

February 13, 2024
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LIFENET INSURANCE COMPANY
(Securities Code: 7157, TSE Growth)

Consolidated Financial Results for 3Q of Fiscal 2023 Ending March 31, 2024 (IFRS)

Insurance service results of 6,275 million yen, up 28.9% year-on-year

TOKYO, February 13, 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 third quarter of fiscal 2023 ending March 31, 2024.

The Lifenet Group (the “Group”) has voluntarily adopted International Financial Reporting Standards (“IFRS”) since the first quarter of fiscal 2023 ending March 31, 2024. The figures for the third 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 3Q of fiscal 2023 ended December 31, 2023

(1) Business results

Condition of policies-in-force

The Group launched group credit life insurance (“GCL”) business since July 2023 with the aim of expanding new opportunity for profit growth. Annualized premium*¹ of policies-in-force for individual life insurance and GCL combined as of the end of 3Q of fiscal 2023 stands at 27,872 million yen (116.0% of March 31, 2023). Annualized premium of policies-in-force for individual life insurance and GCL was 24,995 million yen (104.0% of March 31, 2023) and 2,877 million yen, respectively.

The business performance of individual life insurance is as follows. The number of policies-in-force resulted in a total of 590,097 (103.8% of March 31, 2023). Annualized premium of new business for the nine months ended December 31, 2023 was 2,063 million yen (68.1% of the nine months ended December 31, 2022) and the number of new business was 51,500 (67.4% of the nine months ended December 31, 2022). Surrender and lapse ratio*² for the nine months ended December 31, 2023 was 6.5% (6.4% of the nine months ended December 31, 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 (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)

	3Q of fiscal 2022	3Q of fiscal 2023	Change
Insurance revenue	15,277	18,087	2,810
Insurance service results	4,867	6,275	1,407
Financial results ^{*3}	(636)	276	912
Other results ^{*4}	(552)	(335)	216
Net income (loss) before income taxes	3,679	6,215	2,536
Net income (loss) attributable to owners of the Company	2,461	4,365	1,904

Insurance revenue for the nine months ended December 31, 2023 increased to 18,087 million yen (118.4% of the nine months ended December 31, 2022). Insurance revenue for individual life insurance and GCL was 16,826 million yen and 1,261 million yen, respectively.

As for individual life insurance, the main components of insurance revenue were 7,788 million yen in expected claims and maintenance costs^{*5}, 1,270 million yen in change in risk adjustment for non-financial risks related to extinguished risks (“risk adjustment release”) and 5,191 million yen in CSM^{*6} recognized for services provided (“CSM release”). Insurance service results increased to 6,275 million yen (128.9% of the nine months ended December 31, 2022) mainly due to the recording of risk adjustment release and CSM release. Financial results were 276 million yen mainly due to the recording of valuation gains from investment trusts. Other results were 335 million yen loss mainly because of recording expenses not directly related to insurance services.

As a result, net income before income taxes was 6,215 million yen (168.9% of the nine months ended December 31, 2022). Net income attributable to owners of the Company was 4,365 million yen (177.4% of the nine months ended December 31, 2022).

With respect to expenses related to insurance contract incurred for the nine months ended December 31, 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 6,473 million yen (84.6% of the nine months ended December 31, 2022). In addition, maintenance costs, which were not included in insurance acquisition cash flows, were 3,302 million yen (111.1% of the nine months ended December 31, 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 December 31, 2023 amounted to 109,728 million yen (93,814 million yen as of March 31, 2023). The major account balances were 50,890 million yen in investment securities mainly consisting of government bonds and corporate bonds with high credit ratings and 30,920 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 145,394 million yen, risk adjustment of 27,217 million yen and CSM of 87,256 million yen, which are related to individual life insurance. In addition, contracts measured under the premium allocation approach of 606 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)	(145,394)
Risk adjustment	27,217
CSM	87,256
Insurance contract liabilities related to individual life insurance: total	(30,920)
Insurance contract liabilities related to GCL (Contracts measured under the premium allocation approach)	606

Liabilities amounted to 20,116 million yen as of December 31, 2023 (18,110 million yen as of March 31, 2023), owing to an increase in deferred tax liabilities. The major account balance was 17,975 million yen in deferred tax liabilities.

Equities amounted to 89,612 million yen as of December 31, 2023 (75,704 million yen as of March 31, 2023), due to raising new capital through public offering and third-party allotment and recording of net income for the nine months ended December 31, 2023.

