



LIFENET INSURANCE COMPANY

Question and Answer Summary at 3Q Financial Results Briefing for the Fiscal Year Ending March 2025

February 12, 2025

[Answerers]

Ryosuke Mori

President and Representative Director

Takeshi Kawasaki

Senior Executive Officer

Kota Matsubara

Head of Accounting and Actuarial Department

Question & Answer

Question: Please explain the reason that insurance acquisition cash flows (IACF) efficiency ([page 27 of the presentation material](#)) rose to 150,000 yen in 3Q of FY2024. Was there any temporary factor to rise?

Kawasaki: The main reason is that we intentionally strengthened promotion of our new product, Term Medical Insurance, which was launched last October. It also included investments in new measures for the partner business.

Question: Regarding the breakdown of financial results on [page 32 of the presentation material](#), please explain the reason for the decrease in other investment income from 473 million yen loss in 2Q of FY2024 to 728 million yen loss in 3Q of FY2024, which is a decrease of 255 million yen.

Kawasaki: We recorded a foreign exchange valuation loss due to the appreciation of the yen in 2Q of FY2024, as well as valuation losses on its equity holdings and hedging costs in 3Q of FY2024.

Question: What are the future prospects for group credit life insurance (GCL)? How do you expect income and profits to change in FY2025 and beyond in cooperation with au Jibun Bank? If the sales of general GCL products (the most basic plan that pays out an amount equivalent to the mortgage balance in the event of the death of a mortgage borrower), how would this affect your income and profits?

Mori: The growth of au Jibun Bank's mortgage business is very encouraging for us. We will continue our efforts to ensure that both their mortgage loan interest rates and GCL coverage are at an attractive level compared with those of other banks. We recognize that the general GCL product is one of the key elements in their mortgage loan sales strategy to be chosen by customers. As for the impact on us, the premiums of general GCL products will be slightly lower than those for protection plans to which special clauses are added, the profitability in GCL basically generate from death coverage. We do not believe that an increase in sales of general GCL product will have a significant impact on profitability.

Question: Are there any specific changes, such as changes in the mix of products or sales channels, behind the significant month-over-month improvement in [new business results in January 2025](#)?

Mori: We believe that the recovery in new business performance in January was due to a combination of factors. First, we believe that our promotional activities utilizing "overall No.1 ranking in life insurance in the Oricon® Customer Satisfaction Survey," which we have been running since early January, have contributed to the recovery. In addition, new initiatives have been launched in the partner business, which contributed to a certain degree to the growth in new business performance in January. Although the breakdown by sales channel is not disclosed, the performance of the direct business grew more than that of other channels in January. There was no meaningful change in the product mix.

Question: It seems that promotions of the partner business with Sumitomo Mitsui Card and KDDI are focused on the appeal of earning points. Does point promotion have an effect on purchasing behavior for life insurance? Also, does it have a negative impact on profitability to the extent that insurance products with point refund are sold?

Mori: A certain number of customers in point ecosystem place a high priority on consumer behavior within their ecosystem to form a point advantage. For such customers, we believe that a point refund is a boost to their purchase of insurance products. We will continue to focus on appealing to customers in the point ecosystem and aim to grow our partner business.

Question: New business performance in January 2025 seemed to be good. Is there a recovery in consumer demand for life insurance? In addition, please tell us that what extent the efforts made with each partner on [page 13 of presentation material](#) contributed to the growth in January.

Kawasaki: We recognize that January is usually a time of increased demand for life insurance. Looking at the number of online searches for "life insurance" related keywords, there was a recovery in January compared to the previous month of December. Although we do not disclose the breakdown of the sales channel, the customers' response was generally positive, with direct business in particular seeing growth.

Question: Can we expect to see the effects of efforts to offer "Insurance with V-points" through Sumitomo Mitsui Card to a new customer base and efforts with au Payment from February onward?

Mori: We believe that these initiatives, once launched, will not automatically lead to growth in business performance but will be effective with the strong commitment of each business partner. As we formulate plans for the next fiscal year with each business partner, we believe it is important for each business partner to invest more resources in the life insurance business and contribute to further growth from FY2025 onwards.

