

November 14, 2024
Ryosuke Mori, President
LIFENET INSURANCE COMPANY
(Securities Code: 7157, TSE Growth)

**Consolidated Financial Results for 2Q of Fiscal 2024
Ending March 31, 2025 (IFRS)**
Comprehensive Equity as new management indicator was 164,974 million yen

TOKYO, November 14, 2024 - LIFENET INSURANCE COMPANY (TSE Growth 7157, President Ryosuke Mori, URL: <https://ir.lifenet-seimei.co.jp/en/>) discloses the consolidated financial results for the second quarter of fiscal 2024 ending March 31, 2025.

1. Overview of the financial results for 2Q of fiscal 2024 ended September 30, 2024

(1) Business results

Condition of policies-in-force

Annualized premium*1 of policies-in-force for individual life insurance and group credit life insurance (“GCL”) combined as of the end of 2Q of fiscal 2024 stands at 32,559 million yen (113.2% of March 31, 2024). Annualized premium of policies-in-force for individual life insurance was 26,104 million yen (102.7% of March 31, 2024), and annualized premium of policies-in-force for GCL was 6,455 million yen (194.1% of March 31, 2024) partly due to the revision of premium rate in July 2024.

The business performance of individual life insurance is as follows. The number of policies-in-force resulted in a total of 618,039 (102.8% of March 31, 2024). Annualized premium of new business for the six months ended September 30, 2024 was 1,423 million yen (102.6% of the six months ended September 30, 2023) and the number of new business was 35,808 (103.8% of the six months ended September 30, 2023). Surrender and lapse ratio*2 for the six months ended September 30, 2024 was 5.8% (6.7% of the six months ended September 30, 2023).

*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 (for GCL, expected premium income for the next month based on the in-force business) 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

(In millions of yen)

	1H of fiscal 2023	1H of fiscal 2024	Change
Insurance revenue	11,766	14,297	2,531
Insurance service results	4,088	4,565	477
Financial results ^{*3}	66	(57)	(123)
Other results ^{*4}	(228)	(129)	99
Net income (loss) before income taxes	3,926	4,378	452
Net income (loss) attributable to owners of the Company	2,759	3,152	393

Insurance revenue for the six months ended September 30, 2024 increased to 14,297 million yen (121.5% of the six months ended September 30, 2023). Insurance revenue for individual life insurance and GCL was 11,911 million yen and 2,385 million yen, respectively. As for individual life insurance, the main components of insurance revenue were 5,447 million yen in expected claims and maintenance costs^{*5} (“expected claims”), 797 million yen in change in risk adjustment for non-financial risks related to extinguished risks (“risk adjustment release”) and 3,699 million yen in CSM^{*6} recognized for services provided (“CSM release”). Insurance service results increased to 4,565 million yen (111.7% of the six months ended September 30, 2023) mainly due to an increase in CSM release and profit from GCL. Financial results were 57 million yen loss due to the recording of foreign exchange loss by strong yen, despite an increase in interest income resulting from increased foreign securities holdings. Other results were 129 million yen loss mainly because of recording expenses not directly related to insurance services.

As a result, net income before income taxes was 4,378 million yen (111.5% of the six months ended September 30, 2023). Net income attributable to owners of the Company was 3,152 million yen (114.3% of the six months ended September 30, 2023).

With respect to expenses related to insurance contract incurred for the six months ended September 30, 2024, insurance acquisition cash flows, which are cost directly attributable to the acquisition of insurance contract groups, the sum of expenses related to marketing, underwriting and systems, etc., were 4,575 million yen (104.0% of the six months ended September 30, 2023). In addition, maintenance costs, which are not included in insurance acquisition cash flows, were 2,366 million yen (112.8% of the six months ended September 30, 2023).

*3: Financial results are mainly total of investment results from financial assets, insurance finance income or expense and reinsurance finance income or expense.

*4: Other results are the costs not directly related to insurance services and income/loss other than insurance business including product development costs and results of subsidiaries.

*5: Maintenance costs are the costs directly related to fulfilling contracts and not included in insurance acquisition cash flows. They are mainly included in costs related to maintenance of insurance contracts and overhead costs for providing insurance services.

*6: CSM stands for Contractual Service Margin, which represents the unearned profit that the company will recognize as it provides services over the coverage period.