The consolidated solvency margin ratio, one of the indicators used in administrative supervision to determine the soundness of management, was 2,470.2% as of December 31, 2023, which indicated that an adequate level of solvency capacity is maintained.

Cash flows

For the nine months ended December 31, 2023, net cash provided by operating activities amounted to 4,761 million yen (1,176 million yen provided for the nine months ended December 31, 2022) 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 2,754 million yen (1,047 million yen used for the nine months ended December 31, 2022) mainly due to acquisition of investment securities. Net cash provided by financing activities amounted to 9,708 million yen (81 million yen used for the nine months ended December 31, 2022) due to the issuance of new shares through public offering and third-party allotment.

Based on these activities described above, cash and cash equivalents as of December 31, 2023 totaled 23,873 million yen (12,137 million yen as of March 31, 2023).

(3) Business forecasts

The consolidated business forecasts for fiscal 2023 announced on August 14, 2023 remains unchanged as shown below.

The Group has voluntarily adopted IFRS for its consolidated financial statements since 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	Insurance revenue	Insurance service results	Net income attributable to owners of the Company
Business forecasts ^{*7} (August 14, 2023)	28,200	24,900	8,600	5,800
(Reference) Business results for fiscal 2022 ^{*8}	24,033	20,732	6,618	3,562

*7: The business forecasts for fiscal 2023 include the impact of GCL business which started in July 2023.

*8: 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).

(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 (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 was prepared in accordance with International Financial Reporting Standards (“IFRS”).

(1) Consolidated statement of financial position

	(In millions of yen)		
	Apr. 1, 2022	Mar. 31, 2023	Dec. 31, 2023
ASSETS			
Cash and cash equivalents	8,801	12,137	23,873
Derivative assets	—	—	83
Investment securities	52,839	49,318	50,890
Other financial assets	1,660	954	1,051
Income tax receivable	27	37	15
Insurance contract assets	21,912	28,526	30,920
Reinsurance contract assets	854	579	479
Property and equipment	90	70	68
Right-of-use assets	363	254	137
Intangible assets	1,432	1,693	1,916
Other assets	213	243	291
Total assets	<u>88,196</u>	<u>93,814</u>	<u>109,728</u>
LIABILITIES			
Derivative liabilities	—	—	0
Other financial liabilities	1,232	1,190	1,047
Insurance contract liabilities	—	—	606
Reinsurance contract liabilities	93	94	87
Provisions	34	34	34
Lease liabilities	363	255	138
Deferred tax liabilities	14,352	16,248	17,975
Other liabilities	248	287	226
Total liabilities	<u>16,324</u>	<u>18,110</u>	<u>20,116</u>
EQUITY			
Share capital	21,655	21,676	26,617
Capital surplus	21,655	21,663	26,550
Retained earnings	24,184	27,747	32,113
Treasury shares	(0)	(0)	(0)
Other components of equity	4,353	4,600	4,315
Total equity attributable to owners of the Company	<u>71,848</u>	<u>75,687</u>	<u>89,595</u>
Non-controlling interests	23	16	16
Total equity	<u>71,871</u>	<u>75,704</u>	<u>89,612</u>
Total liabilities and equity	<u>88,196</u>	<u>93,814</u>	<u>109,728</u>

(2) Consolidated statement of profit or loss

	(In millions of yen)	
	Nine months ended Dec. 31	
	2022	2023
Insurance revenue	15,277	18,087
Insurance service expense	(10,188)	(11,377)
Net expenses from reinsurance contract held	(220)	(435)
Insurance service result	<u>4,867</u>	<u>6,275</u>
Interest income	224	272
Impairment losses on financial assets, net	(0)	(3)
Other financial income	(829)	102
Net investment income	<u>(604)</u>	<u>371</u>
Insurance finance income (expense)	(33)	(104)
Reinsurance finance income (expense)	2	9
Other revenue	31	33
Other expense	(580)	(367)
Other financial expense	<u>(3)</u>	<u>(2)</u>
Net income (loss) before income taxes	<u>3,679</u>	<u>6,215</u>
Income taxes expense	<u>(1,239)</u>	<u>(1,855)</u>
Net income (loss)	<u><u>2,440</u></u>	<u><u>4,359</u></u>
Net income (loss) attributable to:		
Owners of the Company	2,461	4,365
Non-controlling interests	<u>(21)</u>	<u>(6)</u>
Net income (loss)	<u><u>2,440</u></u>	<u><u>4,359</u></u>
Net income (loss) per share attributable to owners of the Company		
Basic	35.31	59.08
Diluted	<u>—</u>	<u>—</u>

