

August 14, 2023

Ryosuke Mori, President

LIFENET INSURANCE COMPANY

(Securities Code: 7157, TSE Growth)

Consolidated Financial Results for 1Q of Fiscal 2023 Ending March 31, 2024 (IFRS)

Insurance service results of 2,274 million yen, up 37.7% year-on-year

TOKYO, August 14, 2023 - LIFENET INSURANCE COMPANY (TSE Growth 7157, President Ryosuke Mori, URL: <https://ir.lifenet-seimei.co.jp/en/>) discloses the consolidated financial results for the first quarter of fiscal 2023 ending March 31, 2024.

The Lifenet Group (the “Group”) has voluntarily adopted International Financial Reporting Standards (“IFRS”) from the first quarter of fiscal 2023 ending March 31, 2024. The figures for the first quarter of fiscal 2022 ended March 31, 2023 and for fiscal 2022 have also been restated on the IFRS basis.

1. Overview of the financial results for 1Q of fiscal 2023 ended June 30, 2023

(1) Business results

Condition of policies-in-force

Annualized premium*¹ of policies-in-force as of June 30, 2023 stands at 24,408 million yen (101.6% of March 31, 2023). The number of policies-in-force resulted in a total of 576,852 (101.4% of March 31, 2023). Annualized premium of new business for 1Q of fiscal 2023 was 747 million yen (77.1% of 1Q of fiscal 2022). The number of new business was 18,471 (77.2% of 1Q of fiscal 2022). Surrender and lapse ratio*² for 1Q of fiscal 2023 was 6.8% (6.4% for 1Q of fiscal 2022).

*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

(In millions of yen)

	1Q of fiscal 2022	1Q of fiscal 2023	Change
Insurance revenue	4,921	5,500	579
Insurance service results	1,651	2,274	622
Financial results* ³	(293)	367	661
Other results* ⁴	(179)	(120)	59
Net income (loss) before income taxes	1,177	2,521	1,344
Net income (loss) attributable to owners of the Company	789	1,765	976

Insurance revenue for 1Q of fiscal 2023 increased to 5,500 million yen (111.8% of 1Q of fiscal 2022). The main components of insurance revenue were 2,561 million yen in expected claims and maintenance costs^{*5} (“expected claims”), 433 million yen in change in risk adjustment for non-financial risks related to extinguished risks (“risk adjustment release”) and 1,677 million yen in CSM^{*6} recognized for services provided (“CSM release”). Insurance service results increased to 2,274 million yen (137.7% of 1Q of fiscal 2022) due to actual claims incurred being lower than expected claims in addition to recording of risk adjustment release and CSM release. Financial results were 367 million yen mainly due to an increase in valuation gains from investment trusts. Other results were 120 million yen loss mainly because of recording expenses not directly related to insurance services.

As a result, net income before income taxes was 2,521 million yen (214.1% of 1Q of fiscal 2022). Net income attributable to owners of the Company was 1,765 million yen (223.8% of 1Q of fiscal 2022).

With respect to expenses related to insurance contract incurred for 1Q of fiscal 2023, 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 2,177 million yen (87.5% of 1Q of fiscal 2022). In addition, maintenance costs, which were not included in insurance acquisition cash flows, were 1,016 million yen (105.3% of 1Q of fiscal 2022)

*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 June 30, 2023 amounted to 96,968 million yen (93,814 million yen as of March 31, 2023). The major account balances were 50,090 million yen in investment securities mainly consisting of government bonds and corporate bonds with high credit ratings and 30,105 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 are negative as shown in the table below.

Breakdown of insurance contract liabilities

(In millions of yen)

Present value of future cash flows (claims minus premiums)	(146,947)
Risk adjustment	33,086
CSM	83,756
Total of insurance contract liabilities	(30,105)

Liabilities amounted to 18,968 million yen as of June 30, 2023 (18,110 million yen as of March 31, 2023), owing to an increase in deferred tax liabilities. The major account balance was 17,214 million yen in deferred tax liabilities.