(2) Financial condition

Assets, liabilities and equities

Total assets as of September 30, 2024 amounted to 117,087 million yen (112,417 million yen as of March 31, 2024). The major account balances were 58,956 million yen in investment securities mainly consisting of government bonds and corporate bonds with high credit ratings and 33,529 million yen in insurance contract assets. Although insurance contracts are generally recorded as liabilities, the Group records them as insurance contract assets because the insurance contract liabilities in individual life insurance are negative as shown in the table below. Breakdown of insurance contract liabilities are present value of future cash flows of minus 147,499 million yen, risk adjustment of 23,297 million yen and CSM of 90,671 million yen, which are related to individual life insurance. In addition, contracts measured under the premium allocation approach of 578 million yen, which are related to GCL, were recorded as insurance contract liabilities.

Breakdown of insurance contract liabilities

(In millions of yen)

Present value of future cash flows (claims minus premiums)	(147,499)
Risk adjustment	23,297
CSM	90,671
Insurance contract liabilities related to individual life insurance: total	(33,529)
Insurance contract liabilities related to GCL (Contracts measured under the premium allocation approach)	578

Liabilities amounted to 23,162 million yen as of September 30, 2024 (21,535 million yen as of March 31, 2024). The major account balance was 19,766 million yen in deferred tax liabilities.

Equities amounted to 93,925 million yen as of September 30, 2024 (90,882 million yen as of March 31, 2024), due to the recording of net income for the six months ended September 30, 2024.

The consolidated solvency margin ratio, one of the indicators used in administrative supervision to determine the soundness of management, was 1,917.1% as of September 30, 2024, which indicated that an adequate level of solvency capacity is maintained.

Cash flows

For the six months ended September 30, 2024, net cash provided by operating activities amounted to 2,891 million yen (3,070 million yen provided for the six months ended September 30, 2023) mainly due to recording of net income before income taxes though the increase in insurance contract assets had a negative impact. Net cash used by investing activities amounted to 8,573 million yen (377 million yen used for the six months ended September 30, 2023) mainly due to acquisition of investment securities. Net cash used by financing activities amounted to 59 million yen (9,737 million yen provided for the six months ended September 30, 2023) mainly due to the repayment of lease liabilities.

Based on these activities described above, cash and cash equivalents as of September 30, 2024 totaled 18,664 million yen (24,423 million yen as of March 31, 2024).

(3) Management indicator “Comprehensive Equity”

The Group announced its new mid-term business plan from fiscal 2024 to fiscal 2028 on May 14, 2024. As the Group has applied IFRS since fiscal 2023, the plan sets Comprehensive Equity^{*7} based on IFRS as a key management indicator representing our corporate value. The management goal is to achieve Comprehensive Equity of 200 billion yen to 240 billion yen in fiscal 2028. Comprehensive Equity as of the end of 2Q of fiscal 2024 was 164,974 million yen (103.2% of March 31, 2024).

*7: Comprehensive Equity is an indicator defined by the Group. It is the sum of “Equity (attributable to owners of the Company)” on the IFRS consolidated statement of financial position (B/S), “CSM”, a liability representing unearned profit that the Group expects to earn as it provides insurance services (insurance contracts and reinsurance contracts are aggregated and tax-adjusted), and “GCL contracts value”, which is the value of future IFRS earnings, including future renewals for GCL policies-in-force. We have defined it as the indicator that represents the corporate value of the Group as it includes the value of future profits of policies-in-force.

(4) Business forecasts

The consolidated business forecasts for fiscal 2024 announced on May 14, 2024 remains unchanged as shown below.

(In millions of yen)

	Annualized premium of policies-in-force	Insurance revenue	Insurance service results	Net income attributable to owners of the Company
Business forecasts (May 14, 2024)	34,000	30,000	8,900	6,200
(Reference) Business results for fiscal 2023	28,750	24,698	8,222	5,734

(Reference) Breakdown of business forecasts for annualized premium of policies-in-force

(In millions of yen)

	Individual Life Insurance	Group Credit Life Insurance	Total
Business forecasts (May 14, 2024)	27,200	6,800	34,000
(Reference) Business results for fiscal 2023	25,424	3,326	28,750

2. Consolidated Financial Statements

The following financial information was prepared in accordance with International Financial Reporting Standards (“IFRS”).

