



LIFENET INSURANCE COMPANY

Question and Answer Summary at 2Q Financial Results Briefing for the Fiscal Year Ending March 2025

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[Answerers]

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Question & Answer

Question: Please explain the background of the increase in claim payments for group credit life insurance (“GCL”) in 2Q of FY2024.

Kawasaki: The claim payments for GCL in 1Q turned out to be lower than expected, but in 2Q, claim payments were slightly higher than expected. We recognize that progress in 1H of FY2024 is in line with our initial expectation.

Question: Regarding the European Embedded Value (“EEV”) on [page 35 of the presentation material](#), in the past, the second quarter was a time when a positive effect of assumption changes could be generally expected in line with the expansion of the scale of policies-in-force, but no positive effect occurred in 2Q of FY2024. Please explain the reason for this.

Kawasaki: There are two main reasons. The first is that we have raised our assumptions for inflation rate in operating expenses. The second is that we have not been able to improve unit costs due to the fact that the growth of policies-in-force in the individual life insurance has been somewhat sluggish. On the other hand, the overall view remains unchanged from previous forecasts that we can expect to benefit from economies of scale as the business expands. It will be important to expand the scale of our overall business, including individual life insurance and GCL.

Question: Please explain how you think of the initial sales performance of the new product “term medical insurance” that was launched in October.

Mori: As shown on [page 11 of the presentation material](#), we have started offering a term medical insurance product to younger generation who are well-suited to the digital services. As a performance for the first month of sales, we observe good progress in the number of younger generation taking out our medical insurance. From now on, we will work to use term medical insurance as a lever to encourage customers to purchase other insurance products as well. We have also started new promotion, and I look forward to seeing how far we can grow our new business performance going forward.

Question: Regarding the CSM growth on [page 9 of the presentation material](#), is it correct to understand that you are aiming to grow new business CSM to exceed amortization of CSM?

Mori: That is generally true. We believe that the figure of 1.341 billion yen in new business CSM for 1H of FY2024 was an unsatisfactory result, and we would like to grow this area. In addition, we have a large fixed cost base, and we are still in a phase of enjoying the benefit from economies of scale. Growth in policies-in-force leads operating leverage, which will reduce in future unit costs. However, new business performance for individual life insurance was not sufficient in 1H of FY2024, and as a result, the positive effect of assumption changes has not been seen. This is our current understanding of the issues.

Question: As shown on [page 23 of the presentation material](#), it appears that new business performance for individual life insurance is weakening. Is this a trend for the insurance industry as a whole, or is it a factor specific to your company?

Kawasaki: We recognize that the bottom of the decrease in demand for life insurance was in 2Q of FY2023. However, customer demand is still slow to recover. The competitive environment is becoming more severe, but we recognize that our market share is not being significantly affected. In 2H of FY2024, we will aim to grow new business performance by strengthening the promotion of new products while also taking into account seasonal factors.

Question: It appears that the GCL business makes a small contribution to insurance service results (GCL results). On the other hand, it appears to make a large contribution to CE growth. How should we understand this? Also, when measuring the contribution of the GCL business to key indicators, which indicator should be prioritized?

Mori: As shown on [page 27 of the presentation material](#), there were more GCL insurance payments than expected, resulting in a negative GCL profit in FY2023. Insurance payments in 1Q of FY2024 were lower than expected, but in 2Q of FY2024, despite raising the insurance premium rate, payments were higher than expected. As a result, GCL results were only 175 million yen.

Regarding the impact on CE, the revision of insurance premium rate is also a positive factor, but the fact that au Jibun Bank's mortgage loan continue to be growing is making a significant contribution to growth.

We define “Comprehensive Equity”, an economic value indicator, as the most important management indicator. This indicator is supported by the growth indicator “Annualized premium of policies-in-force” and the profitability indicator “Insurance service results”.

Kawasaki: I would like to add one point about the relationship between the annualized premium of policies-in-force and insurance service results. Annualized premium of policies-in-force on [page 3 of the presentation material](#) is calculated as if it were a 12-month premium. On the other hand, insurance service results are calculated as if they were for a 3-month or 6-month period, so there is a difference in the way the periods are considered.

Question: Compared to other listed life insurance companies, I got the impression that Lifenet's new business performance for individual life insurance was a little lacking. Please explain about the current issues and your future actions for improvement.

Mori: Firstly, I think that the strong sales performance at other companies is largely due to the recovery in sales of savings-type products. On the other hand, although the demand for the protection-type products we offer is on a recovery trend after hitting bottom in 2Q of fiscal 2023, it is still weak.

Secondly, in terms of advertising costs, we are investing efficiently, as the current advertising price is not low. In response to this situation, we are focusing on improving website performance and strengthening our nurturing marketing to site visitors, with the aim of improving our conversion rate. Through these initiatives, we aim to achieve a certain level of growth even in the current environment. Also, when unit price of advertisement has settled at a reasonable level, we would like to accelerate our sales investment.

Question: What are your thoughts on the outlook for insurance service results in FY2025?

Kawasaki: Although I cannot give you a specific figure, we would like to maintain the growth trend in the next fiscal year and beyond. In the individual life insurance business, CSM growth is an important driver for growth in insurance service results. As shown on [page 33 of the presentation material](#), the CSM release consists of two parts: the future allocation of in-force CSM and new business CSM. We aim to increase new business CSM through the initiatives in individual life insurance I explained. The GCL business is growing steadily, and we hope to expand it further in the coming years.

Question: Please explain the impact of temporary expenses associated with the headquarters relocation and future changes in rent.

Kawasaki: The impact of the headquarters relocation on financial performance includes the consolidated business forecasts for fiscal 2024 ending March 2025, and it will be minor. While we will refrain from mentioning rent, this is an appropriate relocation in light of the number of the employees accompanying business expansion.

[END]