	(In millions of yen)	
	Three months ended Dec. 31	
	2022	2023
Insurance revenue	5,251	6,321
Insurance service expense	(3,247)	(4,082)
Net expenses from reinsurance contract held	(82)	(52)
Insurance service result	<u>1,921</u>	<u>2,186</u>
Interest income	74	120
Impairment losses on financial assets, net	0	(2)
Other financial income	(289)	135
Net investment income	<u>(214)</u>	<u>254</u>
Insurance finance income (expense)	5	(46)
Reinsurance finance income (expense)	(2)	1
Other revenue	6	9
Other expense	(182)	(115)
Other financial expense	<u>(1)</u>	<u>(0)</u>
Net income (loss) before income taxes	<u>1,531</u>	<u>2,289</u>
Income taxes expense	<u>(515)</u>	<u>(683)</u>
Net income (loss)	<u><u>1,015</u></u>	<u><u>1,605</u></u>
Net income (loss) attributable to:		
Owners of the Company	1,023	1,606
Non-controlling interests	<u>(7)</u>	<u>(0)</u>
Net income (loss)	<u><u>1,015</u></u>	<u><u>1,605</u></u>
Net income (loss) per share attributable to owners of the Company		
Basic	14.68	20.01
Diluted	<u>—</u>	<u>—</u>

(3) Consolidated statement of comprehensive income

	(In millions of yen)	
	Nine months ended Dec. 31	
	2022	2023
Net income (loss).....	2,440	4,359
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Financial assets measured at fair value through other comprehensive income	(1,319)	(309)
Insurance finance income (expense).....	998	35
Reinsurance finance income (expense).....	(199)	(10)
Items that may be reclassified subsequently to profit and loss	<u>(520)</u>	<u>(284)</u>
Other comprehensive income net of tax	(520)	(284)
Total comprehensive income	<u>1,919</u>	<u>4,074</u>
Total comprehensive income attributable to:		
Owners of the Company.....	1,940	4,080
Non-controlling interests.....	(21)	(6)
Total comprehensive income	<u>1,919</u>	<u>4,074</u>

	(In millions of yen)	
	Three months ended Dec. 31	
	2022	2023
Net income (loss).....	1,015	1,605
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss:		
Financial assets measured at fair value through other comprehensive income	(547)	261
Insurance finance income (expense).....	(587)	712
Reinsurance finance income (expense).....	(42)	(20)
Items that may be reclassified subsequently to profit and loss	<u>(1,176)</u>	<u>954</u>
Other comprehensive income net of tax	(1,176)	954
Total comprehensive income	<u>(160)</u>	<u>2,560</u>
Total comprehensive income attributable to:		
Owners of the Company.....	(153)	2,561
Non-controlling interests.....	(7)	(0)
Total comprehensive income	<u>(160)</u>	<u>2,560</u>

(4) Consolidated statement of cash flows

	(In millions of yen)	
	Nine months ended Dec. 31	
	2022	2023
Cash flows from operating activities		
Net income (losses) before income taxes	3,679	6,215
Depreciation and amortization	412	455
Impairment losses (reversal of impairment losses)	—	23
Investment income	604	(371)
Other financial expenses	3	1
Losses (gains) related to fixed assets	2	5
Insurance and reinsurance contract	(3,533)	(1,660)
Decrease (increase) in other assets	(204)	(127)
Decrease (increase) related to other liabilities	(194)	(177)
Other, net	52	32
Subtotal	822	4,397
Interest received	226	233
Dividends received	134	128
Interest expenses paid	(2)	(1)
Income taxes paid	(3)	3
Net cash provided by (used in) operating activities	1,176	4,761
Cash flows from investing activities		
Purchase of property, equipment and intangible assets	(308)	(650)
Used in investment transactions	(6,946)	(14,413)
Proceeds from sales and redemption of investment	6,207	12,274
Other	—	34
Net cash provided by (used in) investing activities	(1,047)	(2,754)
Cash flows from financing activities		
Repayments of lease obligations	(81)	(81)
Issuance of new shares	—	9,789
Payments of treasury stocks	(0)	(0)
Net cash provided by (used in) financing activities	(81)	9,708
Net increase (decrease) in cash and cash equivalents	46	11,715
Cash and cash equivalents, beginning of the year	8,801	12,137
Currency exchange in cash and cash equivalents	(6)	21
Cash and cash equivalents, end of the period	8,841	23,873

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 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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