Equities amounted to 77,999 million yen as of June 30, 2023 (75,704 million yen as of March 31, 2023), due to the recording of net income for 1Q of fiscal 2023.

The consolidated solvency margin ratio, one of the indicators used in administrative supervision to determine the soundness of management, was 3,289.7% as of June 30, 2023, which indicated that an adequate level of solvency capacity is maintained.

Cash flows

For 1Q of fiscal 2023, net cash provided by operating activities amounted to 1,196 million yen (63 million yen provided for 1Q of fiscal 2022) mainly due to recording of net income before income taxes for 1Q of fiscal 2023 though the increase in insurance contract assets had a negative impact. Net cash used by investing activities amounted to 508 million yen (632 million yen provided for 1Q of fiscal 2022) mainly due to acquisition of investment securities. Net cash used by financing activities amounted to 27 million yen (27 million yen used for 1Q of fiscal 2022) due to repayments of lease obligations.

Based on these activities described above, cash and cash equivalents as of June 30, 2023 totaled 12,813 million yen (12,137 million yen as of March 31, 2023).

(3) Business forecasts

The consolidated business forecasts for fiscal 2023 announced on May 11, 2023 were revised as shown below. The Group has voluntarily adopted IFRS for its consolidated financial statements from the first quarter of fiscal 2023 ending March 31, 2024. The business forecasts for fiscal 2023 are prepared based on IFRS.

(In millions of yen)

	Annualized premium of policies-in-force ^{*7}	Insurance revenue	Insurance service results	Net income attributable to owners of the Company
Previous forecasts ^{*8} (May 11, 2023)	28,500	24,900	8,200	5,300
Revised forecasts (August 14, 2023)	28,200	24,900	8,600	5,800
(Reference) Business results for fiscal 2022 ^{*9}	24,033	20,732	6,618	3,562

^{*7}: 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.

^{*8}: The business forecasts for fiscal 2023 include the impact of group credit life insurance business which started in July 2023.

^{*9}: Insurance revenue, insurance service results and net income attributable to owners of the Company are accounts based on IFRS. Insurance service results and net income attributable to owners of the Company for fiscal 2022 included the impact of the COVID-19 claims (1,378 million yen). The business results for fiscal 2022, which were announced on May 11, 2023 along with the business forecasts for fiscal 2023, were disclosed as unaudited reference. As a result of quarterly review, net income attributable to owners of the Company for fiscal 2022 was changed from 3,575 million yen to 3,562 million yen.

The forecast for annualized premium of policies-in-force was revised because the growth of business performance of individual insurance has not progressed as expected for the first quarter of fiscal 2023. The forecasts for insurance service results and net income attributable to owners of the Company were also revised mainly due to lower-than-expected insurance claim payment and reflecting financial results under IFRS for the first quarter of fiscal 2023.

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

(In millions of yen)

	Individual Insurance	Group Credit Life Insurance	Total
Previous forecasts (May 11, 2023)	25,900	2,600	28,500
Revised forecasts (August 14, 2023)	25,500	2,700	28,200
(Reference) Business results for fiscal 2022	24,033	-	24,033

2. Consolidated Financial Statements

The following financial information started to be prepared in accordance with International Financial Reporting Standards ("IFRS").