Question: Regarding results from GCL on [page 6 of presentation material](#), please explain the reason for the significant growth in 3Q of FY2024.

Kawasaki: As shown on [page 29 of presentation material](#), we recorded a profit of approximately ¥650 million from GCL results in 3Q of FY2024. The main factor was that claim payments were lower than expected. On the other hand, a look at past trends shows that on a quarterly basis, claim payments have been higher or lower, and this will continuously need to be monitored closely.

Question: Are there any bottlenecks at this point in the transition to the TSE Prime Market in FY2025?

Kawasaki: We recognize that there are no concerns regarding the formal standards, and there is no change to the schedule for transitioning to the TSE Prime Market in FY2025.

Question: As shown on [page 5 of presentation material](#), while the progress rate of the business forecast for insurance service results is 80.8%, the CSM release, which has a significant impact on insurance service results, is at a weaker level than initially expected. Please tell us your evaluation of the current situation and the sustainability of growth in insurance service results from FY2025 onwards.

Kawasaki: We are performing well compared with our business forecast. Insurance services results is composed of individual life insurance business and GCL business, which are complementary, but we recognize that there is a challenge in the growth of CSM generated from individual life insurance business. We will focus our efforts on "Rebranding" and "Tech & Services," which are the priority areas of the mid-term business plan, as we need to improve CSM balance in order to increase CSM release.

Question: Regarding CSM on [page 34 of presentation material](#), the "impact of assumption changes, etc." was negative in 2Q of FY2024, mainly due to the rise in the inflation rate and the lack of enough improvement in operating expenses ratio.

Can we expect a positive impact from assumption changes in the next review at the end of FY2024? Also, in the "impact of assumption changes, etc.," what negative factors can be expected in the future?

Kawasaki: We will refrain from answering the details about future prospects at this time. We think that the recent upward trend in inflation and interest rates may have a negative effect on assumption changes. On the other hand, we believe that mortality assumption changes have tended to have a positive effect in the past, and may have a positive effect in the future.

Question: Do you expect to see a significant revision of premium rates for GCL in the future? What are your thoughts on the sustainability of future growth in insurance services results?

Mori: The premium rate for GCL is basically reviewed once a year based on past claims payment results. In FY2023, insurance payments were much higher than expected, so insurance premiums increased significantly when the premium rate was revised in July 2024. We think it is unlikely that there will be any significant changes based on the current payment record.

In individual insurance, we are not too concerned about the sustainability of the CSM release of 5.5 billion yen and risk adjustment release of 1.1 billion yen in the first nine months of FY2024, as shown on [page 6 of presentation material](#). On the other hand, in terms of the pace of growth, we would like to make efforts to ensure solid growth in CSM, since a slowdown in new business performance in individual life insurance would affect CSM growth and the amount of CSM release in the following fiscal years and beyond.

Question: Please explain the reasons for the increase in maintenance expenses in 3Q and the outlook for the future.

Kawasaki: There are two factors: first, as a one-time event, costs related to the head office relocation that took place last November are recorded; second, as an event specific to 3Q of each fiscal year, costs related to life insurance premium deduction certificates are recorded. Since maintenance costs are not stable on a quarterly basis, we would like to see the trends on a yearly basis.

Question: Please tell us the extent to which "impact of assumption changes, etc." are expected in setting the FY2028 financial target of "annual growth rate of CE (Comprehensive Equity) per share of approximately 10%.

Kawasaki: Even if inflation and interest rates were to rise over the medium to long term, we believe that we will be able to achieve our targets.

Question: How much of a negative impact has been caused by the change in inflation rate assumptions for the first nine months of FY2024 and for the third quarter on a non-consolidated basis, respectively? Also, do you expect the change in inflation assumptions to have a negative impact on the FY2024 financial results as well?

Matsubara: Although the impact of the inflation rate is not disclosed, it has had a certain negative impact. The assumption of the inflation rate was revised at the end of 2Q and at the end of the fiscal year and was not changed at the end of 3Q. While we refrain from making definite statements about the future, we may reflect any upward trend in prices.

[END]