(1) Consolidated statement of financial position

	(In millions of yen)	
	March 31, 2024	Sep. 30, 2024
ASSETS		
Cash and cash equivalents	24,423	18,664
Derivative assets	0	—
Investment securities	51,564	58,956
Other financial assets	1,073	1,129
Income tax receivable	17	5
Insurance contract assets	32,378	33,529
Reinsurance contract assets	571	648
Property and equipment	62	133
Right-of-use assets	110	1,369
Intangible assets	1,892	1,959
Other assets	322	690
Total assets	112,417	117,087
LIABILITIES		
Derivative liabilities	171	55
Other financial liabilities	1,485	1,030
Insurance contract liabilities	685	578
Reinsurance contract liabilities	78	19
Provisions	34	34
Lease liabilities	110	1,408
Deferred tax liabilities	18,610	19,766
Other liabilities	357	268
Total liabilities	21,535	23,162
EQUITY		
Share capital	26,617	26,652
Capital surplus	26,550	26,585
Retained earnings	33,481	36,634
Treasury shares	(0)	(0)
Other components of equity	4,221	4,041
Total equity attributable to owners of the Company	90,870	93,913
Non-controlling interests	11	11
Total equity	90,882	93,925
Total liabilities and equity	112,417	117,087

(2) Consolidated statement of profit or loss

	(In millions of yen)	
	Six months ended Sep. 30	
	2023	2024
Insurance revenue	11,766	14,297
Insurance service expense	(7,294)	(9,448)
Net expenses from reinsurance contract held	(383)	(283)
Insurance service result	<u>4,088</u>	<u>4,565</u>
Interest income	151	467
Impairment losses on financial assets, net	(1)	(3)
Other financial income	<u>(33)</u>	<u>(473)</u>
Net investment income	116	(9)
Insurance finance income (expense)	(58)	(56)
Reinsurance finance income (expense)	7	9
Other revenue	39	113
Other expense	(266)	(238)
Other financial expense	(1)	(3)
Net income (loss) before income taxes	<u>3,926</u>	<u>4,378</u>
Income taxes expense	<u>(1,172)</u>	<u>(1,226)</u>
Net income (loss)	<u>2,753</u>	<u>3,152</u>
Net income (loss) attributable to:		
Owners of the Company	2,759	3,152
Non-controlling interests	(5)	0
Net income (loss)	<u>2,753</u>	<u>3,152</u>
Net income (loss) per share attributable to owners of the Company		
Basic	39.04	39.26
Diluted	—	—

(3) Consolidated statement of comprehensive income

	(In millions of yen)	
	Six months ended Sep. 30	
	2023	2024
Net income (loss).....	2,753	3,152
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Financial assets measured at fair value through other		
comprehensive income	(571)	(142)
Insurance finance income (expense).....	(677)	(171)
Reinsurance finance income (expense).....	9	134
Items that may be reclassified subsequently to profit and loss	(1,239)	(179)
Other comprehensive income net of tax	(1,239)	(179)
Total comprehensive income	1,514	2,972
Total comprehensive income attributable to:		
Owners of the Company.....	1,519	2,972
Non-controlling interests.....	(5)	0
Total comprehensive income.....	1,514	2,972

(4) Consolidated statement of changes in equity

	(In millions of yen)	
	Six months ended Sep. 30	
	2023	2024
Equity attributable to owners of the Company:		
Share capital		
Balance at the beginning of the year	21,676	26,617
Transactions with owners		
Issuance of new shares.....	4,918	—
Issuance of new shares-restricted stock.....	21	35
Total transactions with owners	4,940	35
Balance at the end of the period	26,617	26,652
Capital surplus		
Balance at the beginning of the year	21,663	26,550
Transactions with owners		
Issuance of new shares.....	4,873	—
Issuance of new shares-restricted stock.....	21	35
Changes in interests in subsidiaries	(6)	—
Total transactions with owners	4,888	35
Balance at the end of the period	26,552	26,585
Retained earnings		
Balance at the beginning of the year	27,747	33,481
Comprehensive income		
Net income (loss).....	2,759	3,152
Total comprehensive income	2,759	3,152
Balance at the end of the period	30,506	36,634
Treasury shares		
Balance at the beginning of the year	(0)	(0)
Transactions with owners		
Purchase of treasury shares	—	(0)
Total transactions with owners.....	—	(0)
Balance at the end of the period	(0)	(0)
Other components of equity		
Financial assets measured at fair value through other comprehensive income		
Balance at the beginning of the year	56	(424)
Comprehensive income		
Other comprehensive income	(571)	(142)
Total comprehensive income.....	(571)	(142)
Balance at the end of the period.....	(515)	(567)
Insurance finance expense reserve		
Balance at the beginning of the year	4,543	4,645
Comprehensive income		
Other comprehensive income.....	(667)	(36)
Total comprehensive income.....	(667)	(36)
Balance at the end of the period.....	3,875	4,608

