)
Interest expenses .....	0	1
Loss (gain) property plant and equipment.....	—	0
Share issuance costs.....	130	—
Decrease (increase) in agency accounts receivable .....	0	(0)
Decrease (increase) in reinsurance accounts receivable.....	(736)	(435)
Decrease (increase) in other assets <excluding assets for investing and financing activities > ..	(119)	(108)
Increase (decrease) in agency accounts payable.....	(13)	27
Increase (decrease) in reinsurance accounts payable .....	34	31
Increase (decrease) in other liabilities <excluding liabilities for investing and financing activities > ..	(198)	(183)
Other, net .....	31	(145)
Subtotal .....	801	642
Interest and dividends income received .....	325	343
Interest expenses paid .....	(0)	(1)
Income taxes (paid) refund.....	(6)	(0)
Net cash provided by (used in) operating activities .....	1,119	983
Cash flows from investing activities		
Purchase of money held in trust .....	—	(0)
Proceeds from decrease in money held in trust .....	500	—
Purchase of securities.....	(2,759)	(6,796)
Proceeds from sales and redemption of securities .....	576	4,411
Total of net cash provided by (used in) investment transactions ...	(1,683)	(2,385)
Total of net cash provided by (used in) operating activities and investment transactions ...	(563)	(1,401)
Purchase of tangible fixed assets .....	(15)	(0)
Purchase of intangible fixed assets .....	(267)	(164)
Net cash provided by (used in) investing activities .....	(1,965)	(2,550)
Cash flows from financing activities		
Proceeds from issuance of common stock.....	9,712	—
Proceeds from issuance of stock resulting from exercise of subscription rights to shares ...	26	—
Purchase of treasury shares.....	—	(0)
Repayments of lease obligations .....	(2)	(1)
Net cash provided by (used in) financing activities .....	9,736	(1)
Net increase (decrease) in cash and cash equivalents .....	8,891	(1,568)
Cash and cash equivalents, beginning of the year .....	3,059	7,761
Cash and cash equivalents, end of the period .....	11,950	6,193

**About LIFENET** URL: <https://ir.lifenet-seimei.co.jp/en/>

Remembering the original purpose of life insurance - mutual support - LIFENET INSURANCE COMPANY was founded with the goal of offering simple, convenient and competitively priced products and services based on the highest levels of business integrity. We sell these products and services directly to customers over the Internet. We aim to be the leading company driving the growth of the online life insurance market.

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