(1) Consolidated statement of financial position

	(In millions of yen)		
	April 1, 2022	March 31, 2023	June 30, 2023
ASSETS			
Cash and cash equivalents	8,801	12,137	12,813
Derivative assets	—	—	0
Investment securities	52,839	49,318	50,090
Other financial assets	1,660	954	1,063
Income tax receivable	27	37	44
Insurance contract assets	21,912	28,526	30,105
Reinsurance contract assets	854	579	473
Property and equipment	90	70	66
Right-of-use assets	363	254	227
Intangible assets	1,432	1,693	1,802
Other assets	213	243	281
Total assets	88,196	93,814	96,968
LIABILITIES			
Other financial liabilities	1,232	1,190	1,226
Reinsurance contract liabilities	93	94	121
Provisions	34	34	34
Lease liabilities	363	255	228
Deferred tax liabilities	14,352	16,248	17,214
Other liabilities	248	287	143
Total liabilities	16,324	18,110	18,968
EQUITY			
Share capital	21,655	21,676	21,676
Capital surplus	21,655	21,663	21,663
Retained earnings	24,184	27,747	29,513
Treasury shares	(0)	(0)	(0)
Other components of equity	4,353	4,600	5,132
Total equity attributable to owners of the Company ...	71,848	75,687	77,985
Non-controlling interests	23	16	13
Total equity	71,871	75,704	77,999
Total liabilities and equity	88,196	93,814	96,968

(2) Consolidated statement of profit or loss

	(In millions of yen)	
	Three months ended June 30	
	2022	2023
Insurance revenue.....	4,921	5,500
Insurance service expense	(3,195)	(3,068)
Net expenses from reinsurance contract held	(74)	(157)
Insurance service result	1,651	2,274
Interest income	74	72
Impairment losses on financial assets, net	(0)	(0)
Other financial income	(337)	320
Net investment income	(263)	392
Insurance finance income (expense)	(35)	(29)
Reinsurance finance income (expense)	5	4
Other revenue	20	15
Other expense	(199)	(134)
Other financial expense	(0)	(0)
Net income (loss) before income taxes	1,177	2,521
Income taxes expense	(396)	(758)
Net income (loss)	781	1,763
Net income (loss) attributable to:		
Owners of the Company	789	1,765
Non-controlling interests	(7)	(2)
Net income (loss)	781	1,763
Net income (loss) per share attributable to owners of the Company		
Basic	11.32	25.32
Diluted	—	—

(3) Consolidated statement of comprehensive income

	(In millions of yen)	
	Three months ended June 30	
	2022	2023
Net income (loss)	781	1,763
Items that may be reclassified subsequently to profit and loss:		
Fair value gain/loss on investment equity instruments designated as at FVTOCI	(496)	103
Insurance finance income (expense)	857	442
Reinsurance finance income (expense)	(107)	(14)
Items that may be reclassified subsequently to profit and loss	253	531
Other comprehensive income net of tax	253	531
Total comprehensive income	1,034	2,295
Total comprehensive income attributable to:		
Owners of the Company	1,042	2,297
Non-controlling interests	(7)	(2)
Total comprehensive income	1,034	2,295

(4) Consolidated statement of cash flows

	(In millions of yen)	
	Three months ended June 30	
	2022	2023
Cash flows from operating activities		
Net income (losses) before income taxes	1,177	2,521
Depreciation and amortization	141	135
Investment income	263	(393)
Other financial expenses	0	0
Losses (gains) related to fixed assets	1	5
Insurance and reinsurance contract	(1,168)	(850)
Decrease (increase) in other assets	(205)	(71)
Increase (decrease) related to other liabilities	(243)	(270)
Other, net	11	10
Subtotal	(19)	1,088
Interest and dividends income received	102	115
Interest expenses paid	(0)	(0)
Income taxes (paid) refund	(18)	(7)
Net cash provided by (used in) operating activities	63	1,196
Cash flows from investing activities		
Purchase of property, equipment and intangible assets	(54)	(172)
Used in investment transactions	(2,699)	(2,515)
Proceeds from sales and redemption of securities	3,386	2,178
Other, net	—	(0)
Net cash provided by (used in) investing activities	632	(508)
Cash flows from financing activities		
Repayments of lease obligations	(27)	(27)
Net cash provided by (used in) financing activities	(27)	(27)
Net increase (decrease) in cash and cash equivalents	668	660
Cash and cash equivalents, beginning of the year	8,801	12,137
Currency exchange in cash and cash equivalents	14	16
Cash and cash equivalents, end of the period	9,483	12,813

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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