	(In millions of yen)	
	Six months ended Sep. 30	
	2023	2024
Total other components of equity		
Balance at the beginning of the year.....	4,600	4,221
Comprehensive income		
Other comprehensive income	(1,239)	(179)
Total comprehensive income	(1,239)	(179)
Balance at the end of the period	3,360	4,041
Equity attributable to owners of the Company		
Balance at the beginning of the year.....	75,687	90,870
Comprehensive income		
Net income (loss)	2,759	3,152
Other comprehensive income	(1,239)	(179)
Total comprehensive income	1,519	2,972
Transactions with owners		
Issuance of new shares	9,791	—
Purchase of treasury shares	—	(0)
Issuance of new shares-restricted stock.....	43	70
Changes in interests in subsidiaries	(6)	—
Total transactions with owners	9,829	70
Balance at the end of the period	87,036	93,913
Non-controlling interests:		
Balance at the beginning of the year.....	16	11
Comprehensive income		
Net income (loss)	(5)	0
Total comprehensive income	(5)	0
Transactions with owners		
Changes in interests in subsidiaries	6	—
Total transactions with owners	6	—
Balance at the end of the period	17	11
Equity:		
Balance at the beginning of the year.....	75,704	90,882
Comprehensive income		
Net income (loss).....	2,753	3,152
Other comprehensive income	(1,239)	(179)
Total comprehensive income	1,514	2,972
Transactions with owners		
Issuance of new shares.....	9,791	—
Purchase of treasury shares	—	(0)
Issuance of new shares-restricted stock.....	43	70
Total transactions with owners	9,835	70
Balance at the end of the period.....	87,054	93,925

(5) Consolidated statement of cash flows

	(In millions of yen)	
	Six months ended Sep. 30	
	2023	2024
Cash flows from operating activities		
Net income (losses) before income taxes	3,926	4,378
Depreciation and amortization	289	403
Impairment losses (reversal of impairment losses)	—	0
Investment income	(116)	6
Other financial expenses	1	3
Losses (gains) related to fixed assets	5	—
Insurance and reinsurance contract	(987)	(1,445)
Decrease (increase) in other assets	(38)	(363)
Decrease (increase) related to other liabilities	(278)	(538)
Other, net	21	28
Subtotal	<u>2,822</u>	<u>2,474</u>
Interest received	145	372
Dividends received	95	37
Interest expenses paid	(1)	(3)
Income taxes paid	8	12
Net cash provided by (used in) operating activities	<u>3,070</u>	<u>2,891</u>
Cash flows from investing activities		
Purchase of property, equipment and intangible assets	(443)	(446)
Used in investment transactions	(4,307)	(16,058)
Proceeds from sales and redemption of investment	4,397	7,816
Other	(24)	115
Net cash provided by (used in) investing activities	<u>(377)</u>	<u>(8,573)</u>
Cash flows from financing activities		
Repayments of lease obligations	(54)	(59)
Issuance of new shares	9,791	—
Payments of treasury stocks	—	(0)
Net cash provided by (used in) financing activities	<u>9,737</u>	<u>(59)</u>
Net increase (decrease) in cash and cash equivalents	<u>12,430</u>	<u>(5,741)</u>
Cash and cash equivalents, beginning of the year	12,137	24,423
Currency exchange in cash and cash equivalents	22	(17)
Cash and cash equivalents, end of the period	<u>24,589</u>	<u>18,664</u>

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

LIFENET INSURANCE COMPANY has developed the LIFENET Manifesto that embodies our mission of “Help our customers embrace life more fully by offering comprehensible, cost-competitive and convenient products and services.” We have consistently delivered customer-oriented products and services since our business commencement. As the leading online life insurer, we aim to realize “a society where next generation can be nurtured with confidence in the future.”

<p>Contact: Investor Relations, Corporate Planning Department Tel: +81-3-5216-7900 e-mail: ir@lifenet-seimei.co.jp</p>

Disclaimer: This is a summarized translation of the original Japanese document, prepared and provided solely for readers' convenience. In case of any discrepancy or dispute, the Japanese document prevails.